TRANSCRIPT OF ANALYST MEET 2005 HELD ON APRIL 29, 2005

Rajat Dutta

Good Evening Ladies and Gentleman on behalf of Great Eastern Shipping Co Ltd. I welcome you all to the Business and Financial Review for the year 2004-05.

Mr. Balan Wasudeo - CFO will start today's presentation, which will be followed, by the business presentations made by Mr. Vijay Sheth and Mr. Bharat Sheth, the Managing Directors. Subsequent to that we will have a Q&A session.

Mr. Balan Wasudeo

Good evening friends, I welcome you all to this evening's presentation. It's my privilege to present you the summary of another astounding performance for the financial year of 2004-05. You already have the detailed quarterly and annual results I will make a very brief presentation giving you the flavour of what lies behind this performance, main reasons for the various changes.

In the preamble, I mentioned astounding financial year. Why did I say that?

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The total income of the company crossed Rs. 2000 crores this year, up by 48% and the profit of the tax at Rs.809 cr. was up by 72%. Earnings per share at Rs.42 compared to Rs.24 during the previous year. The company has paid the over the highest ever dividend pay of Rs.9 Per share including the two interims resulting in a cash outflow of Rs.194.24 crores including tax. And as I speak today we have a committed capital expenditure of almost USD 400 million for 16 vessels. This is more than 25% of the capital employed of the company as of today.

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Coming to the specifics of the performance this is a summary of year on year financial comparison. The top line has increased from Rs.1400 crores to Rs.2100 crores i.e. a 48 % jump

What are the main reasons behind it?

No doubt, as we all are aware the markets have in a great way aided this increase in all the segments, the company operated at higher daily earnings this year as compared to the previous year. But having said that, this is only part of the explanation. A lot of this growth has come because of various actions taken by the company during the last 24 months. First and foremost is the expansion the Company undertook starting 2003 end. The full year impact of that has benefited the year 2004-05. To give you sense of what I am saying the average tonnage in 2003-04 was 1.87 million dwt. The average for this year was 2.77 million dwt, a growth of 48% in tonnage. That has aided a lot in top line growth and the EBIDTA growth. Further in these last 18 months the company has shifted lot of its fleet from the period charters to spot charters to take an advantage of the strong spot markets. This also gave a rise to top line growth. To a lesser extent we had other important developments during the year. We had profitable sale of assets, which contributed Rs.24 cr. And more important is that company has started leveraging its internal capacity, organizational capacity resources to incharter vessel and thereby adding to its operating capacity. Even as I speak, our in-charting capacity is almost 10% of our owned capacity. So this has in a way helped us enhance our earnings during the fiscal year.

The expense figures are not here but as you will see from the financial results expenses also have grown I mean the increase in fleet has resulted in rise in expenses by 40%. We also had wage revisions during the year and we had some bunching of dry docking of our fleet which is has resulted in Rs.37 crores increase in the expenses. Thus compared to the top line growth of 48% the expenses grew by 40 % and therefore the EBIDTA has grown strongly from Rs.740 crores to Rs.1159 crores, a rise of 56%. The operating margin has grown substantially from 51% to almost 55% in this year. 55% compares very favorably in operating margins amongst well run listed companies globally who operate in similar business areas.

I suppose no expansion comes free of cost and it always leaves an impact on capital related charges and therefore you will see very sharp increases in both interest and depreciation. The interest cost has gone up from Rs.47 crores to Rs. 83 crores by 76%. A significant amount of it i.e. almost Rs.20 crores is because of the increase in the average loan outstanding during the year.

The remaining amount is explained by the hardening of interest rates. Most of our borrowings are in US Dollars. And you are aware that the US skyward interest rate movement has been upwards last 24 months. Just to inform you, our company has taken a view much in advance of the rising interest and decided to move from the floating rate to the fixed rate in a big way. So as of now almost 75-78% foreign currency loan is swapped into fixed rate and we are now secured for the further increases in the floating rate for the next 5 years.

Depreciation has also gone up. It reflects the full year depreciation on fleet acquisitions made during 2003-04 and leaves a PBT to grow by 60% to Rs.791 crores. We have a very happy situation here where the profit after tax is more than the profit before tax. This was the liability, which we have been creating under the accounting standard year after year as we were under the normal corporate tax regime. This year the company has migrated to tonnage tax regime and this liability is no more required to be provided and hence we have reversed it and therefore this has given the enhancement for the profit after tax which has grown by 72 % from Rs.471 crores to 809 crores.

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This is a summary of the quarterly results. I will not go into it in detail as the line-by-line explanations I gave for the year on year results applies practically the quarter on quarter as well. Here is summarized balance sheet comparison of the company for the two years.

SLIDE 6

Balance Sheet Comparison

There is a 35% growth in the capital employed. It has risen from around Rs.3150 crores to Rs.4260 crores the shareholders funds have gone up from around Rs.1500 crores to around Rs.2200 crores very smart increase. There has been 36% increase in the debt and therefore you will see the net debt equity ratio in the company has dropped from 0.61 to 0.47 and return on capital employed has increased from 18.6% to 24.3%.

SLIDE 8

So this is another year of growth keeping the tradition of this company to keep growing steadily across all cycles and delivering to our stakeholders through the years. As you see now this is a summarize position for the last 5 years where we have the book values moving from a low of Rs. 50 to a high of Rs.115. The bigger story is that of NAV which has grown up from Rs. 67/per share to Rs. 282/per share. The growth in the return on equity has been also keeping pace with growth in value of assets. The ROE has moved from around 16% in 2000-01 to 44% around threefold increase over the 5 years.

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Where does this leave the company?

A company is growing bigger and stronger. Just to give you the glimpse of the performance. As of the beginning of 2000 the capital employed in the company was around Rs.2100 crores and the networth was Rs.1100 crores with a net debt equity ratio of 0.78. During these 5 years friends, the company has paid out to share holders Rs.785 crores through dividends and buybacks and we also have spent on asset acquisitions more than Rs.3000 crores And at the end of the day we still are a very strong company with the balance sheet size of almost of USD 1 billion and the net equity ratio has actually come down to 0.47. I now hand over the podium to Mr. Vijay Sheth.

Mr. Vijay Sheth

Thank you Mr. Balan. I think you have done a splendid job of the explaining the financials of the company. I will like to take this opportunity of welcoming all of you to this annual presentation.

I will run you through the Offshore Oil Field Services business of the Company. As we all know the offshore services is basically dealing with the exploration, production, and exploitation of the oil fields. We have a diverse fleet of marine assets, rigs, construction barge and other offshore support vessels, apart from harbour tugs, which are used in port and terminal support operations.

SLIDE 11,12,13,14,15

Let's start off the presentation understanding what calendar year 2004 brought for all of us.
As you will recollect in last years presentation, I had mentioned about a definite disconnect between exploration & production and oil & gas prices. Prices of oil in those days were hovering at USD 30-40 per barrel. There were not adequate drilling activities. Well now I am please to state that the connect is reestablished.

With increase in oil prices, the demand for rigs has grown on the worldwide basis by 6%. From about 442 odd rigs working worldwide the demand as of 2004 has grown to 468. In India, the growth was a little more spectacular because the base is much smaller. Between the last 2 years i.e. 2003 & 2004 the growth has been nearly about 9% whilst in between 2003-04 it was about 4%. This of course excludes the ONGC owned rigs; as we all are aware ONGC runs there own offshore drilling rigs.

The rig utilization improved by about 5% from about 79% to 84%. With the tightening of the rig demand the rate showed a rise of about 47%. The North Sea Platform Supply Vessel utilisation rose by 6% to 84% while the day rates moved by 37%. The company owns 4 of such PSVs and we are the only company in India to own them.

Obviously with high oil prices prevailing worldwide there is definitely a great anxiety in the minds of oil importing countries like India. India, Mexico, Russia and West Africa have initiated various plans to ensure oil security. In fact because of this the Government of India has initiated the NELP.

The policy was initiated by the government in 1999. The Vth round is under bidding where there are 20 blocks on offer, 8 of which are offshore. To put matters in perspective under NETP, till now 91 blocks have been signed and of these 26 are onshore while 65 are offshore. The split in the offshore is about 31 deep water and 34 shallow water. Lastly, we must applaud ONGC on their success in discovering gas in their campaign "Sagar Samridhi".

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We have an enhanced OSV fleet catering to the deep water. As mentioned earlier, our 4th PSV is currently working in the North Sea. We inchartered 2 PSVs which completed their tenure of full year of operations working on the Indian coast. We ordered 2 Anchor Handlers of 80 tonne and 2 PSVs.

We have increased our international presence, 3 of our PSV’s are currently working in the North Sea, one of which is working with Marathon Oil on a long term contract and the other two are on spot, working for various major oil companies like ConcoPhillips, Cheveron etc.

The Construction barge secured a charter last year in the Middle East working for Hyundai. Kedarnath our Jackup slot is presently undergoing refurbishment after completing a contract with ONGC in March 2005. After completion of the special survey in Bahrain Kedarnath will commence the fresh 3 year contract with ONGC in October 2005.

SLIDE 17, 18

Given the fact that oil companies had good run and with spiraling price of oil we expect that a lot of money will certainly be ploughed back by the E & P companies. World Oil, which is a renowned international journal, has predicted a 6% rise in offshore drilling activities. This is best depicted by the following graph.

The construction activity has performed particularly due to platform maintenance and the need for improving productivity in ageing platforms. So we expect the marine construction activity will absorb more vessels. This will also give rise to OSV demand for supporting this production platform and construction activities.

We are happy to say that our harbour tub vessels business remains satisfactory.

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What are the business concerns?

There is a concern over marketability of our older assets:

We do have a diverse fleet. We have taken 2 steps. The 1st step is adapting these assets to meet the changing requirements of future. We modify these vessels to meet a charters requirement, that’s an on going process. In addition we are building a young fleet of OSVs, which will cater to the demands of the charters. Hence a mix of younger and older assets would satisfy the client’s needs.

There is increasing competition from foreign flags. To address this we are spreading our territorial reach and operating overseas in different markets. We of course will also leverage on our domain expertise. We hope that our client satisfied with our performance will come back to us for a repeat exercise.

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So what's the emerging scenario?

Well I guess the oil prices would continue to play a dominant role. That will be the driving force for more exploration, exploitation and production activities. Major oil companies will continue to increase their budgets on spending which could be as low as 7% and as high as about 10%.

ONGC India's premier oil company has committed about USD 2 billion towards exploration and production for the year 2005. Similarly Reliance, Cairn, British Gas and even GSPCL have substantial budgets allocated towards the E & P activities.

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Last year if you remember we had a forward booking of about Rs. 168 crores while this year we have booked a little under Rs. 300 crores which includes a Project income of Rs.45 crores. This covers the operating costs of the entire fleet by 1.2 times. Including the dry-docking of Kedarnath.

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So ladies and gentleman to conclude. I think we will see high oil prices, depleting reserves leading to improved and higher E & P expenditure. To sum it all - " oil fuels growth".

Thank you.

I now invite my colleague Mr. Bharat Sheth to take you through shipping presentation.

Mr. Bharat Sheth

Thank you Vijay. Good evening everybody.

SLIDE 24- 30

As all of you know every year China defines its new year with a reference to a particular animal. Last year was the year of the Monkey and this year is the year of the Rooster. Since China has been the prime country responsible for defining the way shipping markets have behaved over the last 24 months, it would be equally appropriate for China to have defined the year as the year of ship owners.

If you look at the various segments of the shipping sector- the tankers, the dry bulk, and the containers they all have had the most spectacular 12 months. This reflects the average earning for various asset classes in the tanker business. Be it VLCCs, Aframaxes, Product tankers they all completed the year with the highest ever average earnings.

As regards asset prices whether they were values for second hand vessels or for new building ships, the increase spectacular in the 12 months for every asset class.

The story was very similar in the dry bulk trade as well with average earnings and prices for all asset class at an all-time high.

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An interesting feature for the last 12 months was significant volatility across sectors particularly in the month of October or November 2004. We have shown a standard trade route of around 45 days - Arabian Gulf to Japan from January 2002 onwards. Virtually there was no volatility initially and then the gap was ever widening. It went into the maximum in last few months of last year and reason being supply and demand got more and more tighter.

So in the certain months one had more ships and fewer cargoes and then in the next month one saw more cargoes and less ships. Therefore in the same months a particular owner was either earning USD 50,000 / day on his ship or would have been earning close to USD 300,000/day.

So this is what makes it is difficult to predict where freight markets are really heading.

SLIDE 32

We witnessed a very similar volatility curve for the dry bulk trade as well. On dry bulk trade though it was not as exaggerated as in case of tankers.

However here also there was virtually no volatility on the monthly basis, between 2002 to 2003 but a huge volatility was witnessed subsequently. What is interesting is that both in tankers and dry bulk there were higher highs and higher lows and that is really depicted by the straight lines.

SLIDE 33

For the year 2004-05 our tonnage crossed 3 Mn dwt a growth of around 22%.

A total capital expenditure committed and spent was about USD 299 million.

We contracted early last year 3 new building product tankers and during the course of the year we bought one VLCC one Afframax crude tanker and a gas carrier, all second hand.

At the end of the year we contracted three modern Handymax dry bulk carriers, which are expected to be delivered in June this year.

As Mr. Balan has mentioned, we have enhanced our inchartered tonnage. We have broadly doubled our exposure and now our inchartered tonnage is roughly 10% of our owned tonnage.

And at the end of the financial year we successful renewed 8 product tankers for the period of about 12 months each at significantly higher rates, the benefits of this should come through in 2005-06.

SLIDE 34,35

As far as the market outlook is concerned over the next 12 months we believe that the oil demand growth will be above the five year averages but will be below last years'. The dotted lines are the projections by various international agencies like Due, OPEC and IEA. On an average the rate of oil demand growth is expected be somewhere between 2 - 2.5%. This is as opposed to 3.4 % last year and whichever number you decide to take the tonnemile demand will be in the region of around 4%.

As against this, we have expected deliveries of about 30 million dwt, which translates to a net fleet growth of 6 to 7% again depending on the level of scrapping. We have assumed for our calculations that about 9-10 million dwt of tanker tonnage will be scrapped over the next 12 months. This would therefore mean that clearly with supply being higher than the demand the utilization of tanker fleet as a whole would be lower than in previous 12 months. Having said that we do believe that there is sufficient tightness in the markets for the spot rates to remain healthy. A combination of healthy spot rates and more importantly the cash generated on a global basis in this industry, we think asset values will remain firm.

SLIDE 36,37

As far as the dry bulk trade is concerned China is a far more dominant player here. We have chosen a slide on iron ore trade as it represents apprx . 25% of the dry trade. And if you just see the magnitude of China's importance in this trade, virtually every tonne of incremental iron ore moved on a global basis is headed towards China and therefore any slow down in China would surely impact the trade.

We expect a healthy growth of coal trade because with oil prices being high people tend to switch electricity generation from oil to coal. Expected deliveries is dry bulk trade is about 20 million dwt translating into a net fleet growth of around 7%. So the dry bulk trade is a little more balance as compared to tankers. In dry trade we think scrapping will remain minimum. Hence along with healthy spot rates all this will eventually translate into strong asset prices.

SLIDE 38

As we all know there are risks and upsides to any business.

Clearly if the oil demand growth eventually is lower than any of the current estimates then that's not going to be good news for the tanker business. Anything less than 2 – 2.5% will clearly put further pressure on tanker freight rates.

The second joker in the pack will be scrapping. We are currently anticipating 9-10 million dwt to be scrapped. Any quantum lower than this could increase tanker availability.

On the upside as seen in the past, because the overall demand supply of oil is still fairly tight so any disruption in supply similar to that of the Venezuelan incident about a year ago or supply disruption from Iran and Africa or any of the main producing countries could provide significant kicker to the spot trade.

Similarly a severe winter later this year can lead to higher incremental demand of oil than currently anticipated. Also any decline in production in the consuming areas would result in additional oil being moved from a newer source and every incremental barrel of oil is being transported by sea as opposed to pipelines. We saw this happening for two months last year when there was a hurricane Ivan that wiped out a very large part of the production off the Gulf of Mexico and United States started importing oil long haul from the Middle East.

As far as the dry bulk is concerned I have already explained that there is only one principal risk, which is on the incremental demand of the iron ore. The current estimates are running from 40 million tonnes of incremental imports to 70 million tonnes into China.

As far as the upsides are concerned China continues to surprise everyone by its relentless growth and here again I would like to share with you that the international institute of steel got the Chinese demand wrong last year by something like 50 million tonnes which is more than the total production of a Brazil and India. So China has this potential to surprise everyone once again.

The other point is port congestion. We are seeing a lot of port congestion in Australia and in Brazil and in China itself. And in certain sectors and in certain time of the year this has probably drawn something like 3-5% of effective supply.

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As you know every year we have a practice of locking in a certain percentage of our operating capacity. This is much more focused on the older ships which we believe is much more vulnerable to the market fluctuations. We have a revenue visibility of about

Rs. 700 crores evenly balanced in crude oil tankers and a stronger bias in product tankers with the dry bulk capacity being covered only to the extent of 22%. The bulk of it is open & is more the function of kind of tonnage we are operating. This time last year this figure was running at about Rs. 500 crores. So we have got a little more cover, partly because the rates have renewed at higher numbers and partly because we had many more revenue days.

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Going forward we all recognize that growth at the end of the day is absolutely vital to try and get these profits increasing at all times. We believe that growth should be done at a sensible price. Now each person each company will have different interpretation of what sensible price is.

Our definition of the sensible price is to try and create a stack of assets that have low break evens in your books so that even in a down cycle one remains profitable and on an upswing like we have seen over the last 12 to 18 months one can provide spectacular returns.

We think it very important to time the asset acquisition and this is just a sort of graph that reflects how we have over the last 5 years have spent appx. Rs. 3000 cr.

And if you notice we have done bulk of our acquisitions before this big rise in asset values. Close to 70% of this have been done at lower prices. And again just to keep this in the perspective when we talk about lower break evens if one is buying an Aframax tanker at current prices you probably get your break evens at about USD 22-23000 / a day. Great Eastern bought its Aframax tankers much lower on the curve and that gave us a break even of about USD 14000/ day.

Similarly when we bought our VLCC somewhere at the mid of the cycle our break even was running at about USD 22000/ day. If you buy a VLCC today your break even will be in excess of USD 40000/day.

So by getting the asset acquisition timing right we are sure of riding profitably through the rough patch.

On the operational front we also follow a system of blending spot and period charters with the objective of ensuring minimum level of profits.

Going forward as Mr. Balan mentioned we have doubled the amount of inchartered tonnage. GES has the capability to significantly increase its exposure or built its revenue capacity through more and more inchartered tonnage. We now have a team in place that is going to be focused on inchartering and as and when we believe opportunity is right we would like to see this area significantly expand.

With that I thank you for a patient hearing I will now request Mr. Vijay Sheth and Mr Balan Wasudeo to join me. We will be happy to answer your questions.

Q: While you enumerated the risk and volatility in shipping, we feel that the OSV off shore supply vessels is a much more stable revenue model or may be shipbuilding and ship repairing would help in bringing earnings stability. Is GES making any effort towards this?

ANS BHARAT) We do not have any plans to get into shipbuilding or ship repairing. Just for your information one of the worlds biggest shipyards has declared a huge loss recently.

VIJAY) On the offshore front we have taken some steps to expand the OSV’s fleet. We have on order 7 OSV’s, which will be delivered in a little over a year. This year we took delivery of one PSV Malaviya Twenty and later in April 2005 an AHTSV Malaviya Twentyone.

Q: Does GES enjoy any preference from ONGC?

ANS VIJAY) The preference for Indian business is partly there subject to certain conditions. Few tenders mention a 10% price preference. As per the State administration is concerned the first right of refusal needs to be given to Indian flags. However in practical terms the terms of contract, client requirements and availability of stipulated tonnage determines the charter terms. Broadly speaking it is a competitive bid and preference is virtually non-existent.

Q. We were expecting a 100% payout, this time we have fallen short. The pay out in terms of percentage has dropped. It is not that we are complaining but it would have sounded better had it been 25% payout net of tax not including tax.

ANS BHARAT) What we did was we benched marked ourselves against global shipping companies. Whilst some companies did have a higher pay out than Great Eastern some others had a significant lower payouts. We just decided to take an average and I think even if you take an average today our payout ratio of 24% was probably in line with international practice.

Secondly as you would appreciate that asset values continue to remain very high and eventually the asset values do correct themselves in the next 3-4 years. If not, then replacement cost as you will appreciate will come at a much higher cost. And therefore I think it is important that the company conserves some of the cash in order to pay for premium to a long term pricing of some of the assets. One also has to look at it relating to incremental growth. We have come a long way from the time we used to pay Rs. 2, Rs. 3, 4,6 and now Rs.9.

Q Very clearly the gas consumption in India is growing. From a shipping company's perspective and looking at India what is the business opportunity for GES?

ANS BHARAT) GES is looking at the possibility of participating in the future LNG business. We submitted a bid in association with two foreign partners for the Petronet tender. We shall know the outcome of that probably later this year. We are ready to make a move.

As far as the open market is concerned the LNG business is probably going through a very weak phase. There are ships that have not got a single cargo since January 2005. We are now at the end of April so there are new LNG ships costing nearly USD 200 million that have not earned a single days revenue for the last 120 days. And that is not good news.

So unless we can we have the surety of the employment, we think, that the kind of risk would be simply too high. But we would be happy to look at LNG as a business but backed by long term charters, which is the traditional way.

Q. Last year we saw that freight rates across various segments of the market went up. Those ships, which were due for scrapping tried to extend their period to as much as possible. A lot of ships will now have to be scrapped come what may. So are you still worried on the total tonnage, which will be available, which could create an imbalance?

ANS BHARAT) As I said, we believe that somewhere between 9-10 million tonnes will be scrapped. Anything not getting scrapped is not best of news for us and anything incremental getting scrapped helps the markets. We were proven wrong last year when during our analyst presentation we were talking about somewhere like 33 million tonnes to be scrapped in two years. That number is more looking like 17- 18million tonnes.

But this 15 million tonnes that has in some fashion got pushed into future years can’t roll on for much beyond. The ships can get converted into category 2 and 3 under the IMO guidelines, which can buy you may be another two years of trading life but not much beyond that. So what happens is that scrapping which was expected to be less in the years to come will now be higher skewing towards 2010.

Q. What's your take on asset prices?

ANS BHARAT) We believe that asset values will remain strong in relative terms. As Mr. Balan showed you just take these last 12 months. GES's Net Asset Value (NAV) has gone up by about Rs. 150/share, Rs. 50 of that is coming out of retained earnings effectively depreciation and retained profit. So there is Rs. 100 that has come through fleet appreciation.

Now on a capital basis it is Rs.1900 crores of fleet value appreciation, which is incredible. Now we see two scenarios the freight rates remains strong & asset values continue to rise and freight rates are weaker than last year and there is every possibility that average earnings for the next 12 months will be lower than the average earning for the previous 12 months. Depending on the extent to which they lean either ways we think asset values will remain strong.

If the freight rates dropped and are much weaker than the market is expecting then at the end of the year you could see asset value correction. I think people have made significant amount of money and inspite of the volatility, what is happening is every time the market comes down, everybody believes it will go up again- that's human psychology because of which nobody is going to sell anything cheap.

A VLCC today is earning today USD 32-35-36000/day, 3 years ago or 2 years ago you must have said wow on earning USD 36000/ day. It's just that we all got spoilt by earning USD 80000/day today so USD 360000/ day obviously looks bad.

Q. For what size of VLCC is this USD 36000/ day earnings applicable?

ANS BHARAT) The standard size of VLCC is about 270000 dwt. Whether it is USD 32,36,or 35000 / day for the charterer it just depends upon what is the freight cost per tonne of parcel transported.

The spot rate was 30% lower during the quarter as compared to corresponding quarter last year.

Q. How did GES manage the same operating margins despite follow in spot rate?

ANS BHARAT) In fact there has been a marginal increase in operating margins, compared to previous year. In terms of revenue it was about 17% in total revenue days. For example the VLCC is on an average of USD 87000/ day and that was clearly higher than the average of the corresponding quarter.

We earned a little higher because some of the business we write is with a time lag so even though the voyage may reflect the result in January to March 2005 might be business that we have written in say November 2004 when spot rates were much higher.

Lets take the market today. GES is earning for the first one month of this quarter on a VLCC an average of about USD 47000 /day which we have booked in the month of March 2005. Today we will be booking it for USD 32-33000/ day against USD 87000/ day for the whole quarter. But you have to look at it in comparison to April of last year with April of this year when we fixed the VLCC at WS77, which, translates into probably about USD 37-39000/ day. The same WS77 today translates to USD 33-34000/day.

The reason is rise in fuel prices, which have gone up significantly. VLCC consumes about 80 tonnes of fuel every day. Now the average bunker prices for April of 2004 was running in the region of about USD 160-180/ per tonne. Today that same tonne costs about USD 260 to 270 /per tone. So an extra hundred tonnes crudely speaking is USD 8000. So on a like to like WS today and on a similar voyage your earning will now be lower than the April of last year. But in terms of markets, the markets will be roughly be same. You fix at WS77 in April last year is WS 80 today.

The dry bulk earnings have been extremely strong in the Jan-March 2005 quarter. Whether you look at it on a quarter on quarter or you look it on a sequential basis. There have been very strong dry bulk earnings. In addition some of the vessels that we had chartered out at lower rates got renewed on the spot market and started earning high numbers.

I will give you an example of one product tanker ship, which earned about USD 13-14,000/day before getting redelivered in January. Between January and March 2005 the same ship got marketed on something like USD 30,000/day. So a tanker here and nine bulk carriers all on spot have accounted for the extra revenue. So a bit here and a bit there that's all helped. Remember that in the previous quarter i.e. in the third quarter there was a profit on sale of about Rs. 24 crores, which we did not have in Quarter 4.

Q. We are seeing very high steel prices. Shipyards are booked till 2008.Freight rates have softened. Is it because of excess supply of ships?

ANS BHARAT) The oil demand in Jan-March 2005 have broadly remained same as in October–December 2004 about 84 million barrels a day. In Jan-March 2005 period the net addition to the fleet has been 2% so you have on an incremental basis and a sequential basis 0% change in oil demand and 2% growth in the fleet supply. And that has brought in pressure on the rates.

Mind you these have traditionally been the softer months. Different rates act differently. Take the index which captures may be the 10-12 different trade routes the index today is marginally higher than the index this time last year, which is extraordinary. As I said the earning are lower more because of the fuel oil prices, which are around USD 100 higher on a tonne.

Q. What would be the growth in tonnage for dry bulk and tankers in the coming year i.e. 2005/06?

ANS BHARAT): In terms of revenue days we think best described would be somewhere between 12-13% higher in 05-06 as compared to 04-05, which was about 17 % higher than the previous year, It could be even 14%. This is the net of all our dry-docking days etc.

Q: Last year you bought your first VLCC and within a year you chose to sell it that was quite unlike of your company, in terms of selling a prized asset within a year of acquisition. Is that a telling on what you think of VLCC rates going forward or is it just an opportunistic decision of looking for a profit on a large asset?

ANS BHARAT): We bought the VLCC in November 2003. The reason we sold it was because it was the highest price that has ever been achieved on a 15 yr. old VLCC. She was a single hull and these were ships that one could build two years ago, a brand new ship at USD 65 million or USD 70 million, we got USD 60 million on a vessel that old. In addition, we decided that if we were not selling at USD 60 Mn then what is the kind of return on a notional basis that we could try and get. And at USD 60 Million we would have needed to earn over the next five years, close to USD 45,000 a day and that too to give a zero return. So effectively we have taken the profit that we would have made operating the ship over the next five years at USD 45,000/ day. So on a risk free basis we have captured that money today.

Q. What price have you acquired it?

ANS BHARAT): Around USD 24.3 Mn

Q. So are you saying that VLCC rates would revert to the long-term mean? Is reversal to the mean possible over the next 2-3 years if global oil demand were to remain at 2- 2.5%?

ANS BHARAT): I think it’s very difficult to tell what will happen over the next 2 or 3 years. As shown in the slide, it is difficult enough to tell what will happen over the next three months but what we feel is that the spot average earnings for a VLCC over the next

12 months, unless there are some disruptions in logistics etc. On pure fundamentals, with the net supply of fleet being higher than the net demand, for the movement of oil, we think the average earnings for 2005- 2006 will be lower than the average earnings that we have achieved for 2004- 2005. Beyond that is very difficult to say. The mean itself has moved up because as I showed you through the lines, we've now got a case of higher lows and higher highs.

If we rewind to 2000- 2003, the lowest that we saw a VLCC being fixed at was something like world scale 28- world scale 30, translating to a daily earning of about USD 6,000/ day. Today we are finding that, when the markets come down to world scale 80, translating to USD 33,000/day or USD 36,000 /day- people are calling it a very bad market. You've now got a significantly higher base rate and ship owners themselves are more and more reluctant to be fixing at world scale 80. So we suspect that the five-year average itself will go up significantly.

Q. Do you think this is a good trend that you think of moving gradually from the spot market to the time charter market and is that what you intend to do for the next 1 year. Would you be willing to do that or will you still be willing to play the spot market?

ANS BHARAT): I think we clearly will be opportunistic in the decisions we take but if you ask me today I would probably be a buyer rather than a seller of freight. At USD 33,000/ day, I just don't think there is anybody out there to give me a VLCC in 12 months at that price. But if there was some owner willing to give Great Eastern- as I said we want to expand our operating tonnage as well, a VLCC, at USD 33,000 – 35,000/day, for twelve months. I would be there to take it for twelve months. At these numbers I'm a buyer not seller of freight.

Q. You mentioned about NAV going up by Rs. 150. How much is attributable to earnings?

ANS BHARAT): lets keep earnings out …I don't know what my net asset value will be next year, in 12 months time. If from these values, let us say we have sold a VLCC off for USD 60 million. Lets say that this ship drops 5%- 10% in value. Would I consider that a real drop in earnings? In asset values? I don't think so, because a 5% drop in these values is neither here nor there. I do believe that the asset values will remain strong. And we think that whatever we add to the net asset value as a function of retained earnings will be more than any possible drop that we could see in asset values. And therefore going forward for March 2006 I would be very surprised if the net asset value was less than what it is for 2005, which is Rs. 282 / share.

Q. Why is Great Eastern not thinking of diversifying to container vessels?
ANS BHARAT): Great Eastern is looking at the possibility; it is not something that we don't look at from time to time. But let me give you the reason why we haven't done it till now. We believe that in whichever segment we are operating, we want to achieve a critical mass, a minimal stack of assets. If we had started a third segment like containers, 2-3 years ago and then continued we would have done very well- even better than tankers maybe. It would have meant that we would not have been able to build, the critical fleet that we wanted in the tanker fleet because it would have taken away resources from there and gone somewhere else. So we felt let us achieve a minimum operating capacity in our respective businesses and if after that we believe that we have reached a maturity stage or are at a stage where we wish to not build our exposure to these particular sectors, then we could look at a new business which could be containers. Particularly having seen what the container market has done over the last 2-3 years. I think it is a business area that Great Eastern might well consider in the future.

Q. You said that average revenue days have a projected increase of 12-13% so how does the inchartering factor come in?
ANS BHARAT): This does not include inchartered tonnage. The projection is purely on owned tonnage.
I am not saying that a million tones of inchartering we are going to do today or tomorrow. I am saying that we would like to build it up but I am not going to build it up today the reason being I am not getting people to discount the rate today. The period rate on 12 month rate has not fallen anywhere in line with the spot market rates. To give you an example the one year rate for the VLCC is in the USD 55K – 60 K/ day or somewhere in

that region. Now the spot market is USD 33-36K/ day. There are no owners who are going to give on USD 35-36K/day and I don't want to take a ship in today at USD 60K/ day for 1 year and start earning USD 33K/ day from tomorrow morning. So all I am saying is that we would like to build up i.e. going forward GES could probably be operating a million tonnes conceptually.

Q Your offshore business seems to be heading in a bullish way. What you presented is extremely positive; but the numbers are lower than last year. And going forward would you expect 50-60% jump in bottomline or topline. Why has that not reflected?

ANS VIJAY): Well the market really started picking up only in the later part of the fiscal. So though the rates actually started moving up since then but the effect of that will come in the years to come. In case of offshore business it works with a huge amount of time lag. I would like to say that the market is not booming and I want to correct that impression. Actually the markets are improving and we believe theoretically they will do better.

Q. Just one concern. With orderbooks running high, I presume around 21 Capesize bulker are getting delivered next year and with minimum scrapping inspite of high scrapping prices, how do you think this will have a impact on the dry bulk freight rates?

ANS BHARAT): It is not 21 Capesizes, not to be horrified its 40 Capesizes. And having said that let me put mathematics first for 40 Capes. Roughly each Cape does about million tonnes of cargo per annum. Hence 40 Capes should do about 40 million tonnes. This requires incremental cargo, to keep everything the way it is. The Capes business is essentially the iron ore business, which goes to prove that incremental ore trade into China is going to be absolutely vital in determining the future of the dry bulk trade over the next 12 months. If you take what happened in Jan, Feb & March 2005 we are clearly headed towards an incremental ore trade of somewhere in the region of 60-70 million tonnes. It is imperative data given by Chinese customers. Now if it is 60 million tonnes of incremental ore trade and there is 40 million tonnes of Capes, the extra 20 millions get shifted down one nautch below and so on and so forth. Now the ore trade is particularly the long haul ore trade like from Brazil to China. The moment that Panamax does the trade traditionally for the Capes; it leads to a huge disruption in the logistics chain as Panamax traditionally suitable to do more shorter haul trade. You suddenly have Panamax doing a Cape business. So that effectively impacts the number of Panamax available and eventually it comes down the lower category of dry bulk ships. Like in case of tankers the VLCC drives the trade followed by Aframax and Suezmax.

Q How much did the ISPS Compliance cost you?

ANS BHARAT): ISPS is mandatory for all shipping companies. To comply with ISPS code we spent around Rs. 2-3 crores, which are already expensed. As far as the service tax concerned there is something that is come up in the Budget 2006. INSA has made adequate representation to the finance ministry including revenue secretary etc and we think the finance ministry is sympathetic to the cause and we believe that the service charge on the services that are drawn abroad will not be subject to service tax.

Q your Company's share price has moved up but not commensurate to the Company's growth and profits. Is it due to the lack of publicity or due to the lack of awareness? Is it true the Shipping Corporation is always a leader?

ANS BHARAT): Well all we can say is that if you benchmark GES internationally in terms of return on equity and return on capital, GES can be compared with the best listed tanker stocks in the world. In fact, we are on many counts superior over a period of 3-5 years. In terms of returns international valuation on the whole seem to be higher than in India. Internationally today shipping companies are trading at a premium to net asset value and that premium ranges from 10% in certain cases it goes up to 60%. GE is trading 35-40% discount to NAV. Now why that is the case I am not an expert like the analysts over here to know what happened. I don't know why the Indian Shipping industry has a lower valuation particularly when this is such a global business. An anomaly that exists and remains unanswered is that whether the ship is under an Indian

Flag or whether it is under Canadian flag or a Norwegian flag or Greek flag the value of the ship is same at the end of the day. And traditionally shipping companies have been bench marked against NAV.

Internationally, I feel the base is larger; the number of companies is much larger. Therefore there are more people tracking many more companies. Here what we find and what we been told in terms of surveys, the number of companies in India are probably one or two therefore there is not enough the analyst who is doing the research on. Finally I think the Indian markets also have changed. I think in last say 5-10 years I think new industries have come in eg. IT, Telecom etc.

ANS VIJAY): Finally as a matter of interest I just may tell you that the shareholding pattern of the company is changing and we are now getting much more recognition in terms of FII’s and Mutual Funds holdings which is a positive recognition.

Q Do we have any estimate at all of the level at which the off shore fleet is oversupplied.

ANS VIJAY): You will have to appreciate that in offshore there are different segments in terms of assets. Since last 2 years with E&P activities being lukewarm, there has not been enough ordering. In 2005 around 6% of the current fleet of OSV is expected to be delivered. The order book has also swelled highest since 1996 & will continue to climb purely because a) historically order book increase on improved business environment b) New boats have higher technical capabilities than their old counterparts c) ageing fleets fast catching up. On scrapping front, with improve utilization scrapping will be minimal as business opportunities are now realties.

Q What is the amount of cash in hand?

ANS VIJAY): About Rs.1200 crores.

Q Sir I have a question on offshore. Considering what you all are saying is there possibility on building a rig capacity?

ANS VIJAY): Yes we will continue to look at that as and when opportunity presents itself.

Q: The reason I am asking this was with respect to other offshore companies have done pretty well over the last 24 months. Is there a case that we missed out on opportunity?

ANS VIJAY): Well I think each company has a different focus and strategy. As we concentrate on gamut of assets so we are continuously ploughing back a lot of money back into the company. As far as the expansion goes we have around USD 100 Mn new building orderbook comprising 7 OSVs. Apart from that refurbishment of our rigs enables technological upgradation.

Q. China has been fueling the world growth in the last 4-5 years. They might consider revaluation of the Yuan. So could expect a slow down in a Chinese economy. Will this impact freight rates?

ANS BHARAT): Clearly China slow down will have an impact and we have seen how dependent one is on china particularly in dry bulk trade. There has been a lot of speculation of Yuan revaluation. Some people say it will happen some say it will not. But even if it does happen it depends on the extent of revaluation. I want to add that China is at a pace of growth now, which in my judgment will be very difficult to slow down. Many things are relevant. If you look at credit in terms of purchasing power by calculation China has been growing at about 6.1%. In terms of GDP, when Japan was industrialised in the 70's it was actually growing in excess of 7%. During the same period the difference between the rate of growth in China and in Japan is actually in volumes and not in terms of the rate of growth. Japan actually grew faster when it was being industrialized. South Korea in terms of purchase power parity has actually grown faster than China. So it's just that because the magnitude in China is so big that people are completely amazed. And quite rightly so for China has done an outstanding job. It's just that their scale is huge. And even today it's the East coast of China that has developed.

There is still a huge part in China that is not yet developed. The entire West for example is not developed. There is, I think, a long way to go in the development in China