THE GREAT EASTERN
SHIPPING COMPANY LIMITED
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Our Ref.: S/2025/JMT

August 06, 2025

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BSE Scrip code: **500620**

Trading Symbol **– GESHIP**

Sub: Transcripts of Earnings call conducted on August 01, 2025

Dear Sir/Madam,

Further to our letters dated July 25, 2025 and August 01, 2025, please find enclosed transcripts of the earnings call held on August 01, 2025.

We request you to take the same on record.

Thanking You,

Yours faithfully,

For **The Great Eastern Shipping Company Limited**

Anand Prabhakar Punde
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“The Great Eastern Shipping Company Limited Q1 FY 2026 Earnings Conference Call”

August 01, 2025

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

Moderator: Ladies and gentlemen, good day, and welcome to The Great Eastern Shipping Company Limited Q1 FY '26 Earnings Conference Call.

As a reminder, all participants' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*," then "0" on your touch-tone phone.

Please note that this conference is being recorded.

I now hand the conference over to Mr. Shivakumar, Executive Director and CFO. Thank you and over to you sir.

G. Shivakumar: Thank you. Good afternoon, everyone, and welcome to the Quarterly Earnings Call for Q1 FY '25-'26.

I trust you had a good look at the results which came out last evening. So, we will do a quick run through of the Results and what led to those Results and after that we can have Q&A.

Mr. Rahul Sheth is here with me, and we will be happy to take questions after that. Customary disclaimers apply.

Our consolidated net asset value is up slightly quarter-on-quarter as a result of the earnings accrual to the cash balance. The net profit while down significantly versus a year ago is up versus Q4 FY '25. And we have declared the 14th consecutive interim dividend this time at Rs. 7.20 per share, representing a payout of about 27% on standalone earnings.

I am not going to go through the numbers here because I am sure you had time to go through them since yesterday. Just here we have the standalone net asset value at the bottom, which is at Rs. 1,120 per share, down from Rs. 1,181 a year ago, which is of course due to the drop in the values of assets, but up from March, up slightly from the March number.

This is what happened and this is what resulted in those numbers. So, you see, Q1 FY '25 we had the crude tankers averaging $46,000 a day, which is down to $33,800 in Q1 FY '26. The product tankers averaging $37,000 versus just under $25,000. So, that's a huge impact that we had. Of course, our LPG ships got repriced upwards and therefore there's an improvement from $36,700 to $43,800. The bulk carriers as well went down from about $18,000 to just under $15,000.

But versus the immediate preceding quarter, we had some slight improvement, $31,000 on the crude tankers went to $33,000. The product tankers were about the same. LPG again continuing on charter and therefore the same. And dry bulk improving slightly as well. Along with the rates coming off, we also sold a few ships last year, so that also resulted in some reduction, not in the rates but in the earnings on an absolute basis.

Standalone net asset value, of course, has been going up, though since March last year it's now been stagnant. So, we had mentioned this earlier that while asset prices can drop and therefore interrupt the growth in net asset value, earnings are quite strong and the earnings growth and the cash accrual due to earnings sometimes compensate for the drop in the value of the ships themselves. This is the factors that led to the change in the net asset value. Similarly, for the consolidated NAV, where you have a small drop in the consolidated NAV.

Let's look at what happened in the shipping market:

So, you had the Suezmax earnings coming off from last year. And this is market earnings and this is the market benchmarks are not necessarily reflective of exactly what the ships are doing. You also have the MR earnings coming up about 40% year-on-year.

Now what led to this? The dirty trade, which is a crude tanker trade, was flat year-on-year in the 1st Quarter. And which means that demand basically has plateaued. And while you did not have too much of any addition of fleet, it still made the markets a little softer. You would remember that last year, we had the impact of the Red Sea closure, which happened in December '23, so those effects lingered through the first half of Calendar '24. And that is why the rates were exceptionally high in Q1 of FY '25, which is normally, Q1 is normally not a strong quarter for tankers. And therefore, that was an unusual quarter, and we came off from those numbers.

The product trade also was flat year-on-year, but mainly the long-haul trade, which is from East to West, the Eastern refineries exporting to the European Union remained flat. And therefore, you had weak demand, while you had the fleet growing by about 3%. Again therefore, the rates remained quite poor.

Asset prices remained flat during the quarter, maybe about 5% down for older product tankers. But on a year-on-year basis, we are talking of 30% plus drops in product tanker values, especially at the slightly older end. The order books have been building up in the last couple of years. It’s still currently at 12% and 20% for crude and product tankers, respectively.

Coming to dry bulk:

We had a slightly weaker quarter than the corresponding quarter in both the capes and the sub-capes. And basically, we have the coal trade declining that was a major, major reason for the weak dry bulk trade demand and therefore rates. Iron Ore trade picked up slightly but that was not enough to offset the global grain trade decline which affects the smaller vessels more, that is the sub-capes. And bauxite continued its strength through the 1st Quarter and that grew 19% year-on-year. The bulk carrier fleet year-on-year grew about 3% and the order book still remains only at about 10% to 11% of the fleet.

LPG:

Our four ships of course are on the time charter market. Earnings were down but still at pretty strong levels. So, we are still looking at $40,000 at the end of the spot market. The trade grew and this is one trade that has been growing very strongly, but you also have the fleet growing and you have a very, very significant order book at 30%.

Looking at fleet supply:

As I mentioned, the order book hit bottom in 2023 or so for tankers and it has been picking up since then. So, you are now at 20% for product tankers and 12% for crude tankers.

Looking at scrapping:

Of course, with these earnings and the earnings even in dry bulk have been pretty decent. It more than covers operating expenses and even if you have to do a dry dock in that year, and therefore the scrapping has been very minimal. And you can see that in the numbers for the last four or five years we have seen basically no scrapping at all.

Looking at asset prices:

As I mentioned they have been sort of range bound, a little bit of movement in the last three months, maybe 5%, up to a 5% drop in product tankers and bulk carriers for the slightly older and smaller vessels.

Coming to the oil field services business:

We have the standard data and we have our rigs. All of them have got contracts, which is what we had reported in the last quarter. Two of our rigs, that is the Chetna and the Chaaya, have got short-term contracts, a four-month contract and a seven-month contract, both of which will start after the monsoon, so we are talking of October, November, December. And they will do the short-term contracts in India.

We have got another rig coming off contract that is Chitra, coming off contract around December. She has already landed the next three-year contract and after doing the work between the contracts, she will go back on to a new contract. Currently, the Chetna and the Chaaya are waiting for their contracts to start. We have a very small standby rate on the Chetna and we are idling and not receiving any payment for the Chaaya.

On the vessels front:

All our vessels are more or less fixed through the year. Out of our 19 vessels, four are operating in the spot market on short contracts. And these are the most capable vessels which we have decided to operate on the spot market or on short-term contracts. And those vessels will continue to operate typically on the spot market unless we get a contract which we believe compensates us at a reasonable level. So, we have the vessels essentially fixed through most of the year and the rigs also fixed. But we will have repricings starting in early 2026.

This is the standard slide on debt equity. We have now net cash of about $600 million on a standalone basis. In the group, we have net cash of about $700 million, including the subsidiaries. And the share price to consolidated net asset value remains at just about two-thirds, so we have a one-third discount.

And finally, something that we are proud of which is the foundation which works in the CSR, social sector. We are partnered with many NGOs, and we have hopefully helped to transform many lives.

Thank you and now we are happy to take questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Mohammed Farooq from Pearl Capital. Please go ahead.

Mohammed Farooq: Thank you. Good afternoon. Congratulations on the solid set of numbers this quarter. Given the improving spot rates as seen in the dry bulk index, the evolving tariff environment under Trump and the expected trade rerouting due to both tariffs and ongoing Russian sanctions, how do you see Q2 shaping up? Do you anticipate this next quarter's performance to be stronger than Q1 or broadly in line based on these developments?

G. Shivakumar: We can tell you what rates are like today. We do not make a forecast, but this is what is happening currently. Currently, rates for bulk carriers are better than they were in the last quarter, let's say, in Q1. For tankers, it is more or less the same as where it was in the last quarter, maybe marginally higher. So, that is where we are today. Again, to be clear, we have only finished a month of the quarter. So, this could easily change. You know the nature of our markets; there are very big swings that happen on a daily and weekly basis. So, we will not hazard a guess as to whether the quarter will be better or worse.

Mohammed Farooq: So, what about the demands regarding the trade issues in re-routing because of these tariffs, is there a demand increase on that because of that?

G. Shivakumar: No, not really. There is no trade re-routing because of the tariffs. None of the commodities really are affected by these. On a very marginal basis they may be affected, but there is no re-routing happening really and no significant re-routing.

Rahul Sheth: So, if you want to just break it up sector by sector, the oil trade is not really affected by the tariffs because it is broadly out of it. If you look at LPG, China has a 10% tariff on exports from the U.S. So, we have seen some of the U.S. exports of LPG go to certain other Southeast Asian countries, including India as well. And then we have seen China pick up more cargoes from the Middle East. So, there has been some change. On the tonne-mile basis, there is a slight improvement on this re-routing.

And then on dry bulk, the U.S. is not a major contributor to the dry bulk trade except for the grain trade. And we have seen, and this happened even in the last time in 2018 or so when Trump had put on those tariffs, we saw some of the grain exports from U.S. get sent instead of China to certain other Southeast Asian countries. But the Latin American countries picked up the volume to send it to China. So, we have seen some of that change as well. But on an overall basis, on the dry bulk trade, it has not had a very big impact.

Mohammed Farooq: Okay. Great. Sir again, as a long-term investor, our key objective is wealth creation. The company has posted strong results and maintained robust cash reserves. At its evaluation, especially in terms of price-to-earnings remains amongst the lowest in Indian market. Has the Board discussed the possibility of a share buyback as a way to unlock value? Also, what other strategic measures are being considered or implemented to enhance shareholder wealth and improve the market perception of the company's true value?

G. Shivakumar: Yes. No, there has been no discussion around buyback at the board level and when we do that there will be all appropriate disclosures. With regard to improving the shareholder value of the stock price, we are not experts in that. All we do is run our business to provide maximum returns from the business. And we hope that someday that will be recognized and translate into the appropriate valuation for the stock. And we communicate what we are doing as well as transparently as we can. And hopefully that will have an impact some time.

Mohammed Farooq: Thank you sir, and all the best.

G. Shivakumar: Thank you.

Moderator: Thank you. Our next question comes from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Yes. Namaskar sir. Thank you for this opportunity. Sir, firstly in terms of our offshore segment, for this quarter, although the revenue has been down Q-on-Q, the profitability has moved up from Rs. 82 crores to Rs. 126 crores. So, what has contributed to this?

G. Shivakumar: Yes. So, the main factor is that, so while the revenue has gone down, the contributions of the vessels business and the rig business have been moved in separate directions. The vessels business has given a much higher contribution in the revenue. And while the rig business, because two of our rigs are effectively idling, the revenue dropped. Now what has happened because of that is that the rigs when they are idling, we bring down the operating expenses to the bare minimum and therefore we save a lot of costs there. That is what has happened. While for earning the additional revenue in the vessels business, we did not need to spend more. So, for the same revenue, basically you had lower costs and that is why we have had a better result despite having a very similar revenue number.

Saket Kapoor: Can you provide the split between the vessels and the rig revenue for this quarter and also for the preceding quarter?

G. Shivakumar: We do not give out the numbers, it one segment, which is the offshore segment, but I can tell you that they are compensated for each other more or less.

Saket Kapoor: So, you mentioned that since the rig were idle and there is lower cost attributed to the same, and the vessels revenue and the profitability being higher, so even the lower revenue has compensated for the same, this is what the understanding is?

G. Shivakumar: That's correct.

Saket Kapoor: For the rig segment, I think so, ONGC came out with a tender one quarter ago, I think so maybe four months ago, wherein previously there were some cancellations also which happened because of the higher charter rate. But the rate at which the tender happened was way below than the previous rate, I am just referring to the last rate where it was tendered out in the vicinity of $38,000 to $45,000, whereas the preceding were in upward of $70,000. So, what has exactly changed in the rig market? If you could just give us some more color how the rig charter rates have moved. And also the CAPEX outlined by the PSUs, have they curtailed their CAPEX and because of this, our asset being idle, we have lowered the rates just to offer not to keep the assets idle, what is the thought process, sir?

G. Shivakumar: And this question had come up in the last quarter's call as well and we had addressed it there but let me give you the short summary of it. So, the market was on an uptrend from 2021 all the way up to end of '23. In end of '23, was when we had the pricing where we were around $80,000 a day, I think it probably went up close to $90,000 a day.

What happened in early 2024 is that Saudi Aramco, which is the largest hirer of rigs, customer for jack-up rigs, suspended contracts for between 20 and 25 rigs in April, May 2024, that resulted in a change in the market. And therefore, the market sentiment went down and rates went down as well.

In our case, we decided that we would like to have the employment, while two rigs have got short term employment, the third rig, we decided that we would like to take that contract and keep the rig employed, even though the rates were likely to be much lower and that is why we dropped the price and took that contract. So, we wanted to avoid idling on that rig. So, we decided it is better to take a low rate, which gives an EBITDA contribution rather than keep the rig idling.

Saket Kapoor: So, currently, what is the status in terms of the current charter rates? And are there further contracts for deployment of rigs pending wherein we will be participating with the two idle ones or what is the updates are currently?

G. Shivakumar: Sorry, the two idle rigs have received contracts, short-term contracts. They are currently not working. However, both of the rigs have received contracts, one for four months and one for seven months. Both of them will go on to those contracts by the end of 2025. And therefore, we do not currently need to look for work for them. Of course, they will come off contract in the first half of 2026. At that time, we will require to find some work for them. So, currently they are not marketing any rigs.

Saket Kapoor: And can you give some color on where the charter rates are since the Aramco fiasco or the Aramco providing a lot of supply?

G. Shivakumar: You had the correct number, you are in the ballpark for the ONGC rates.

Saket Kapoor: Okay. And sir, the last point. Sorry sir, I interrupted you. What were you telling?

G. Shivakumar: I think you mentioned a number of below $40,000. That was the correct range of contracts.

Saket Kapoor: And lastly sir, from the government PSU, CAPEX front, any understanding that we get in terms of the curtailment or?

G. Shivakumar: Yes. This is not, yes, you had asked this question as well. This is not public information. We do not know what is happening there. All we know is that some contract tenders have got cancelled. So, actually the number of rigs with the largest customer in India have got reduced. But we do not know what their long term plans are really or what are the plans for the next 6 to 12 months, whether they are going to come out with more tenders or not.

Saket Kapoor: Right sir. And currently sir, what portion of our business is from the government and how much is private?

G. Shivakumar: Sorry. You mean on the offshore business?

Saket Kapoor: Total pie also and offshore also.

G. Shivakumar: In the shipping business, it is a small part. When you say government, I am including PSUs, it is a small part of the business. Maybe less than 15% of our fleet is engaged in PSU business, in shipping. And in the offshore business, two rigs are operating with the largest customer, who is PSU. And one of the short-term contracts is also with PSU. Of the vessels which are operating in India, a majority are operating with the end client as ONGC, whether directly or indirectly, they are working with ONGC.

Saket Kapoor: Okay sir. And lastly sir, on the shipping aspect, how do we book our order book? If investors look at the visibility part, standing today in the month of July, what is the visibility we have in terms of the total fleet? What kind of revenue have we booked, the charter rates? And how do we go on building the order book going ahead? How much is the spot?

G. Shivakumar: The spot is, we have may be 20% of our fleet operating on charters, less than 20% are operating on charters. Typically, these are one to two years charters. And we take calls on these depending on the view we are taking on the markets, if we get offered good rate for time charter we would take it. Our default mode would be to operate in the spot market.

Saket Kapoor: And, what are the current market conditions?

G. Shivakumar: Current market conditions are the same as what they were in the previous quarter, dry bulk is slightly stronger, and tanker is more or less the same.

Saket Kapoor: Okay. And on raw --

Moderator: Saket sir, may I request you to return the queue.

Saket Kapoor: I will do that, sir. Thank you.

Moderator: Ladies and gentlemen, request the participants to limit their questions to three each per participant and rejoin the queue for follow-up questions. Our next question comes from the line of Isha Shah from Nirzar Enterprise. Please go ahead.

Isha Shah: Good afternoon, sir. Sir, I just have one question. I wanted to understand how is the shipping cycle across all our assets, okay, in face of the tariff that has recently been going on?

G. Shivakumar: Yes. So, spot markets have been reasonably strong for tankers though they are down from a year ago Q1 over Q1, but they are still historically at fairly strong levels. Dry bulk are maybe around market averages at current spot rates, they are probably above long-term averages as well. And LPG of course are very, very high in the long-term historical context. So, that's where we are in rates compared to the long-term numbers that we have seen.

Isha Shah: Okay. So, sir, how do you see the cycle? Is it like do we see it going upwards or how do we see the cycle now?

G. Shivakumar: The market's been strong. So, it's tough to see what can drive it upwards. For the market to get stronger, you need either end user demand to go up or you need some logistical disruption which makes the fleet less efficient. On the disruption, one never knows what can happen. But on the demand side it doesn't appear that economies are doing very well. So, there is not going to be a big demand upside really, whether it is in oil or dry commodities. So, the general outlook would be, either you hold at this level or it gets weaker rather than having any upswing from here. Then of course you could have say seasonal improvements in oil demand etc. But otherwise, the cycle is already pretty strong.

Isha Shah: Okay. Thank you so much sir.

G. Shivakumar: Thank you.

Moderator: Thank you. Our next question comes from the line of Himanshu Upadhyay from BugleRock PMS. Please go ahead.

Himanshu Upadhyay: Hello. Good afternoon.

G. Shivakumar: Hi, Himanshu.

Himanshu Upadhyay: Yes. Hi. So, my first question was on regarding this loan we are giving from Great Eastern Shipping to GIL of Rs. 450 crores. When we look at the consolidated balance sheet numbers, what we give in the presentation and standalone, the difference between the net cash is around Rs. 1,000 crores. And one of the largest subsidiaries or working subsidiaries for us is GIL. So, would this majority of Rs. 1,000 crores would be in GIL only? Or it is across various subsidiaries and hence we are giving this loan? Or there is some CAPEX plan on GIL and hence?

G. Shivakumar: There is no CAPEX plan. Yes, I got the question. There is no CAPEX plan. About 50% to 60% of the cash that is there is sitting in GIL itself. The issue that is there is that the loan is in India and a lot of the cash is in overseas subsidiaries. There is some inefficiency in bringing the cash from the subsidiaries as of now, and therefore it was felt better to do this transaction.

Himanshu Upadhyay: Okay. And one more question, just to understand your thoughts. Nearly one year back and one and half years back it seemed we were much more eager to have a replacement of older ships with newer ships, okay. And as of today, when we see the product tankers and dry bulk, which is five to 10 years age, is down by 10% to 15% or whatever those percentages. That eagerness seems to be much lesser, okay, to renew the feed though we have done one transaction, but it is after a very long period of time. So, any thoughts on that why at the one year back we were it seems we were much more eager to replace the things and right now we are going much slower when the prices are down nearly 15%.

Rahul Sheth: So, Himanshu, there has been no change in strategy on that front. We are as eager, as earlier, to continue with the switch strategy. You should just keep in mind that if asset values have come down 20%-30%. Basically they come out for the ships we are going to buy, and the ships are going to replace them with. The delta, the extra capital that you will end up investing to conduct the switch strategy broadly remains the same. So, there has been no change of thought on that. It's just that we also look at when the ships are reaching those age profiles at which to conduct the switch, that's all.

Himanshu Upadhyay: But per se you still find the markets to be expensive, and you are not thinking about expanding the fleet, your focus is just replacement currently?

Rahul Sheth: Yes. At the moment it is to replace.

Himanshu Upadhyay: And one more thing, on the offshore side you stated that besides jack-up, the other segment has done pretty well, hence the numbers are much better. Is there any dry docking which is pending? Because before the jack-up goes for these two orders even if it is short term or you think this is the status quo for now?

Rahul Sheth: Can you just explain last statement; I could not hear it clearly.

Himanshu Upadhyay: I was saying that we had stated that the offshore segment did well because of vessels which did pretty much better. I was just asking that is there any dry-docking expenses pending before the jack-up rigs go for tenders?

Rahul Sheth: Before every jack-up tender that we deploy our rigs, there is some amount of work that gets done on the rigs. So, that's a part and parcel of the business, that is a certain amount of expenses you will expect in every year. Of course, in this year, like Shiv had mentioned previously, we have got three rigs going on to contract. There are years where if all the rigs are fixed out then you may not have a rig coming off contract being repriced. But generally, before a rig goes on to contract, there's always a little bit of expenses that we have to incur.

G. Shivakumar: If you are looking for whether there is lumpy expenditure, yes there is lumpy expenditure when you go on to a new contract.

Rahul Sheth: We expect that in the third and 4th Quarter.

Himanshu Upadhyay: Yes, I was just trying to understand, there is a larger, lumpy CAPEX on dry docking which is pending.

Rahul Sheth: Yes, not quite dry dock.

G. Shivakumar: Yes. Not quite dry dock, but preparation for this contract.

Himanshu Upadhyay: And some of our ships are Chinese built, okay, how has that settlement happened? Because many of the ships are generally trading between U.S. and Europe and all those routes. So, any port penalties or all those? And is the market settled or there are still some disruptions happening for the Chinese made ships, which end up going to USA?

Rahul Sheth: We have very few Chinese ships, I think it is four or five. But you should also keep in mind that when the USDR, which is, let's call it a tariff or a tax which came on these Chinese built or Chinese owned ships, eventually they diluted the rules quite a bit. So, if you are trading within

2,000 nautical miles of U.S., they are exempted. If you are below 81,000 tonnes, they are exempted. So, we have done a calculation to see what is the impact of the Chinese owned, Chinese built and it only comes to about a few percentages meaning like 2% or 3% of the entire world trade that would get liable for this tax or tariff.

And that's too minor to have a big impact because it is very easy for ship owners to reroute those vessels and not put those vessels on the U.S. trade because the tariff that they have discussed for those 2% of the fleet is prohibitive to call U.S. But the market has also already taken it into account and there has been no real impact of that.

G.Shivakumar: And it is not going to come into force as well

Rahul Sheth: Yes. But it will not --

Himanshu Upadhyay: And how significant can these be? Because in what we understand even in EU they are increasing the number of sanctioned ships and any impact of that and what U.S. Chinese made ships higher tariff will have? And the sanctions also for Russian ships.

Rahul Sheth: We saw some sanctions coming out of Biden Administration at the end of January. We saw temporarily, there was a sanction on, in China there is a very big refining region called Shandong which takes a lot of these ships. And temporarily in the month of February, maybe early part of March, there was a bit of uncertainty in the market of how these ships will ply. But somehow the market finds a way to rebalance.

We have seen that, the data that we can track, it shows that the exports out of Russia have not really changed. And they somehow find a way to eventually reach their destinations. We have not seen any materially impact on these sanctions. Although recently there's been an EU sanction where they have, it's not coming to effect yet, but they have lowered the price cap. They basically said that if the price is below $60, international legitimate owners can lift cargo from Russia and transport them. And a lot of Greek owners were doing that. So, maybe 30%, 40% of the Russian exports were carried on legitimate trade, non-sanctioned trade.

Now that they have put in a cap of $45, which is much lower, we will have to see how that pans out, because that's a big change. That's coming into effect in the month of September. Right now, they have given some time for the previous contracts to wind down. We will have to see how that comes out, because that's a big change. That's the first big change on the pricing broadly from the start of the war, which was three years ago.

Himanshu Upadhyay: Okay. Good. Thank you.

G. Shivakumar: Thank you.

Moderator: Thank you. Our next question comes from the line of Karan Bhatelia from MAIQ Capital. Please go ahead.

Karan Bhatelia: Yes. Good evening, sir. Sir, congratulations on acquiring the Kamsarmax vessel. Sir, the company is engaged in substantial divestment of crude carriers over the period, so what's the major reason for this? If you could just throw some light on it.

Rahul Sheth: So, basically, we had a few ships which hit an overage limit, and therefore they had to exit the fleet. This happened a few years ago. At that point in time, when the Russian war took place, asset values rose, and we did not basically switch those asset classes out. So, they just naturally ended their tradable life. There was no conscious call to reduce exposure to the crude segment. Ideally, we would like to increase the number of crude tankers again.

Karan Bhatelia: Yes. Correct, sir. So, actually my question was, I mean, I understand the reason of selling it off, but there was no replacement for that, for you to acquire new vessels. So, is the demand lacking, or is it because of the heightened geopolitical tensions?

Rahul Sheth: No. Our intention is actually to increase the crude fleet again. So, what happened was, and another participant asked us on this call on our switching strategy. So, what happened is, in 2022, once the Russian war took place, of course, the market increased substantially along with the asset prices increased as well. Some of those crude tankers exited at the early part of that cycle. The Russian war, of course, has lasted a much longer period than we thought. We then had the Red Sea disruption which kept the markets higher.

Sometime in the end of Calendar '23, we decided that because we had lost, we had peaked at 48, 49 ships some time ago, we were at about 41, 42 ships in the end of '23. At that point in time, we decided that not to let the fleet come down in size any further, and so to start a switch strategy and to maintain a certain amount of exposure to the market. It just so happened that we had already lost some of the crude tankers by then. And then since then, we are just holding around to whatever free capacity we had at that time.

And just to be clear on the switch strategy. The switch strategy, according to us works because you are selling an older ship at a high point in the cycle and then reinvesting that into a newer ship at the high point of the cycle. Now that we do not have those older ships which have exited the fleet a few years ago, you cannot really switch them because the sale has happened too far back.

Karan Bhatelia: Got it, sir. So, any plans in like, is the pricing levels too high for the vessel to buy the ship or maybe we could lease them?

Rahul Sheth: So, we have actually in-charted one of the ships in our subsidiary in Gift City, which is a Suezmax tanker, one of the largest crude tankers. So, we have done that. But at the moment, we are not looking for any incremental purchases.

Karan Bhatelia: Got it, sir. Thank you. I will get back in queue.

Moderator: Thank you. Ladies and gentlemen, we will move on to the text questions. The first text question we have is from the line of Surendra Yadav. And the question is, what's the rationale for ECB refinancing and GIL? Similar arrangement could have been done during the last refinancing, which I believe was due in Q4 FY '24. What changed from then to now? Why are we deploying cash at 7.5% ROI when IRR benchmarks are 10% to 15%?

G.Shivakumar: Yes. So, the loan which has been given to the subsidiary is over a period of two and a half years. What we felt now is that the amount of cash which is sitting with Great Eastern Shipping is not something that we can deploy within this period. And therefore, this is effectively surplus cash at least for the next two and a half years, and we decided to do it now. To measure this versus the ship IRR, which is over a much longer period of time, would not be correct.

Moderator: Thank you. Our next text question comes from the line of Amit Khetan from Laburnum Capital. And the question is, a shipping segment has seen very low normalized OpEx of Rs. 270 crores this quarter compared to last few quarters' run rate of Rs. 300 crores to Rs. 330 crores. Is this just a function of operating a lower number of ships or is there some one-off element here?

G.Shivakumar: Yes. Both of those are factors. One is the lower number of ships that we are operating as compared to, we have a 10% lower fleet versus Q1 of last year. The other thing is that we have actually had some reduction in costs, we have been focused on seeing how we can do some cost reductions, so that is one minor thing. What has also happened is that Q1 we had significantly higher costs in Q4, that is the immediate preceding quarter, as a result of which Q1 expenditure was less. So, that is the other impact that we had. So, to sum it up, one is lower number of ships, second is actually lower cost per day per ship as a result of some efforts that we have put in.

Moderator: Thank you. Our next text question comes from the line of Zahara Sherif. And the question is, with the Rio Tinto's Simandou iron ore mine expected to start production in November this year, is it true that up to 170 dedicated capesize vessels will be required for shipments to China. Can the dry bulk market absorb this new demand? If not, what could be the shortfall, and could it impact rates?

Rahul Sheth: I am not sure whether it will require so many capesize vessels.

G. Shivakumar: The streams are also rerouting.

Rahul Sheth: But the mine is coming up, you should also keep in mind there is actually a lot of export also coming from Guinea, West Africa on bauxite, that will also absorb a lot of capesize vessels, that is actually a longer haul. So, you are going to get a lot of demand for capesizes from there. But you do have a certain amount of fleet growth and iron ore trade, let's say, at least up till now this year has been negative. So, sometimes there is a rebalancing. So, whether there is going to be, I think the question is leading on whether there is going to be some massive shortfall and a massive demand for capesizes, it's difficult to predict the market, but this I think seems a bit of a stretch.

Moderator: Thank you. Our next text question comes from the line of Kuldeep Singh, an investor. And the question is, what will be the catalyst of offshore utilization and rates? Will it be an increase in oil prices or more countries planning for exploration and investment in their respective geography to avoid energy dependence?

Rahul Sheth: Yes. This is true. The utilization rates for the offshore rigs and the vessels have come off since the early part of cal '24, but they still remain decently strong. And yes, eventually it just boils down to the oil companies' confidence in their drilling activities.

Moderator: Thank you. We have a text question from the line of Surendra Yadav. And the question is, in continuation with previous question of GIL ECB refinancing, can shareholders expect higher dividends payouts in case of similar markets, given that the management feels deployment of CAPEX is constrained?

G. Shivakumar: Yes. So, you could see that the dividend payout, which was running at around the 20% mark in the last three years, has already gone up in this quarter at 27% payout ratio. So, that is one indicator. We are not saying that this is a change which is being done permanently, but there has been an increase in the dividend payout ratio. Again, it will be a function of whether we feel we can deploy the capital or not.

Remember, I mentioned that this money comes back to Great Eastern within the next two and a half years. And therefore, it is still available for deployment in CAPEX. So, it is not that the money has gone permanently from Great Eastern Shipping. So, it will be coming back. All we felt was that we do not require it for the next two and a half years, because we already have a significant amount of capital. So, out of the cash balance, which is there in Great Eastern Shipping, this is the amount that we are talking about, is less than 7% or 8%. So, it is a small part of the cash balance of Great Eastern Shipping.

Moderator: We have a follow-up question from the line of Mr. Saket Kapoor. Please go ahead, sir.

Saket Kapoor: Sir, firstly in terms of the profit from sale of ship, what have we outlined currently in terms of profitability and the number of ships or the vessels which are up for sale? And secondly sir, for investors what should we be considering in terms of the revenue profile for us for the current financial year taking into account the current business environment?

And third point sir, you were answering to one of the text questions about the capesize vessels requirement not moving up even when there will be a mine for iron ore from New Guinea getting upstream. So, can you explain what you were trying to allude to that reply once again?

G. Shivakumar: Let me take that last question first. What we meant was the question said, we said that there would be demand for 170 capesizes. That seems a little bit of a stretch. Basically, this is unless you have end user demand going up by the same amount of iron ore, then that demand cannot happen because then you are just going to have a rerouting, which is either you take some Brazilian cargoes, you replace some Brazilian cargoes with cargoes from Africa or you replace some Australian cargoes. So, then it's only on the margin and it will have a significant impact but maybe not a full 170 ships. That was the only point. It will have a positive impact. Just we do not know how much that positive impact will be.

Saket Kapoor: You were telling that it depends. Sir, one second. Sir, it depends that how the ramp up is there and how much demand is there for the steam producing nation. That depends on how the demand will shape up. This is what you are trying to allude to.

Rahul Sheth: That is correct from the importers. So, we have looked at it from the exporter point of view. Yes, the cargo is available. The question is whether the importer wants that much more cargo. So, that's where you have it. Is there an end user demand for that iron ore? So, it's just that. That's all. Your other question was on profit on sale. We do not plan for profit on sale. We do not budget for it. If we see an opportunity to do a good transaction of a sale and a profit happens from that, then so be it.

We are not planning and budgeting saying that I want to take X crores of profit on sale in this year or this quarter. So, that is something that we do not do. And finally, on the revenue profile for this year, as I have mentioned before, the market is extremely volatile and 80% of our capacity is open to the spot market. And therefore, it is very difficult to predict what earnings could be. And that's why we do not do earnings forecast at all.

Saket Kapoor: And sir, correct me here, there is one haulage tax that is there for the other geographies that is not there for our institution or for the taxation part, for the shipping industries, we are at par with the international fleet.

G. Shivakumar: On income tax from profit from operating ships, that's on freight and charter hire income of ships. We have something called tonnage tax, which is very common across the world. So, that is more or less at par, we may be very marginally higher than some jurisdictions which have zero tax, but we are more or less on par with regard to shipping income, that is profit from earning freight or charter hire from running ships.

Saket Kapoor: Right, sir. And if I may add just last point, how are the consumption of spares and stores and the fuel part of the story, how are those line items, the cost shaping up and how are we aligned to mitigate any adverse impact of the same sir? If you take the Q-on-Q number for the spares and stores, that has gone down significantly. So, what does this lowering of spares and stores explains in terms of a Q-on-Q basis?

G. Shivakumar: Just on that, I would not read too much into it. One is it might be just on account of having fewer ships. The second thing is we expense these spares cost when the spares reach the ship. It could just happen that we were not able to deliver the spares on board the ship during the quarter and therefore it's got postponed to maybe July or August. So, do not read too much into it. These things can happen just due to logistical reasons. Yes, we have made an attempt to bring down the costs of running the ships, but do not read too much into one quarter's data.

Saket Kapoor: What is then the key raw material for running that is the fuel only I think so that is needed. So, for that we have long-term.

G.Shivakumar: No. In a voyage charter, fuel is the largest cost, but that's only for vessels which are on voyage charter, which is a very small proportion of our fleet. The rest of the vessels typically are on contracts, in which we do not take the fuel cost on our account. So, our exposure to fuel price changes directly, direct exposure to fuel price changes is very minimal.

Saket Kapoor: So, lastly to conclude, the fixed cost component for running the entire fleet is what and what are the variable costs?

G. Shivakumar: So, the largest fixed cost component for running a ship is crew expenses, which works out to around $3,000 a day. So, that's the largest, $3,000 to $3,500 a day, that's the largest fixed cost expense.

Saket Kapoor: Others are all variables?

G. Shivakumar: Others are all smaller costs. So, you might have maintenance costs, which may, including lots of things, may work out to about $2,000. So, those are all much smaller costs. Again, in the context of the revenues, these are pretty small, and these are fixed costs and they do not change that much on a year-to-year basis.

Saket Kapoor: Thank you. Thank you, sir, for elaborating all the answers. I hope to join again. Thank you.

G. Shivakumar: Thank you.

Moderator: Thank you. We have text questions and the next text question comes from the line of Gaurav Jha. And the question is, what is GE shipping dividend policy and how is it, calculated?

Rahul Sheth: Yes. So, the dividend, when we consider the dividend, the dividend policy says that we will take into account whatever other capital requirements may be there for the business while calculating the amount of dividend that can be paid. So, when the board takes, has a discussion on how much dividend is to be paid, we also say how much would we like to retain for the modernizing of the fleet for the expansion of the fleet. So, that's how it is calculated.

Moderator: Thank you. Our next text question is from Surendra Yadav. And the question is, for Q1, what was the spot and time charter split for the three shipping segments, excluding gas? The Israel-Iran conflict in May-June led to jump in rates of Suezmax and LR2s. Was management able to lock in some contracts during the heightened spot rates?

G. Shivakumar: Yes. So, the spot exposure in crude tankers is 100%. Spot exposure for dry bulk is probably around 80% to 90%. And when I say spot exposure, that means contracts of less than six months and for product tankers is probably around 85%, sorry for product tankers is about 70% spot exposure. So, we did not lock in any contracts that spike happened for a very short period, and we did not lock in any contracts at the time. It was a very short period of spike.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Ms. Anjali Kumar – Head of Corporate Communications, for closing comments.

Anjali Kumar: Thank you everyone for joining in to our call today and for engaging with all your deep dive questions. The transcript of this call will be on our website and all of you are free to reach out to our IR team as well and we will be happy to have a meeting or a call with you. Thank you so much.

G. Shivakumar: Thank you, everyone.

Moderator: Thank you. On behalf of The Great Eastern Shipping, that concludes this conference. Thank you for joining us and you may now disconnect your lines.