

**THE GREAT EASTERN
SHIPPING COMPANY LIMITED**
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BSE Scrip code: **500620**

Trading Symbol – **GESHIP**

Sub: Transcripts of Earnings call conducted on May 12, 2025

Dear Sir/Madam,

Further to our letters dated May 06, 2025 and May 12, 2025, please find enclosed transcripts of the earnings call held on May 12, 2025.

We request you to take the same on record.

Thanking You,

Yours faithfully,

For **The Great Eastern Shipping Company Limited**

Anand Punde

Company Secretary

Email ID: anand_punde@greatship.com



**“The Great Eastern Shipping Company Limited
Earnings Call on Declaration of its Financial Results for
the Quarter ended March 31, 2025”**

May 12, 2025



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

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

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

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

G. Shivakumar: Thank you. Good afternoon, everyone, and welcome to the conference call to discuss the results for Q4 FY '25, and also to discuss the market as we are seeing it. We will go through a presentation, as always. And after that, we will be happy to take questions from you. I have with me Rahul Sheth, who will be also answering your questions.

First disclaimer:

We are not forecasting the markets necessarily, we are just giving our views on how we think it may play out. There are a lot of uncertainties involved in the shipping business, and you should always keep that in mind.

Q4 FY '25 highlights. We had a drop in profit versus the previous year, and we will come to the main reasons for that. Our consolidated net asset value is at just over INR 1,400 per share. This is around the same level that we were at the same time last year, that is in March 2024, and we will come to that as well. We have declared the 13th consecutive quarterly dividend, and this time, it's for INR 5.40 per share.

You have seen the results, I am sure, and you've had time to absorb them. Let me just take you through to the normalized financials. 1 highlight we had was that we had an impairment on 3 of our MR product tankers that we bought in the last 18 months, as part of our switching strategy where we sold our older vessels, and replaced them with the same type of vessel, but more modern ships.

This is because we did not want to lose capacity, but we also did not want to put in a lot of capital in the market, which we felt where the prices were too high. However, the asset prices have gone down in the last 6 months or so. We applied our standard impairment test to the vessels that we bought. Out of the MRs that we bought, 3 of them had some impairment, and we have taken that impairment into our accounts, just short of INR 70 crores.

The other thing that affected the results, and you can see a big drop from Q4 FY '24 to Q4 FY '25 on both a standalone and consolidated basis was the drop in tanker earnings. You may recall that Q4 of the previous FY was when we just started having the Red Sea problem, where the Houthis were attacking ships that were passing by the Bab El-Mandeb. And therefore, ships were getting routed around Africa when they had to go from East to West or West to East. And

that resulted in a significant tightening of the market, and therefore, very good tanker earnings in Jan to March 2024. That effect has now played out some time ago and markets were quite weak.

In fact, we were expecting a reasonable recovery during the winter months of '24, '25. That did not happen. And therefore, we had significantly lower earnings than the same period last year. And that, of course, the impact has filtered through from the standalone results to the consolidated results. So, we have about a INR 400 crores drop from Q4 last year to Q4 this year.

And these are just our standard ratios. And I mentioned this already, you can see what's happened to crude tankers. We dropped from Q4 FY '24 to Q4 FY '25. We dropped by about \$22,000 a day. Product tankers also, we dropped by almost about 1/3rd from \$37,000 to \$24,700. LPG carriers, all 4 of ours are on time charters and those pricings have gone up, and therefore, our rates have gone up from \$35,500 to \$43,000. Dry bulk also dropped marginally. Again, the big impact has obviously come from the tankers.

Coming to the net asset value:

This is the standalone net asset value. Ship prices, the fleet values dropped between 15% and 20% year-on-year. And that's a negative that you see INR 176 a share, which has got compensated by the cash profit that has been earned, and we have always said this that even when you have a drop in the value of the ship, a significant part of it in a strong market is made up by the cash profits. So, that's what has happened in the last financial year.

We have, of course, also paid out a dividend of INR 35 during this period. So, we have a small drop from INR 11.27 to INR 11.15.

This is the movement in the standalone net asset value over the last 5 years, that's from March '20 to March '25, where we have gone up 2.5x. This does not take into account the dividend, which has been paid over this period, which is in excess of INR 100 a share. Again, on a consolidated basis, it's a similar picture to what we saw on standalone, except that here, the cash profit is a little bit more, and the fleet value drop is not much more than it was on a standalone basis.

Coming to what's been happening in the shipping market:

On the left side, you can see the Suezmax earnings graph, focus on the table at the bottom, where you can see that FY '24 market earnings were about \$51,600, and these are not our ship earnings. This is a market benchmark earning, which has come down to about \$44,000 a day. The Aframax saw an even more dramatic fall. Also crude tankers saw an even more dramatic fall.

MR tankers also moved down by about 20% from just short of \$30,000 a day to about \$23,400 per day. A large part of this comes from slow growth in demand, unwinding of previous inefficiencies like the Red Sea impact, which I mentioned for Q4 of last financial year.

Global crude oil demand in Q4 grew by about 1%. Chinese crude oil imports also grew slightly. They have been building stocks as far as we can see.

We had some new sanctions from OFAC, that's a U.S. sanctions authority, which tightened the crude tanker capacity. So, that's 1 factor, which we might see playing out. Every week or 2, we are getting a few more ships being added to the sanctions list.

The fleet growth has been 0 year-on-year for the crude tanker fleet. We have been saying this for some time that there are very few new ships being added currently on the crude tanker fleet. Product tanker fleet saw a growth of about 2% during the year.

Tanker asset prices during the quarter dropped by about 5%. But over a longer period of time from a year ago period, you could see product tankers dropping by about 20%, and we will see that graph and crude tankers by a little less. Order book continues to be reasonably low, especially for crude tankers.

Dry bulk earnings for Capesizes were about the same as they were in the previous financial year, while for Supramaxes, they were slightly better than in the previous financial year. The quarter, of course, was much worse than the same quarter in the previous year.

Iron ore trade has been weak in the first quarter. Again, this is a seasonal disruption that one sees in Australia and Brazil.

Coal trade has dropped significantly. The 2 large importers, which is China and India, both of these economies are producing more coal domestically and leading to lower import demand.

Global grain trade has also dropped off during the quarter. Some of it is lower soybean imports or purchases by China from the U.S., again, pending what happens with the tariffs.

Also, we have had lower wheat production from the Black Sea region, and correspondingly lower demand from China. There are also reports that Chinese grain production has been growing or at least grew last year, and therefore, import demand has been a little lower.

The bulk carrier fleet grew by about 3%, and bauxite trade has been very strong. It's been one of the few bright spots for the last few years, consistently strong growth in bauxite imports into China, especially from Guinea. The order book continues to be at very low levels, around 10%.

LPG, our ships, of course, are on time charter, so it doesn't matter much. But we have seen a huge drop in spot rates from \$85,000 in FY '24 to below \$40,000 a day in FY '25. This is because

of a reversal. The previous year, we had the Panama Canal water levels being very low, which meant that the number of transits through the Panama Canal was restricted, which meant longer ton-miles for gas carriers carrying LPG from the U.S. Gulf to Far East. That has got reversed now, and therefore, that impact has got removed from the market. The order book stays pretty solid, and we will come to that in a moment.

Coming to fleet supply:

You have an order book of about 29% for LPG ships, and you have 21% for product tankers, while around 11% for crude tankers and dry bulk.

The good news for even crude is that, that it's a little more rear-ended, especially so in LPG. So, you can see that 29% order book really delivers in 2026 and 2027. So, you can see that big green pillar there of 13.9%, that's delivering in 2027. So it's not an immediate concern. But in product tankers, we see significant deliveries this year and the next couple of years, so 5%, 7% and 7%.

Coming to the scrapping:

Obviously, when the market is this strong, there's very little scrapping going on. And so it continues to be very, very low. And we keep looking at this. There is still a lot of potential for scrapping, which will mainly kick in only when markets are very weak. At these levels, there is no incentive really to scrap ships.

Looking at asset price movements, you can see the top right-hand corner, which is the price movement in an MR tanker, and you can see that it's dropped by about 20% from the peak, which was maybe 6 months to 9 months ago.

Even for crude tankers, we have had some downward movement pressure in prices, but not as much for the product tankers. And for LPG and for dry bulk, prices continue to be reasonably firm.

In dry bulk, the Capesize values have been very firm. For the smaller ships, that's for the Kamsarmaxes and Supramaxes, prices have dropped a little bit more than for capes.

Coming to the offshore business and jack-up utilization:

While it's not gone down, the mood in the market is not very positive with all the Saudi Aramco actions, which have been happening and there is talk of even more renegotiations or cancellations.

This is the fleet supply data, which hasn't changed much. We have a very old fleet internationally, but it's not really changed much because the issue here is more on the demand side.

Coming to our repricing:

We have 2 rigs, which have already come off their previous contracts. Both of them have obtained short-term contracts in India. Both of these contracts will commence, and these contracts are between 4 months and 7 months. Both of these contracts will commence only after the monsoon period on the West Coast of India.

So, we are talking of commencement in October, November of this year. And one of them is scheduled to finish within H2 FY '26. The other one is within H1 FY '27. There are options as well, but that depends on what happens with the drilling campaign that we are part of. If required, then it can be extended.

We have another rig coming off contract sometime around December this year. We have bid into a 3-year contract in India, and we have been awarded that contract as well. So, she will come off the contract in December and do the usual work between 2 contracts and go back on to a 3-year contract, hopefully within Q4 of FY '26. Then after that, the next repricing is required only in H2 FY '27.

On the vessels front:

We only have 5 vessels that need to be fixed during this financial year. These are our 2 M-Class vessels and include our 2 M-Class vessels and our 2 150-tonne Bollard Pull anchor handlers, which are the most capable and widely marketable of our vessels, which are typically running on short-term contracts internationally, and we are okay to run them on those short-term contracts. So otherwise, 80% of our vessel capacity for FY '26 has already been locked in at profitable rates.

Coming to our financials:

This is yet another slide that we show. We are still net cash on a standalone basis. So the results of all the CAPEX that we did and the leveraging up that we did, we are awaiting opportunities to buy while prices have dropped. They have not yet reached our comfort levels, and we will wait for that to happen.

On a consolidated NAV, you can see that we are still trading at a significant discount. We also invite you to go to our website and look at all of these projects and partners that we support on the CSR front. We are very proud of this.

Also, if anybody is interested in Great Eastern's now 76.5-year history, you can look up our coffee table book on our website, which gives you a significant amount of our history.

Thank you. That brings me to the end of this presentation. We are now happy to take questions.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. (Operator Instructions) We will take our first question from Pritesh Chheda from Lucky Investments. Please go ahead.
- Pritesh Chheda:** Sir, can you go to your slide on the rigs because when you are giving out your comments, it was not audible here. Sorry for that.
- G. Shivakumar:** No problem.
- Pritesh Chheda:** We cannot see the rig slide.
- Pritesh Chheda:** So, what I understand here is that you have a repricing lined up for 3 rigs or let's say, 1 rig in the second half of this year.
- G. Shivakumar:** So, okay, let me just put it slightly differently.
- Pritesh Chheda:** How many rigs are deployed today? How many are idle for you? And what is the repricing?
- G. Shivakumar:** Yes. So we have a total of 4 rigs. So 2 of them continue to be on their long-term contracts currently, okay? Two of them have come off their previous long-term contracts. Of these 2, 1 is idling. Both of them technically are idling. 1 of them is receiving a small standby rate while idling.
- Pritesh Chheda:** Okay. 1 is receiving a small standby contract small rate or a small tenure, what is it receiving?
- G. Shivakumar:** No, no. Through this period, we received a minor rate, a very low rate, which compensates for basic expenses. So technically, you can just make some costs.
- Pritesh Chheda:** So basically, 2 rigs are deployed on long term. Another rig got deployed at a lower rate right away. And 1 rig is idle, right?
- Rahul Sheth:** Yes. Sorry, just let me clarify. So, we own 4 rigs. 1 rig is fully employed for the full financial year. The second rig is employed for the greater part of the financial year. She will come off sometime in the month of January and February. And she has already won a new contract with ONGC.
- The other 2 rigs, those 2 rigs are on shorter contracts. They will begin their contract in the month of November. But because they are short-term contracts, generally, when we price those contracts, we price in the fact that there is some idleness until the contract begins.
- So in 1 of these 2 contracts, which are short term, right, there is a standby rate during the monsoon period, which is what she was referring to. The other 1 does not have that. But when

we price the contracts with the charterer, we eventually factor in for the fact that the contracts are starting with a bit of delay, month of October, November.

Pritesh Chheda: Actually, I am more confused than what you started to answer.

G. Shivakumar: But just take that 2 are idling currently. Both of these rigs, they have received contracts, which will start only after the monsoons are over. So, they should go on hire between October and November this year. And these contracts are short-term contracts between 4 months and 7 months. 1 of them will get over in Q4 FY '26. 1 of them is scheduled to get over if there are no further extensions in Q1 FY '27.

Pritesh Chheda: Now, this is very simple. Another question here is, in the recent round of ONGC tender, why do we see a significant change in the rates?

G. Shivakumar: So, market participants take a view on, this is a tender process, right? So the number that you put in is important in deciding on whether you are successful in landing employment for your rig or not. And market participants take that into account and their keenness on landing a contract goes into the pricing, which is put into the tender. And sometimes it reflects a view of the market and the risk as well.

Pritesh Chheda: So, this is that contract, which is a 6-month or shorter duration contract?

G. Shivakumar: No, no, no. The short-term contracts are with other players.

Pritesh Chheda: Okay. So this recent win that you have, what is the duration of that contract?

G. Shivakumar: The ONGC tenders are 3-year contracts.

Pritesh Chheda: Okay. So basically...

Moderator: Pritesh, I am sorry to interrupt. May I request you to join back the queue, please, as we have other participants waiting for their turn?

Anjali Kumar: It's okay. Let him clarify first.

Pritesh Chheda: I'm yet to clarify. I am actually stuck on the first question. This is my only question. So just to recap, you will have another 2 rigs post this, which will come for repricing, which is H2, half of this year and H1 of next. So next 1.5 years, you will have another 2 rigs for repricing to be done for the longer tenures, correct?

G. Shivakumar: That's 3 rigs, Pritesh. 3 rigs. In the next 2 years, sorry, I included H2 FY '27. If you don't include that, it's in the next 1.5 years, yes.

- Pritesh Chheda:** Okay done. Thank you very much.
- Moderator:** Thank you. We will take our next question from Mohammed Farooq from Pearl Capital. Please go ahead.
- Mohammed Farooq:** Thank you. Good afternoon. Thank you for the opportunity. With the recent imposition of U.S. tariff on Chinese goods, there is growing uncertainty in the global trade flows, particularly in commodity movement and supply chain realignment. Could you elaborate on how these development might impact the shipping tankers and dry bulk segment, either in terms of trade patterns, fleet deployment or charter rates?
- Rahul Sheth:** So, you may have seen the recent announcement which just happened today declaring the lowering of these tariffs. Of course, it's for a 90-day period, and we don't know whether those rates will again change in the future. And as the tariff rate change, the way trading patterns in general will get affected and which commodities get covered in these tariffs will change. But just to have a very broad view because you mentioned crude, you mentioned oil and dry bulk. So, what we have seen is 2 things you have to keep in mind.
- You have to keep in mind the tariff rates between the 2 countries on the commodity in question. So, oil has been largely exempted from this tariff. China imposed a tariff previously on crude exports from U.S. to China. But the amount of trade that happens between these 2 countries on crude is very minimal. And that's why China could very easily find alternate buyers for that crude. China would be able to buy from other countries, and U.S. would also find alternate places to sell that. So, there is close to minimal to 0 impact on crude.
- On product trade, there is barely any product trade, if any. So, that did not get affected by the tariffs. On dry bulk also the volume between the 2 countries is very minimal. The major commodity that gets affected is soybean. We had seen that in Trump's first term.
- And basically, what happened was to just oversimplify, U.S.' exports of soybean to China basically went more to Europe. And Brazil, Argentina, which sends a certain amount to Europe, sent it to China. So, you had a realignment of the trade. And basically, the 2 countries were able to more or less evade the imposition of these tariffs. Now of course, today, we just saw the announcement before the meeting that the tariff rates have changed. And so this impact may not be there.
- Have I answered your question? Or was there a second part to it?
- Mohammed Farooq:** Yes. The main part is that shipping impact won't be huge, with these tariffs in this case.
- Rahul Sheth:** Yes. No, not at all because I gave you an implication of the general market, and second thing is one of many shipping companies that, yes.

Mohammed Farooq: Fine. Second 1 is, we understand the operating margin in shipping industry can be highly volatile, moving sharply in either direction depending on the market condition. Based on the past experience, what measures does GE Shipping have in place to protect or maximize operating profit margin in the event of an unfavorable market environment?

Rahul Sheth: So see, what you said was right that markets are very volatile. On the revenue front, the only thing you can really do is to take a time charter cover. We don't actively pursue a strategy whereby we decide that we must protect the top line by fixing out a certain number of ships. If we believe that it's a favorable decision to take a time charter cover, which means fixing out the ship for a year or 2 or 3, we may take those decisions. However, because the market can be very volatile, we do ensure that the balance sheet is strong enough to weather a market where the rates are low. And we have underinvested in this space over the last few years. So if the market does come off and the asset values do come off, we are fully prepared to invest more into this business to renew the fleet and expand the fleet.

Mohammed Farooq: Yes. Okay. Last question, sir. GE Shipping has consistently demonstrated strong margins, maintained robust cash position, and brings over 70 years of operational track record. However, the stock continues to trade at a significant discount over 40% to its net asset value and at a valuation well below peers.

While we appreciate the Management focusing on operating performance rather than the share price, could you share your perspective on why investor confidence remains muted despite these fundamentals? And are there any steps the company is considering to help narrow this valuation gap?

G. Shivakumar: So as a company, we do our best by explaining the business, either on the investor call or through our investor meetings. Eventually, it is up to the market to decide the valuation it gives any company. The stock market is full of companies, which are either overly priced or underpriced. That's how our market works. Eventually, it's up to market participants to decide what the fair valuation that they believe the company should be valued at.

Mohammed Farooq: I understand that. But GE Shipping is 1 of the lowest in the market. Is there any reason for that?

G. Shivakumar: I think you'll have to ask your fellow investors, that you can take that offline. We are not experts on that area probably.

Mohammed Farooq: Okay. Okay. Thank you. Thank you, sir.

Moderator: Thank you. We will take one text question from Jeet Gala from Centra Insights LLP.

Order book for dry bulk and product tankers are now more than the aging fleet. does it mean that if scrapping does not happen in the next 1 or 1.5 years, supply side tightening thesis for these 2 segments will be over? Because order books are catching up fast for deliveries post Cal 2026.

Rahul Sheth: Yes, no. So, you have to also keep in mind the demand side, because you have to see how that also pans out.

G. Shivakumar: Yes. And the other thing to keep in mind here is that the order book is catching up fast for deliveries. Actually, the pace of ordering has slowed down in the last 3 months to 4 months, at least for dry bulk. So, that's been a very low number for the first 4 months of calendar '25. What also happens is that you have building and deliveries of ships happening in clusters.

So the next 5 years, we will see a lot of bulk carriers turning 20 years old, because we had a big building boom in bulk carriers between 2006 and 2020. So, all of those will happen. But finally, it comes down, as Rahul mentioned, to the demand side. You still do need demand. Supply can only help you a little bit. You still need demand to be fairly positive in order to enable markets to be strong.

Rahul Sheth: And if you see on 1 of the slides that we have provided that the balance between the order book and the average age of the fleet, right, which is old, it's still skewed. I think, Shiv, you can just pull up that slide.

G. Shivakumar: Yes. This is what you have mentioned.

Rahul Sheth: Yes. We can always share that picture also. We have seen it over different time periods over the last 20 years, 25 years. We still are at a position where the order book as a percentage of fleet and the age of the fleet is still skewed, which means that this is 1 of the oldest fleets we have seen in the last 20 years, 25 years. And the order book, while rising is not still at the highest we have seen. So the 2 ends are not fully matching, especially on the tanker side.

G. Shivakumar: Yes. This is the historically high order book. Yes. So, you can see how high the order book has been in the past. But 1 more thing I'd just like to clarify here, the product tanker order book includes what are called LR2, long-range 2 tankers, which technically can trade both crude oil and refined products. So, they are the largest product tanker and the smallest crude tanker. If you find that the crude tanker market is stronger, a lot of these ships could easily move over to the crude tanker side. And therefore, they can switch between the products and crude sectors.

Moderator: Thank you. We will take the next question from Shivam Mittal from Care PMS. Please go ahead.

Shivam Mittal: Thank you so much for providing the opportunity. So, my first question is regarding the regulations like IMO 2030 and 2050. So, any update on that part? How that will impact the industry dynamics in terms of supply?

Rahul Sheth: So, I think looking at 2030, 2050 is too far out. A lot of the rules have also not been crystallized. There is 1 of the new fuel or emission rules, which are coming up in 2028, but they still need to be ratified at the IMO. So until that happens, we prefer not to speculate on that.

- Shivam Mittal:** Okay. So how it will impact in terms of supply shaping?
- Rahul Sheth:** So again, let's just see exactly how the rule gets crystallized. But the broad idea is that there will be certain costs for emissions. Eventually, it just depends again on supply and demand, right? So if, for example, just to oversimplify, let's say, there is a very highly polluting ship, right, the cost of that ship will be more than a ship which is polluting less carbon dioxide.
- And if the market is very weak, and the cost of the high-polluting ship are prohibitively high enough so that the person is not generating sufficient EBITDA to keep that ship, and the ship is very old, then the person may end up scrapping that ship. But to speculate on something that will come up few years from now, I think it is too far down the line. We even need to see whether the rules change, and in what fashion the rules come, then we will be in a better position to exactly know what happens.
- Shivam Mittal:** Okay. So the second question is in terms of aging of rigs and vessels in industry, so any idea on that aspect?
- Rahul Sheth:** Sorry, could you just clarify that question?
- Shivam Mittal:** So what will be the overall aging in terms of rigs and vessels in overall industry level?
- G. Shivakumar:** So it is a pretty old fleet and that's there. But the thing is, yes, we have that. So, you have the percentage of the rig fleet, which is more than 30 years old is 1/3rd of the fleet. So it's a very old fleet in any case, but these rigs are continuing to work. So, this thesis has not really worked out.
- Rahul Sheth:** Yes, the rig fleet has been old. We have seen this data point for the past 10 years, 15 years, 20 years. And the rig fleet has been old and as long as charters are willing to take those rigs and then they will find the market.
- Shivam Mittal:** All right. Thank you so much.
- Moderator:** Thank you. We will take our next question from Prolin Nandu from Edelweiss Public Alternatives. Please go ahead.
- Prolin Nandu:** Thank you so much for giving me this opportunity. So, Shiv and team, my question is on crude and product carriers, right? If I look at your age of fleet is somewhere close to 15, 16-odd years, right? The heuristic that I uses is that after 20 years, there is a significant decline in day rates, right, in some sense.
- Now, what I am saying is that in the past, you have mentioned that the peaks and troughs in asset prices have probably span 3.5 years, 4 years, right? That's the cycle that I has observed in the past. Now, that has not played out in the last 5-odd years, and there have been multiple disruption

in trade routes or changing in trade routes, which in a way have only aided, let's say, a longer supply or longer trade route site in some sense.

So, where I am coming from is that how do we make this age of this fleet much more younger, in some sense in an environment where the asset prices are not seeing the decline where we will probably go ahead and buy the vessels. So is there any structural change in the industry in terms of the number of years of peak and trough in asset prices?

And does that structural change lead us to change our strategy of how we look at asset prices? And once we acquire the asset, we prefer to put it on not on the long-term contract, but shorter-term contract, right, in some sense. So, any change in our strategy based on how the shipping cycle has been playing out in the last 5 years?

GS: Yes. So good question and a lot of things to unpack there. So let's look at it here. So, your main thing was if I get it correctly, what if you don't get the prices that you are looking for, is there some paradigm shift, which prevents you getting the prices that you are looking for, the ships from dropping in price? I assume something like that is what you were asking.

Prolin Nandu: Correct.

G.Shivakumar: Okay. So I is, let's take that thing. What you said is correct. Beyond a certain age, ships are not able to trade as freely, tankers, especially, are not able to trade as freely as when they are younger. And therefore, the earnings could suffer under some markets. So that's one. It's correct. Yes, we would like to have a younger fleet. We would like to have more ships in our fleet.

What we have done over the last 18 months or so is that we have the ships, which were getting over age and which we could not trade in the international market, and which we could not deploy elsewhere, we opted to sell them and replace them with ships, which are a little younger, and therefore, improving the age profile of our fleet and improving the number of ships that we could trade internationally. However, ship prices were very high. And therefore, we did not want to commit too much capital towards CAPEX at the time. So, we restricted ourselves to only doing those switches, just to maintain our capacity in the market.

So coming to the next question, which is, is there a paradigm shift in asset prices? Are they at a permanently high plateau, so to speak? And that's a prophetically bad phrase because I think that's a phrase which was used in 1928, 1929 in the U.S. for stock prices. But it is possible that they are at significantly higher prices than they've been in the past. Our preference is to wait to get the prices.

There is a lot of uncertainty with regard to the demand side. The global economy, especially with all this tariff stuff, which might be getting sorted out even as we speak. But there is a significant amount of uncertainty. We still believe that we will get the opportunities to buy the ships that we need to buy for meeting our targets for replacement and growth.

If we don't, then that is a risk for us, but we will wait and see whether we get those ships. So, we don't know whether there is a paradigm change in the way people think about pricing of ships, but we would rather wait to acquire ships at the prices that are comfortable for us.

Rahul Sheth:

And you mentioned that at some point, we shared that the average cycle time is 3 years, but that's an average. It's not like we have not seen cycle times being longer. 1 that you may remember or may be aware of is during the pre-Lehman period, where you saw cycle times of 5 years, 6 years, depending on which sector it is. And even if you go back and if you do some analysis during that period of time, asset values had gone even higher, rates were even higher.

And when you look back then and you say that, okay, was it wise to have bought at those prices? It wasn't. It was much wiser to have waited patiently for the appropriate time to have invested. And so, yes, having very long cycles in shipping is not very common, but we have seen it and we have studied it. And so therefore, we are able to at least from history, take a few lessons and be able to prepare for that.

Prolin Nandu:

Thank you so much for that. Just one follow-up on the same aspect? So you mentioned that in 18 months, you have changed the age? But I am looking at the presentation of October '23, which is right there in front of me. And in every aspect, right, in terms of fleet profile, every aspect, for all your 4 products, the ages have, on an average, went up, from 14.9 to 15.3. So see, the larger question is that are we probably willing to cut down the capacity, cut down the number of fleet that we have 38 right now on our books, because they are aging first and then when we get an opportunity, we will buy? So is it fair that, we are open to downsize first our scale of operation before we get an opportunity? Is that a fair way to probably think about it?

Rahul Sheth:

So, just 2 things to keep in mind is, 1 is that had we not done any of these switches, what would have been the age, which would have been older than the number you mentioned. So, we have arrested some of that aging.

Secondly, the number of ships we own today are 38, but we have 2 in charters. So effectively, the capacity is 40. And from October, I don't have that number in front of me, but I think you should be seeing a number of 42 ships at that point in time.

So from 42 to 40, we have dropped, which is 2 mainly on dry bulk, but on tankers, we have remained the same. Now whether it's 40, 41, 42, I think that's at a very marginal level where we are drawing a line. The idea is not to really drop much capacity from here. Although there will be a gap, because on our call on the market, you will sometimes maybe sell first, then buy, buy first, then sell, which means that in the last 1 or 2 ships, the exact numbers may not match. But broadly, the idea is not to drop significantly from here.

Prolin Nandu:

Great team. That's it from my side. Thanks a lot for these answers.

Rahul Sheth:

Thank you.

Moderator: Thank you. We will take a text question from Surendra Yadav, an Individual Investor. Please go ahead.

Referring to the notes to consolidated financials for FY '25, point 7, sub-point b, c – DSCR, the asterisk remark mentions...

G. Shivakumar: Yes. So the question is on where the point on DSCR includes effect of prepayment of borrowings and wanting to know details of the prepayment done, because there was a stock exchange filing informing that the NCD prepayment was canceled.

Yes, the NCD prepayment was canceled. The prepayments were with regard to a loan that we had taken from a bank, and we prepaid the loan. And that's the prepayment, which is mentioned in this point.

We can move to the next question.

Moderator: Next question is from Kirtan Mehta from Baroda BNP Paribas Mutual Fund. Please go ahead.

On crude tanker, what has resulted in drop in rates this quarter, while ARB trade between West and East has grown and several tankers have been sanctioned?

G. Shivakumar: Yes. So the drop is, again, because of the base. The Q4 of FY '24, as I mentioned, was very strong, because we had the Red Sea disruption and ships having to take the long route, and that set a very high base from which we have dropped. So, we are still at reasonably strong levels.

I think our crude tankers averaged 30,000 plus. But we also have the pressure of low-ish oil demand growth, and while we look at Q4 versus Q4, there is some growth, but in general, oil demand growth has been weak. And that's why we have had a general drop-off in tanker earnings between FY '25 and FY '24.

Rahul Sheth: And we have also seen that the demand in China has been a bit weak, so because the 2 points you've raised are relevant that the West, East trade is there and tankers that have been sanctioned. But we have seen some weakness in demand from the refineries in China.

We've seen some weakness in the demand in refineries in Europe as well. There is a very major refinery that has even opened up in West Africa, which used to import a lot of cargo, but they've been consuming a bit of domestic crude. So it did add a bit of weakness in this quarter.

The second point also on the sanctioning of the tankers. Yes, initially in the month of January, when a lot of sanctions did come in, it did affect the market. Now, of course, as you can imagine, this data is not absolutely clear. But from what you can gather, it shows that the sanctioned ships while initially had some impact, it seems that the crude is still moving, because there's not really been much deliveries of new tankers.

So it has given some support because we have seen in the month of April and May, the crude market becoming strong over the last few months. However, it seems that the sanctioned tankers some way or the other, the oil is able to move. So it's not like those ships have completely gone out of the market.

Moderator: Thank you. We will take a live question from Vikram Suryavanshi from PhillipCapital India Private Limited. Please go ahead. Vikram can you please unmute your microphone and go ahead with your question please.

Vikram Suryavanshi: Thank you, sir. Sir, you said that 2 ships are on in-charter. Which are the categories of these ships? And second is that since now we have limited or reduced the fleet, the in-chartering would be like a structural decision to add some of the capacity? Or these are taken just to complete a few of the voyages?

Rahul Sheth: No. So, 1 is an MR tanker. 1 is a Suezmax tanker. So, that's 1 product and 1 crude. But it's not like a structural decision. It just depends on the pricing. So whenever say, for example, if you sold a ship, and you were looking to get some more capacity, at some point, you may weigh the option between whether it is beneficial to buy a ship or in-charter a ship.

So when you are in-chartering a ship, let's say, for an example, let's say, if you are chartering a ship for 5 years or you are buying a 15-year-old tanker, which has 5 years of life left, effectively, you are getting 5 years of exposure to the market. So, then it just depends on relative pricing where the company decides is the best place to take the deal.

Vikram Suryavanshi: Okay. So, what would be the duration of these contracts?

G. Shivakumar: One was originally about 5 years. So, that has about 3.5 years to go. That's for the MR tanker. The crude tanker has about 2 years to go.

Vikram Suryavanshi: And NAV calculation, what would be the gross value in million dollar for our offshore assets?

GS: Yes, that should be between \$500 million and \$600 million. \$550 million and \$600-odd million. Yes, \$500 million to \$600 million.

Vikram Suryavanshi: Okay. And would it be possible to share what approximately share would be for rigs?

GS: Rigs will probably be about 60% plus of the value. 60% to 70% of the value.

Vikram Suryavanshi: Okay. That was it from my side. Thank you very much, sir.

Moderator: Thank you. We will take our next question from Rajesh Khater, an Individual Investor. Please go ahead.

Rajesh Khater: I wanted to understand, which are your most common routes, source, and distinction points? So basically, in case of any geopolitical developments, when will you get positively impacted and when you can get negatively impacted? I just wanted to get a sense of that. Which are your most common routes?

Rahul Sheth: So basically, you should not look at it like that. You should look at the shipping market as 1 big market because eventually what happens is ships move around and markets rebalance. So let's say, for example, if 1 of the routes because of tariffs or sanctions or whatever or demand collapse or whatever it may be, let's say, it comes down, right, the ships will get redeployed on the other routes. So eventually, the balancing happens fairly quickly. And so you should look at the market at large rather than focusing on specific routes. And shipping companies generally are not dependent on 1 route or another route. It's at the market at large.

G. Shivakumar: Just to give you an example here. 3 years ago, this Russia-Ukraine conflict started. And because of that, that disruption happened. Even though we were not participating in the trade of Russian exports to India or China, the market goes up, because of the impact of that trade and we get the benefit of that, even if we are not participants in that particular route. And that's why it doesn't matter what our routes are. And we can't even tell you what our routes are because we don't know what voyage we will do next. So, we don't have any standard routes that we fly. We are not like a liner service where we have a schedule that we would like to do. We go where we believe the rates will be best.

Rajesh Khater: But historically, like, in which country you have seen the maximum source or destination, it would have been more or less constant, right, for example in China.?

Rahul Sheth: It can vary quite a bit. But like, if you want to just take a general, like an idea, firstly, our routes will keep changing. But if you are like in the dry bulk trade, right, large part of the dry bulk trade, something like 30%, 40% of the cargoes go to China. So, depending on where they are loaded and that's a variety of countries like Brazil is very big, Australia is very big, again, for different commodities. But China is very large.

Or if you are talking about the oil trade, the Middle East, as you can imagine, is a very big exporter of oil and products, and U.S. is also a very big exporter of crude. So like that, you've got certain countries which are very large. And effectively, at some point or the other, you will have to trade in those markets. But we know shipping companies that do the oil trade and they very limited go to Middle East, because they are mainly in the Western area. But like Shiv mentioned, eventually, you don't need to do a particular trade, because the market at large will change based on how tight the market is.

G. Shivakumar: And rates will tend to equalize in different zones.

Rahul Sheth: Yes.



- Rajesh Khater:** Okay. So when you were responding about asset prices to a previous question, you mentioned that you are reasonably confident of acquiring assets for your growth targets. So, what exactly are your growth targets? Can you articulate them?
- Rahul Sheth:** So eventually, it's depending on the price levels you get in the different asset classes. So, depending on when you get the price levels that we are happy with, right, the idea is to eventually deploy all the capital into the business. It just depends on which asset comes down to the price levels we are happy with and when. And then it depends on what assets you get in the second-hand market.
- Rajesh Khater:** No, I understand that because that has been the same stance you have been carrying for last many calls. But I just heard the word growth target, which is something which I have not heard before.
- G. Shivakumar:** So if your question is how many ships do you want to be? We don't have a number specifically for that. We wish to grow. We wish to deploy our capital as much as we can into the business. So, that is our target really. So if we can grow the fleet to 50% higher than it is today, deploying all our capital, we will be happy to do so. But it's a question of having as much capital as possible employed into ships at good prices.
- Rahul Sheth:** Because ship prices, depending on what you buy, they can vary from \$10 million, \$15 million to \$50 million, \$60 million. So, that's why the number of units that you have in the water can vary widely depending on which asset class you end up buying.
- Rajesh Khater:** But have you pondered...
- Moderator:** I request you to join back the queue, please, as we have other participants waiting for their turn.
- Rajesh Khater:** Yes, I can, just on this point, and I am not asking a new question. So, have you pondered that whatever savings you have made in waiting for lower asset prices, and you have been waiting for more than 3 years now. So, have you not given up equivalent or more profits by selling your assets quite early in the cycle, and by being very low in your assets for the last 3 years or 4 years?
- Rahul Sheth:** See, if you look at the last probably 18 months, right, any asset that we would have bought would have probably been between a 0 to negative return if we had bought incremental assets. So, you've actually been much better off waiting on the sidelines than investing it.
- Rajesh Khater:** Even considering the earnings that you would have generated?
- Rahul Sheth:** Yes. If you have seen in the NAV calculation for this year, you've seen that you've generated a lot of cash, but you've also had a correction in asset values.
- G. Shivakumar:** Which is a zero return.

GS: Which is broadly even-Steven. That's at a macro level, but then you can boil it down to individual asset classes as well. Yes, your point is valid that if you had bought 3 years ago, with hindsight, if you had bought 3 years ago, we would have been better off. With the same hindsight, buying 1 year ago would not have been a great decision. So it's tough, tricky to know where you are in the cycle at any point in time.

Okay. Fine I will come back in the queue. Yes, thank you.

Moderator: Thank you. We will take our next question from Himanshu Upadhyay from BugleRock PMS. Please go ahead.

Himanshu Upadhyay: First question was on MR tanker side, where on the 3 tankers, we have taken a write-off. What would be the amount of write-off in percentage terms on the overall fleet? And after this write-off means the ships would be now at the current market prices. How are you looking at the segment now? Because from whatever we have purchased, there has been a significant or, let's say, 10% to 12% type of write-off. Is now the market more interesting? Or it still remains far off from where we decided to have a replacement of the older vessels?

G. Shivakumar: Yes. First, just to clarify, you wanted the impairment amount as a proportion of the total of these 3 ships or proportion of the total? It's less than 10%? First, it's less than 10% of the original cost, okay? So that's one. The second is it is not necessarily written down to market value. It is written down to the higher of market value or the value in use, which is basically the NPV of the future cash flows, where you do an assessment based on certain assumptions, et cetera. So it's written down to whichever is the higher of the 2. So, that's on the impairment calculation.

And then you had something on the values of today. What was that?

Himanshu Upadhyay: No. So my question was, we decided at those price points that we wanted to replace the older fleet, okay?

G. Shivakumar: That's correct.

Himanshu Upadhyay: And with the 10% type of correction, approximately, okay, is the market much more attractive? And does the market sense still to replace only or you would like to even go for expansion now after this is corrected.

Rahul Sheth: One thing to just note is the market has risen a lot. So and actually, the correction from the peak is a little bit more than 10%. Depending on the asset class, it's between 10% to 30%, depending whether you look at dry bulk or crude tankers or product tankers. But still, the prices are still very high from a historical context. The other thing also to keep in mind is that just to clarify on the impairment, right, is that we did sell a ship against this purchase.

So what happens is when you sell a ship, had we not sold that ship, that ship also would have come off in the price. So while the ships that we bought have come off in price, you basically saved the money on the ship that you sold today. So they somewhat balance out. But today, we still feel like the prices are relatively quite high.

Himanshu Upadhyay: But can we continue with the replacement strategy? Or do you think that is done for now what we were doing?

Rahul Sheth: No, I think we largely still would like to follow the replacement strategy, because like I mentioned earlier on the call, we don't want to drop capacity substantially from here. The timing may vary a bit between when you sell first or buy and then so there could be a gap for a few months. But broadly, we do not want to drop capacity.

G. Shivakumar: And just to clarify, replacements could come from long-term in-charters as well.

Himanshu Upadhyay: Okay. And historically, the thought process was the level of assets cheapness or expensiveness will decide on the basis of what the historical average charter rates have been in the last 10, 15 years. Are we still following a similar thought process or there has been some change in thought process?

G. Shivakumar: Himanshu, no, it was not based on the average charter rates. It was based on how we see the asset prices in a historical context, just asset prices themselves in a historical context.

Himanshu Upadhyay: Okay. Okay. And in terms of the 3 segments, how are you looking at the market now? Attractiveness or still you find all the 3 categories...

G. Shivakumar: You mean in terms of attractiveness for investment?

Himanshu Upadhyay: Yes.

G. Shivakumar: On a historical context, dry bulk is probably lower than the others. LPG is off the charts still in values. And dry bulk is a little lower than product tankers and crude tankers in historical terms.

Rahul Sheth: But asset values are still expensive basically across the board.

Himanshu Upadhyay: Okay. And 1 thing...

Moderator: Himanshu, can I request you to join back the queue, please. Thank you. We will take a text question from Amit Khetan from Laburnum Capital. First question is, how much further would prices need to correct for us to be comfortable to take fresh capital allocation call between the various segments, where are we closest to pulling the trigger?

And the second question is the offshore earnings in Q4 were quite strong. How many rigs were operational in the quarter gone by?

Rahul Sheth: So firstly, we don't give an exact number on when at the price level at which we will invest. But like Shiv just mentioned, the dry bulk is historically cheaper than the tankers. So maybe it's the closest to our purchase prices, although not there yet. And then offshore...

G. Shivakumar: Yes, so the rigs which were operational, so 2 rigs were fully operational during the quarter. 1 of them was operational for part of the time. And the fourth one, we had a contract cancellation that we mentioned last time for which we received a compensation in Q4. And therefore, the earnings were reasonably strong. So in effect, we got income on even the vessel, which had its contract canceled. And that's why the offshore earnings were quite strong.

Moderator: Thank you. We will take the next text question from Surendra Yadav, an individual investor. Has the redemption of preferred shares issued by Great Ship India to GESCO started, understanding this would happen over 4 years starting this FY?

G. Shivakumar: Yes, it has started from this year. So we have already had that first installment last month.

Moderator: Thank you. We will take our next live question from Srikar Sai, an individual investor. Please go ahead. Srikar, please unmute your microphone and please go ahead.

Srikar Sai: Yes, sir. It's regarding our offshore drilling contracts. So if we look at the day rates like 1 year back and now, they have come down substantially, all the way from like \$80,000, \$85,000. They are now hovering around \$35,000, sir. So what has changed so much in this 1 year that the day rates have fallen so much, sir?

G. Shivakumar: Yes. The big factor which happened was the Saudi Aramco actions of about a year ago where they canceled contracts. I think the latest count is for some 24 or 25 jack-up rigs, which obviously had a big impact on the availability. It had an impact on the market psyche as well.

Till then the markets were in recovery mode and going at very profitable rates similar to those that you mentioned. So once that happened, then there has been obviously some concern about the direction of rates. And therefore, the keenness to get contracts has affected the day rates which are being earned by jack-up rigs.

Srikar Sai: Sir, my second question is regarding like last 3 to 4 months, we have seen like India Energy Week and also we have seen Indian government passing our oilfield amendment bills have had an impact. So do we see any enthusiasm from like the government players like ONGC, Oil India to drill more like in the coming future, like not now, but maybe like 6 months or 1 year down the line, going back to the drawing board and trying to do the seismic data for whatever the fields they got in the OALP Round 9, and also Round 10 has been launched recently. So are we seeing any enthusiasm from that side, sir?

G. Shivakumar: Yes. So we will come to know significantly later. We think there is enthusiasm. We have actually landed contracts for 2 players and this is not ONGC. The 2 short-term contracts which we have got for our 2 rigs, the Chetna and the Chaaya are both for non-ONGC contracts. So hopefully, it means that the market is widening with more players coming in. Let's see how.

Rahul Sheth: And just generally for your understanding, when they do these rounds of auctions for the blocks, a lot of these surveys get done, then they map out where to drill, how viable is it to drill. And then based on that, they come out with a plan of how many rigs 1 would need to employ. Now that will all take a bit of time. So as of today, we will not know exactly how the demand picture will pick up, based on all these auctions of all these blocks.

Srikar Sai: Got it. Thank you, sir. That's it from my side.

Moderator: Thank you. We have a text question from Kirtan Mehta from Baroda BNP Paribas Mutual Fund. One more follow-up. How do you see crude supply changing over this year and consequent impact on crude tanker rate? Do we expect West to East trade grow as tariff discussion progress? And we will see more ships getting sanctioned as well as gets locked in shadow trade on Iran and Venezuela.

G. Shivakumar: Yes. So crude supply already OPEC has announced that they're going to push up quotas by about 400,000 barrels a day in June, 2 months in a row, which means that's 800,000 barrels a day more of supply coming into the market. Also, we are seeing Atlantic Basin supplies coming in U.S. and Guyana and Brazil. So there is a significant amount of supply coming into the market, which is great for crude tankers. It's very positive for crude tankers, because the more oil there is to carry, the more business there is for crude tankers. Rahul had mentioned earlier on this tariff discussion, there is not that much of trade between U.S. and China on crude oil.

However, the 1 thing that you could have is that U.S. exports more crude oil to Asia, which might include India as well as part of a trade deal. But again, this is all in the realm of speculation. But in any case, the growth in demand was coming from the East. The growth in supply ex-OPEC was coming from the Atlantic Basin. And therefore, it was always likely that there would be a West to East trade growing.

Coming to the final question, which is on more ships getting sanctioned and getting locked into the shadow fleet. Yes, one of the effect you could have of these renewed OPEC sanctions and various, yesterday, U.K. also announced some sanctions on some ships, is that those ships are unable to trade or at least unable to trade efficiently, and therefore, need to be replaced by other vessels, which are currently not the subject of sanctions, and that could be a positive.

So you could see more vessels going into those trades from the currently legitimate fleet, which is not sanctioned. So that's a possibility and including in the Russian trade as well, not just Iran and Venezuela.

Moderator: Thank you. We will take a live question from Prolin Nandu from Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu: Hi. Thank you again for giving me this opportunity. My question again is on the capacity addition right that I previously discussed. Now traditionally, our view always have been to probably rent out more of our vessels on a spot market, because we want to capitalize on changes in geopolitical things or any supply disruptions.

Now again, , how much does our preference for spot market influence the price at which we want to buy any new ship? Hypothetically, in case if we decide that we want to probably change the strategy from spot to more of a contractual freight of an agreement going forward, does it up the value that we have in mind for any vessel to be added in our fleet? Is the relation that I am thinking about, is it valid? Is it how you guys also think about adding any new vessel in your kitty?

Rahul Sheth: So our base position, like you said, is to prefer the spot market versus the time charter market. 1 thing you should know is that time charter market, generally you are fixing for maybe a year, 2, 3 years. The ship may have a life of 10, 15 years, right? So it's not like you are covering up all your case.

And basically, the simple answer is that the price level at which we buy the ship and the decision to whether to remain on spot or time charter are not linked. So it's not like as if we follow time charter market, we could up the price and start buying at a completely different level.

Prolin Nandu: Understood. Thank you so much. Sorry, sorry, go on. I am sorry, please.

G. Shivakumar: Yes. So what happens here typically is that you could put out on time charter and say, and I think the point you are making is that you can go to a higher price when buying because you are able to lay off some of that risk by chartering out at a higher level. What tends to happen is that extrapolation of rates happen for much longer than the time charter period.

And so you are paying much more. Let's say, you are paying just as a number, you may be paying a \$10 million premium, but only recovering \$5 million of that in the charter period. So you are still open for the remaining part of the excess that you have paid for the ship. So that's not something really that we do, which is to buy at a high price and try to fix out. It's something that you can do in a small way.

Prolin Nandu: Understood. Very clear. Thank you so much.

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



- Gaurav Jha:** First, thanks for the opportunity. First, I would like to make a suggestion. Sir, can you please provide a few account on the upcoming quarters so we can analyze them in more depth. And second is...
- G. Shivakumar:** Sorry, I didn't get your question. We lost you in between. Could you please provide what?
- Gaurav Jha:** Sir, can you please **(Audio Distortion) (1:14:08)** to account from the upcoming quarters?
- Moderator:** I'm sorry, Gaurav, you...
- Rahul Sheth:** Gaurav, I am sorry. That is very unclear. We can't hear the question. Maybe you can put it in the text in the...
- Gaurav Jha:** Okay. Okay, sir.
- Rahul Sheth:** Okay. Thank you.
- Moderator:** Gaurav, you can post your text question on the Q&A tag. Yes. Thank you.
- We will take a text question from Vinay, an individual investor. Can you please provide a breakup of the cash and cash equivalents by instrument and currency?
- G. Shivakumar:** Yes. So about a little over 50%, about 55% of our cash is in U.S. dollars, the rest is in rupees. U.S. dollars are just in bank deposits. They just sit in our bank. The rupees are typically about 1/3rd of it is in bank deposits, the rest is in mutual funds, typically debt mutual funds.
- Moderator:** Thank you. We will take a text question from Surendra Yadav. What's the breakup of spot versus time charter across 4 shipping segments, inclusive of in-chartering done via IFSC? Also, please share the tentative breakeven rates for each segment.
- G. Shivakumar:** Yes. We don't share breakeven numbers for each segment, but we can look at the spot versus time charter. The 1 outlier in this is that our LPG carriers, we have 4 of them, all of them are on time charter. The other 3 sectors of shipping, that is crude products and dry bulk, crude and products tend to be much more on the spot. So you would have typically 90% of the capacity in crude on spot, maybe 80% of the capacity in products on spot. And in dry bulk, maybe it will be a little bit lower at maybe 60% to 70%. So that's the breakup.
- Moderator:** We will take a live question from Rajesh Khater, an individual investor. Please go ahead.
- Rajesh Khater:** Yes. Sir, just wanted to understand the valuation metrics in the shipping industry. I don't want to talk about the stock prices, but theoretically, if you have to sell your company today, would you be happy if you get the NAV price? Or if you have to acquire another shipping company,

would you be okay to buy the target company at its NAV price? So how do you think about valuation when you are making a deal of another company or of your own company?

G. Shivakumar: Yes. We have never done a deal for a company so far. We only know how to buy and sell ships. So we have never looked at how companies are valued really. So it's tough to say. As I said, we are not stock market experts. What little capabilities we have are in the shipping space of buying and selling ships. So we really don't know how valuation is done in the stock market.

Rajesh Khater: No, no. So I am not even talking about the stock market, but if a big investor comes and offers you the NAV of your company, would you take it?

G. Shivakumar: It's a hypothetical question, which we haven't thought about, frankly.

Rajesh Khater: Okay. Okay. And what has been your company's insurance policy? So in case of any adverse situation, will you have to take any hits in your P&L?

G. Shivakumar: No. Our insurance covers us for various, so we have a few different types of insurance. 1 is Hull and Machinery, which covers the ships themselves. And P&I is Protection and Indemnity, which is like a third-party insurance, including for the people. So between these, they cover pretty much most eventualities that can happen for a ship.

Rajesh Khater: Okay. So, you have some uncovered risk when you say most?

G. Shivakumar: Typically, deductibles, things like deductibles.

Rahul Sheth: Yes. Others, we have covered.

G. Shivakumar: Yes, we have covered.

Rajesh Khater: Okay. Okay. And I missed the opening commentary. So can you repeat whether the rigs getting fresh contracts are at higher rates or lower rates? I put it in the text question also, so you can just answer it here.

G. Shivakumar: Yes. The long-term contracts are at lower rates. That is the 3-year contracts are at lower rates than the previous contracts, which are awarded maybe a year ago. So the short-term contracts are about the same level as they were maybe a year ago. Yes.

Rajesh Khater: Were you not positive about the rigs getting repriced at a higher rate in your commentary a few quarters ago?

Anjali Kumar: Mr. Khater, if I may interrupt. You can have a look at when we put up the transcript on the website so that we can save time for other questions.

G. Shivakumar: Yes. So just...

Moderator: This question has already been answered, yes.

G. Shivakumar: Yes. So we just had this thing a few quarters ago, the markets were looking positive till around this time last year, till we had those significant cancellations by Saudi Aramco. So that's the simple thing. We changed the nature of the market.

Rajesh Khater: Okay. Fine. Thank you.

Moderator: We will read the text from Gaurav Jha, an individual investor. Sir, firstly, thanks for the opportunity. I would like to make a suggestion regarding notes to accounts. Kindly add the same from next quarter results since it will corroborate us. Inventory turn days are increased by 16 days. Any specific reason? And third is in cash flow, what is WTDL from bank and deposit in bank?

G. Shivakumar: Sorry, WTDL from banks, are we talking of working capital loans? We have no working capital lines. I don't know what WTDL is. I assume it's something to do with working capital lines. We don't have any working capital lines. We only take long-term debt. Or rather if we have working capital lines, it's only for, say, currency or derivatives contracts. Inventory turn days is not a metric that we track at all. So I can't comment on that. And notes to accounts, we have the notes which come always. And in any case, we will have them in the annual report as well. We will see if it adds value, and we will see if we can. But I have not fully understood that. Maybe we can take a look at that.

Moderator: We will take a text question from Surendra Yadav. Are the AHTSV capable of being deployed in other territories like North Sea, where demand is much higher than supply currently?

Rahul Sheth: Firstly, I don't think the demand is much higher than supply in the North Sea. In the North Sea, what happens is you get shorter-term contracts. The market is very volatile there. So sometimes you may see that the rates are higher. But what happens is the utilizations are lower because the contracts are shorter duration. So then you have to equalize it on 100% utilization for the year. So we do, do that calculation across different markets. And our AHTSVs are deployable not only in the North Sea, but in other markets as well, but the...

G. Shivakumar: The typical North Sea AHTSV is larger than ours. Ours are 150-ton Bollard Pull. Typically, the requirement there is at least 180 to 200. There is a market probably for the 150s, but the most common AHTSVs in the North Sea are larger than ours.

Rahul Sheth: Yes. But we have vessels which are deployed outside India as well. So we do look at other markets as well.

Moderator: Thank you. We will take a live question from Shivam Shah from Impact Wealth Advisors. Please go ahead. Shivam can you please unmute your microphone and go ahead with your question, please.

Since there is no response, we will take the text question from Vinay. Is there cross-usage potential of product tankers into crude tanker market and vice versa? Product tanker order book is increasing faster than crude tanker order book. Also, how to do propose to play this demand-supply dynamic?

Rahul Sheth: So this is possible. So Shiv had earlier mentioned also on the call that the LR2 vessels, which make a large part of the order book, basically, they're just quoted Aframax tankers and Aframax tankers carry crude. So you can basically take a product tanker and load crude, and then the supply of the crude tankers increases. It can happen on the other side as well. But crude is a dirtier cargo than products. So you often entail some waiting time and cleaning costs of the tanks, so that they are in a condition to carry products, because the cleaning standards are higher.

We have certain ships that can actually switch between the 2 segments. And depending on our views on the market, we have at time switched between the 2. We have the ships that are capable of doing so. And basically, what happens is that the market at large. So if say, for example, you see the product space being significantly stronger than the crude tanker space, you will see many ships cleaning up and trying to carry products and vice versa, and then eventually, markets do end up somewhat balancing out.

Moderator: We will take a live question from Shivam Shah from Impact Wealth Advisors. Shivam, kindly unmute your microphone and go ahead with your question, please.

Shivam Shah: So regarding the new asset acquisition, you mentioned that you are waiting for the correct price to come. So what are the fundamental reasons that are keeping the asset price this high and what are the reasons that will cause the price to correct?

G. Shivakumar: So earnings have been quite high, and that is what is keeping prices high for now. So along with earnings being high, there are people who are wanting to buy also, and that is keeping prices from dropping a lot. So that's what is keeping prices high now.

What can bring these down, there are typically 2 things that stop hot markets or strong markets. 1 is demand not keeping up, and the other is too much of supply of vessels. The order book is building up. It's not a big amount, but it is building up, especially for LPG, maybe a little more for product tankers as well. And that can cause some imbalance in demand supply, and therefore, bring the markets down. If earnings come down, the next thing which happens is that, that also pulls down asset prices. So that is what we are waiting for.

On the demand side, you have significant uncertainty on economic growth happening. And if that continues, then you could have lower earnings, and therefore, lower asset prices, which will give us an opportunity to buy.

Shivam Shah: Okay. Just a follow-up question to this. Is there any target return on asset that you wish for before acquiring any particular ship?

G. Shivakumar: We would like to make at least a 10% IRR on the ships that we buy in U.S dollar terms. Yes.

Shivam Shah: Thanks.

Moderator: Thank you. There is a text question from Rajesh Khater. Why are you not following the spot policy for LPG carriers? How is the LPG market fundamentally different in this aspect?

Rahul Sheth: No, it's not that it is fundamentally different. But basically, we took a call on the levels at which the repricings were at. And actually, if you look at it, we priced all these contracts in the first half of Cal 2024. And if you see how the spot market has actually behaved versus the contracts we fixed at, they've been substantially lower. So eventually, it just comes down to the pricing of the contracts that you get.

G. Shivakumar: It was a market call that we took. Yes.

Rahul Sheth: Yes.

Moderator: Thank you. We will take a last text question from Karan, an individual investor. What is the reason for so much fall in crude carrier and dry bulk spot prices? Will it improve in near future?

G. Shivakumar: Again, as Anjali had mentioned earlier, we have discussed this in our presentation, and we have given the reasons for the drop in rates. So if you could just go back through those, then you will have the answers to the question.

Moderator: Thank you. As there are no further questions, I now hand over the call to Ms. Anjali Kumar for closing comments. Over to you, ma'am.

G. Shivakumar: Sorry. I can see a text question there, which has just come up. What's the basis of assumption of ship revenue rate in NAV calculation?

We don't assume a revenue in the NAV calculation. The NAV calculation just replaces the book value of the ship with the market value of the ship, and that's it. So if we had to sell the entire fleet today, what is the amount that we can realize divided by the number of shares.

- Moderator:** And sir, we have one more text question. It is from Surendra Yadav. What has been company's experience with Chinese carriers? Are the operational costs higher than similar ships from Korean or Japanese yards?
- Rahul Sheth:** So you should just know that now China has become like the largest builder in the world by a substantial margin. In China, you've got very high-quality yards with the operational costs will not really differ. But the lower quality yards in China could have more operational cost than the Korean Japanese yards. And of course, our company, if we buy Chinese carriers, Chinese built ships, they will tend to be always at the best of the yards.
- Moderator:** Thank you. There's one text question from Rajesh Khater. Have you lowered your IRR expectation to 10%? Earlier, you used to mention 15%, if I am not wrong.
- G. Shivakumar:** Yes, that's correct. We have not lowered our expectations, but we realize that 15% is a very high bar. And therefore, we have kept this as a bare minimum that we would like to see as they are.
- Moderator:** There are no more text questions, sir, or live questions.
- G. Shivakumar:** Yes. Thank you.
- Rahul Sheth:** Thank you.
- Anjali Kumar:** Thank you, everybody, for joining in today and asking all your queries. In case any of you have any further questions or you feel your questions were not answered today, do feel free to reach out to us, and we will be happy to help you with them. And the transcripts of this particular call will be uploaded very, very shortly. So thank you all again for joining.
- Moderator:** Thank you, members of the Management team. Ladies and gentlemen, on behalf of GE Shipping, you may now exit the meeting. Thank you for joining the call today. Thank you.