"The Great Eastern Shipping Company Limited Q3 FY-22 Earnings Conference Call"

January 28, 2022

MANAGEMENT: MR. BHARAT SHETH – DEPUTY CHAIRMAN & MANAGING DIRECTOR
MR. G. SHIVAKUMAR – CHIEF FINANCIAL OFFICER
MS. ANJALI KUMAR – HEAD, CORPORATE COMMUNICATIONS

Moderator: Good evening ladies and gentlemen. Thank you for standing by. Welcome to GE Shipping Earnings Call on declaration of its Financial Results for the Quarter Ended 31st December 2021. At this moment all participants are in listen only mode. Later we will conduct a question-and-answer session. At that time, if you have a question, please press "*" and "1". I now handover the proceedings to Mr. G. Shivakumar, Executive Director and CFO at The Great Eastern Shipping Company Limited to start the proceedings over to you.

G. Shivakumar: Good afternoon everyone. This is Shivakumar here, and welcome to the Results Concall for the Quarter and Nine Months Ended 31st December 2021. I trust you would have had a chance to go through our results, which were published a couple of hours ago. In any case, we'll go through some of the highlights, we will go through what the markets have been doing. And while forecasting is always a dangerous business, we will try to look at what could happen going forward.

All customary disclaimers apply. We don't know what the future holds. But we may be discussing some prognosis on what could happen. So, first let's look at our results. We have in the nine months declared a net profit on a standalone basis of Rs. 625 crores and on a consolidated basis somewhat lower at Rs, 441 crores. Looking at the quarters, this quarter, that's Q3 was slightly better than Q3 of last year. Let's look at the normalized results and those who have been following us for some time know that we provide normalized results which take out these impacts of derivatives and exchange rates.

So let's move forward, what are normalized results, the impact of the exchange rate which is very significant in our case, and on these derivative transactions are removed from the P&L. And then you have a clearer picture of what the business has been doing. So here are our normalized highlights. Our numbers are slightly higher than they were in the previous quarter. But a little lower than our reported results for the quarter. So we are reporting standalone profit of 250 odd crores while our normalized numbers are about 226 crores. Similarly for the consolidated numbers as well.

The balance sheet continues to be in good shape, we have in fact accumulated more cash than we would have liked. We would have liked to invest in new capacity, but we have not had that opportunity for the last couple of quarters. So looking at broad ratios, the return on equity is in excess of 10% close to 15% in fact, on an annualized basis. Again, it's dangerous to annualize, but we've just annualized nine months to the full year.

On an absolute basis, we are in excess of 10% just for the nine months. The net asset value per share has gone up slightly we were at about 570 standalone as of end September. We are now at 576. This of course has gone up significantly from March by about 18%- 19% showing that there's a lot of significant movement in the price of shipping assets, along with of course significant cash flow from the business, which has enabled us to build up cash as well.

In the last quarter, we announced and paid an interim dividend of Rs.4.50 per share. We have also announced, and you'd have seen the very end of December we announced a buyback of up to Rs.225 crore at a market price of up to Rs.333 per share. And that buyback started from the 7th of January. We post of course regular updates as per the requirements and every day we give a release on how many shares we have bought. One of the reasons for the buyback, or the main reason for the buyback is that we have, as I mentioned earlier accumulated cash from operations as a result of our investments in ships at the right time doing well. However, we have not yet been able to get suitable opportunities to reinvest. And therefore, we thought that we should put some capital towards buying back our stock, which was trading at a significant discount to the net asset value and to the book value.

Looking at the TCYs, and we look at it on a longer term basis also, we have a couple of graphs coming up. So the TCYs have gone up sort of across the board, crude tankers have done slightly better than in Q3 than in Q2. Product tankers also have done slightly better, though still not at profitable levels. So on an individual ship basis, these are still below breakeven, but it's a little bit better than it was in the previous quarter. LPG carriers which are all on time charter continue to do well. And dry bulk also did a little bit better than they did in Q2 of this financial year.

We have now this coverage for the remaining FY22, we have a significant amount of coverage. But that's only basically we're talking of the last three months of the year. So it's not very significant. A large proportion of our fleet continues to be in the spot market. All our LPG ships are on time charters. But most of our tankers are on the spot market. So are most of our bulk carriers. Looking at what's been happening in the shipping markets, and this graph says it all, the blue line is of FY21. And you can see that spectacular start that we had to the year, which boosted the years average. And after that we've been at very low levels with little blips here and there, but still at pretty unprofitable levels. So the nine months and these are market averages. These are not our ship averages; these are market averages. So you can see that the Suezmax spot rate has dropped by about 70% from the previous year in this nine months. And the MR tanker, which is a representative of the product tankers, has dropped by about 50% vis-à-vis the previous year. So that's been a big fall and we'll come to that in a bit.

So what is the reasons for it. We have seen an increase in trade because oil demand is slowly recovering, and so our refinery runs. However, the product trade is still 3% below pre-COVID levels, the crude trade is about 10% below pre-COVID levels. Supply continues to grow, though not very fast. Last year supply grew by about 1.5%-2% however, an additional supply was released into the market because of the release of floating storage, which was about 1.5% for the crude tanker fleet and a little less than 1% for the product tanker fleet. And because of this freight rates remained at very low levels, typically Q3 of the financial year which is the start of the winter, is a strong quarter, Q3 and Q4 tend to be strong quarters for the tanker market. And this Q3, the last quarter was the second weakest Q3 since 1990. And interestingly, the weakest Q3 since 1990 was of the previous year, so October to December 2020 was the weakest Q3 we have seen for the last 30 years and this is the second.

One silver lining is that both crude oil and product inventories have been drawn down by about 10% but are now below their five year lows. And this is based on OECD inventory data, which is the regular release that comes out. So at some point that drawdown from inventory has to stop and they have to start importing new oil and also at some point maybe start replenishing the inventories which is a time when the demand will pick up again for tankers. Looking at dry bulk and dry bulk is sort of the opposite picture to tanker. We had a pretty weak year last year. So Capesizes averaged $15,500 a day while in the first nine months of this financial year Capesizes have averaged 150% more than that at $38,000. So, it been effect in October, you see the number of what $65,000 that was a high not seen since the super cycle ended in 2008. After that, they've come off to averaging about $30,000 in the month of December. And first quarter of the calendar year, which is Jan - March is typically a week period for the dry bulk market. Now, the Capesizes are currently earning about $6,000 a day in the spot market. That's a cape index I'm talking about.

What led to this, the dry bulk trade rose by almost 5% in 2021. And this was mainly led by growth in minor bulks, not the big ones like iron ore and coal. Iron ore, in fact has been flat year-on-year. And so it's a minor bulks, which have provided the bulk of the trade growth. So while the fleet grew by 3.5% so that's quite a lot of fleet growth, congestion played a big role, we had touched a 10 year high of about 5% in Q2, and we touched upon this in the concall last quarter. And that helped tighten the market. So that's one of the reasons why we've had a very strong dry bulk market over the last few months.

Looking at LPG, the market continues to be strong, rates have been lower than last year, but still at very profitable numbers. So for the nine months, though they have come down from 47,000 to about 33,000 in the spot market, they are still at very profitable levels. Again, I must reiterate, our ships are on time charter, there arefive gas carriers which are on time charter. However, whenever they come for repricing, there is an impact of the spot market rates on the rates that we are able to achieve on those vessels.

Again, it's driven mainly by long haul US LPG, towards congestion at the Panama Canal. So there's been a significant increase in the trade over the last five, six years and that continues. So the one message that we'd like you to take away from this is, despite tankers being at such low levels and having dropped off so much, for the last 18 months, the dry bulk ships have taken up the slack and almost compensated for that drop, which shows the benefits of having different types of ships in the fleet because you will get these cycles moving sometimes asynchronously. And that will help you to maintain a level of profitability, even in the face of different cycles. Looking at supply, we continue to have a low order book across the board, the dry bulk order book has been building up a little bit in the last quarter or two. So we were at around 6% now it's close to 7%. But apart from that product tankers are at the 25 year low in terms of order book and crude tankers also at a very low level of order book.

Looking at asset prices, the top two are crude and product tankers, crude on the left and product tankers on the right. And this is what has sort of baffled us and also frustrated us because we haven't been able to buy ships despite the weak market, you've seen how the freight rates have been, despite ships earning only a little bit above OPEX. Prices during calendar 2021, you can see the Suezmax have gone up +10%. You can see that the product tankers have gone up by 10% to 15%. So, all of this has contributed to not being able to invest in new capacity. On the other hand, you have the dry bulk market where because of rates being high, prices have gone up by more than 50% in the last year or so. And we are value buyers and we have not been able to buy tankers because the earnings are too low to justify the prices being at the levels they are and in dry bulk the prices have just gone up too much to be able to buy them with a reasonable margin of safety. So we continue to look for opportunities to buy but only at the right prices.

Scrapping has been picking up, so another little bit of good news but very little good news. It's moved up, so crude tankers you've had 2.5% scrapping, which is the highest in three years. But product tankers, you had 2%, scrapping, which is the highest since 2012. So it's a nine year high. It's a good sign, again scrap prices continue to be around $600. And hopefully more tankers will get scrapped, which will remove some of these supply overhang.

Coming to the offshore business. Again, this is a slide that we've shown many times before, there are a lot of old rigs which are there, which at some point hopefully will be removed. But let's move forward. Utilization, while it's moved up since Jan 21, so in the last year or so, last quarter, didn't really see much movement. There has been some excitement around deep water rigs after the price of crude is 80 and, been moving up. But haven't seen much improvement in the Jackup utilization. In the last 10 months, though it has improved significantly between Jan last year and Jan this year. So the recovery seems to be underway, but not yet fully reflected in the pricing.

In terms of the vessels, we have seen better prices for larger vessels, like say the large PSVs, we have seen significantly better pricing, more contract enquiry flow. And so we can see the recovery taking place. And again, I'm talking about markets outside India, India tends to be a time charter market, longer term time charters, but we're talking about markets outside India. Southeast Asia, Africa, etc., where we are seeing improvements in pricing and in some cases significant improvements in pricing from a year ago levels. So let's hope that that translates to the markets in India as well. Of course we have a lot of cover, we have more than 50% of our capacity even for FY24 in terms for the vessels covered. So we don't have too many pricing points coming up.

On that note. Let's look at what we have here. These are the re-pricing to be done, you will notice that the rig pricings are the gray bars. The first rig re-pricing has to happen only in H1, FY24. We don't have any rig to be priced before then, we have the Greatdrill Chitra which comes off charter in the next few months. We have already got her next three year contract in India itself. So we don't have to worry about her employment, the next rig which will come off in middle of calendar 23, which is about 16-17 months from now, where we have to find employment. And among the vessels, we have basically within the next year, we have these six assets to be re-priced out of the 19 assets.

Looking just a couple of the financial ratios sorry, I should have mentioned in the context of offshore we have and you may have seen that note in our results as well. The Greatship Rohini which suffered that unfortunate fire accident in February last year, we had taken significant write downs on the vessel. Over the last year or so, we took another write down of 12.5 crores in December. The intention is to sell the vessel and so we wrote the vessel down to the realizable value. The insurance claim is under process but we will account for that only after the claim is confirmed by the insurance company. In the meantime, we have taken all the write downs that we had to take.

Financials again, this is another chart that we show every quarter. We had levered up starting in end of FY16 so that's in April 2016 when we were down to about $100 million in net debt, and we bought a lot of assets. And again, the cycle has played out, our investments have played out and so we're back **$100** million dollars of net debt or 0.11 of net debt to equity. So we are prepared to do capex, we are in a good position as far as our balance sheet is concerned. We would like to do CAPEX for renewing our fleet. However, we will do it only at the right price.

Finally, what is our price to NAV, we are at little above 0.5 price to NAV. And, that's been trading like that for some time. One of the reasons why we launched the buyback. That brings me to the end of this presentation. We are happy to take questions. Mr. Bharat Sheth, Deputy Chairman and Managing Director is also here, and we'll be happy to take your questions.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Anuj Sharma from M3 Investments. Please go ahead.

Anuj Sharma: My first question is, we spoke about a rig re-pricing for next three years. Can you just give a sense as to what was the re-pricing difference between the last and the new?

G. Shivakumar: So you know the system in India is L1. Unfortunately, in that particular tender, the L1 bidder was significantly lower than us. And we had to match that price. So that pricing actually went in about 12%-13% lower than the previously done price. Which was our own contract, so we had got a contract at x and this happened at 0.87x.

Anuj Sharma: All right. My second question is, there is a lot of clutter about new fuel and norms for supply for ships. So can there be a situation like the double hull versus the single hull in 2000, and traditional ships becoming much cheaper, because everyone wants to buy the new category of ships. Just some thoughts into that?

Bharat Sheth: So, at the moment there is a lot of confusion on what would be the fuel in use. And we saw what happened on double and single hull, that everybody rushed out to build double hull ships. And then those prices came off considerably and the single hulls actually provided a much better return on capital than the double hulls, so long as they could last. So similarly, because there is so much confusion. Nobody knows whether it's going to be hydrogen, ammonia, LNG, biofuel, et cetera. We clearly have taken a position that we don't want to be first of the block. We don't know what's going to happen. There's a lot of confusion in the marketplace and we therefore think that these ships will continue to either hold value as the CFO has just shown. Or if the market goes up, they will actually gain in value. So it's not as if there are no buyers for these ships. Even today, as the CFO has just mentioned, there are plenty of, there are no sellers of these conventional, what we call conventional units. There are very few sellers of conventional units, and there are more buyers than sellers for conventional units and therefore you see the prices have gone up.

Moderator: Thank you. The next question is from the line of Archan Pathak from Centra Advisors. Please go ahead.

Archan Pathak: My first question would be regarding this shipping yards. So as you saw, the order book for the dry bulk has increased from 5.5% to 7% now since the first quarter. So can you tell us how much percentage of the shipyards are filled up with the container ships and when will they start freeing up, making space for the other segments. Also, if any new dry bulk ship is being ordered today, till when will it get delivered. So that would be my first question.

Bharat Sheth: So, if I can answer the first question. The yards are pretty full for CAL22 and CAL23. There is space open for CAL24. The bulk of this ordering has been containers and LNG. As we have shared in the past, the container space is significantly taking all the bulk of the new building orders. If today you wanted to place an order again, it depends on whether that order is placed in Japan, Korea or China. But, I would say if today one were to contract, one would possibly get slots for the first half of CAL24 on dry bulk.

Archan Pathak: Okay. My second question would be regarding the asset prices, like since the first quarter we have been seeing how the crude tanker have remained quite lower in terms of the freight rates, but the asset prices have remained the high range owing to the, thinking that the markets are going to be better in the next quarter. So how do you see it going further away and how do you see planning your CAPEX, like are we going to wait for the 2016 levels, or our new bottom buying rate has increased?

Bharat Sheth: So number one, if you look at where secondhand prices are. So let's break up the secondhand ships into vessels which are zero to 10. And then by 11, to 20. Right. The vessels, which are zero to 10, are very closely linked to new building prices. And if you see today, the ratio of 10 year old ships to new building prices, it is at the lower end of the last 10 years. So what are the chances of 10 year old ships coming down. If new building prices stay strong, which I guess they will because of where steel plates are, then the chances of the values coming down are quite limited. Now, if you go to the other category, If you break it up 11 to 20, and further break that up into 11 to 15 and 15 to 20, 11 to 15 there is some chance of values coming down if these earnings go nowhere. And let's say the tanker market remains weak for the rest of CAL22. Some people will begin to throw in the towel**.** For those ships which are 15 to 20, those are underlined by scrap and so long as the steel prices are where they are, we don't see too much of a chance of scrap prices coming off. And as the CFO mentioned in his commentary scrap is again at a multiyear high at $600 per lightweight. So what is Great Eastern's CAPEX program in light of all this, it's going to be a challenge. I don't think we have the luxury of waiting for 2016 prices, 2016 and 2017 we got very, very lucky with what we bought. I personally don't think those prices are going to come back in a hurry. So, I guess we will have no choice but to raise our what we call value price. But we won't go crazy about it. So we are not going to compromise too much. We'll have to make some compromise on value vse growth, but we'll draw a line in the sand somewhere.

Moderator: Thank you. The next question is from the line of Vaibhav Badjatya from Honesty and Integrity Investments. Please go ahead.

Vaibhav Badjatya: Sir, just a small one question. On this Russia and Ukraine crisis that is going on, just wanted to understand if something were to happen, how the tanker or shipping market both on the crude and product tankers might get impacted due to changes in shipping routes. If you can throw some light on that, that would be really interesting.

Bharat Sheth: Yes, sure. So Russia, is now possibly the world's largest exporter of crude oil. But some of the crude is getting piped. And, now it all depends on not just the war, it depends on the sanctions. So let's say, God forbid there is Russia-Ukraine sort of conflict, depends on what sanctions are brought in. If it is trade sanctions, like for example let's say you can't trade Iran. If they say, no one can buy Russian oil, no one can buy Russian grain, then of course, there will be lots of disruptions to trade routes, as you know Russia and Ukraine between them account for meaningful part of the global grain trade. And let's say that countries just can't buy from them. Obviously, in the short term, there'll be a lot of disruption, because eventually the countries that are importing grain have to get it from somewhere. But what will happen immediately is you will see a huge shoot up in prices of grain, as well as oil. We are already aware that the world is headed for meaningful inflation and therefore, if there was this sanction on trade, the first thing that will happen, oil would pop up significantly, food grain prices would pop up significantly. And it's very difficult for those prices to sustain. Because obviously it's not going to be a yearlong conflict, if there is a conflict it will get resolved in a few weeks, or will people assess whether these are temporary pickups, and therefore, we will wait for the commodity price to come down again.

So, if you ask me, it's a very hazy picture, my own view and this is of course a personal view that, it is going to be near impossible to bring in trade sanctions. Because already oil prices are at 90 bucks. Unless, of course OPEC is pushed and as, I don't know whether, China is meaningfully supporting Russia. And China may continue sanctioned or not China may continue to import. The point is whether companies like us or other companies, will be permitted to carry Russian oil. Like today, we can't carry Iranian oil because it's sanctioned, or Venezuelan oil. So, the jury is out, there is a big joker in the pack. We've got to wait and watch. But my personal view is that, it is unlikely in already an accelerated inflationary environment for trade sanctions.

Vaibhav Badjatya: But if Russian exports were to decline, so wherever Russian's exporting it is mostly to Europe.

Bharat Sheth: So, Europe and China, Russia exports a lot of crude oil to China that may continue because China will not bother about sanctions. And the trade into Europe will get substituted by other trades. Now, whether that trade comes from the U.S. can supply crude oil. West Africa can supply crude oil. So that will be positive, because obviously you will have a little more tonne mile. Russia to Europe is much less of a distance than if you take let's say U.S. to Europe or South America to Europe or West Africa to Europe or AG to Europe. But the question is, do people have surplus oil to supply in the first place. Because a lot of this oil, don't forget is contracted to customers over 12 months. So, if you're contracted to customers, even if the demand is there you may not have the oil, unless of course OPEC plus says look, we've got to stabilize oil price, there's political pressure on them and let's say that they all decide we now need to pump x number of million barrels more in order to help stabilize oil prices. And if they decide to do that, that's positive for the tanker market. But not so positive for the dry bulk market. Because you can never substitute the quantum of grain that is exported from Russia and the Ukraine. That's just impossible to substitute.

Moderator: Thank you. The next question is from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.

Vikram Suryavanshi: Sir, what I have understood the spread between HSFO and low sulfur oil has increased substantially. So if you can comment, how is the current spread and will that change your thought process for going for more number of scrubbers for our fleet and any CAPEX on that, that was my first question.

Bharat Sheth: Yes, so I'll answer your first question. The current spread is, again it varies marginally between Singapore, Fujairah, and Rotterdam which are the three big fueling center, but the range is between $150 and $180. Now, we saw that when oil prices were down to 30, 40 bucks, the spread had narrowed down to $40. So now with the spread, having widened the decision that we took off putting scrubbers on six of our ships is looking a little more beneficial than it was looking last year. As to your part B of the question, would we put in or invest in additional scrubbers on our ships. The answer is no, because at the current spreads of 160-170, it's not a great investment. We've already got the scrubbers of the past and so, we have to live with that, but would we put in incremental CAPEX, clearly not.

Vikram Suryavanshi: Okay. And in presentations, there was a comment that whatever TCY rates what we are having for tanker are significantly below breakeven, though there is improvement. So approximately what type of a level, at the TCY should be there for tanker for a breakeven?

Bharat Sheth: See, actually, it all depends how you define breakeven and different companies will define breakeven in different ways. So the way we just look at it is, on cash breakeven so we look at sort of what is required for each ships contribution on debt repayments. So, I would say on the crude oil tankers, roughly it will be in the region of $15,000 to $16,000 a day roughly. And on the product tankers, it would be around $12,000 to $13,000 a day.

Vikram Suryavanshi: Understood, for us it may be lower because of our assets what we typically buy is, for new it should be substantially higher?

Bharat Sheth: Much higher, much, much, much higher. The reason it is much lower for us is because, the fact that our capital that we invested in was at much lower price points. See, that's the whole point that what we have set out to do is build a very, very competitive fleet that would bring in levels of profit even at very low points of the cycle.

Vikram Suryavanshi: Yes, because with your experience have you seen that in long term this kind of rates, at least get adjusted to the long term cost structure or it's purely dependent on the short term demand supply sentiment?

Bharat Sheth: Sorry, can you repeat your question. I missed the first sentence.

Vikram Suryavanshi: Yes, because I was just talking about general freight rate in the system are they covered by long term cost structure of this breakeven for the new assets or it typically tend to be impacted by the short term sentiment?

Bharat Sheth: No, it is just purely impacted by short term events and is really not a function of these current breakeven. But of course, what will happen, if there is sustainable disparity between let's say new building breakeven's and where the spot markets are or whether one year, two year, three rates are people will not build ships. And we have seen in the month of January, which is now coming to an end, zero new building contracts have taken place across the tankers spectrum.

Vikram Suryavanshi: Understood. And one more question regarding offshore with this oil now at a significantly good level for offshore market what we take as a reference for so, are we seeing that investment in ENP improving in the offshore or is it changing outlook for offshore market?

Bharat Sheth: So, as the CFO mentioned, there is a marginal uptick in the utilization of rigs, but those are much more the deep water rigs. And we are now at utilization in the high 60s, we have seen that the price point goes in the suppliers favor, the rig owner favor when utilization crosses 80%. So, we still have a way to go, on some of our boats, though which are again required for some more complicated or complex operations. We have seen decent improvement in the rates, we have clearly seeing a demand for those assets. And across whether it be West Africa, South Asia, North Asia, et cetera. There is clearly more demand for those kinds of assets for the very conventional boarts, which just do up and down supplies. We haven't yet seen as you know, that was a very meaningfully overbuilt sector when the markets were strong. So we haven't quite seen an improvement there. But if oil prices sustain, again it all depends on sustaining and there is a lot of talk that the worst of the oil price is behind us. And that oil averaged in the very low 70s for CAL21. There is a sporting chance it will average somewhere between the 70 to 80-85 mark is what the majority of so called pandit's are saying over CAL22. And at these prices, eventually there has to be an enhanced ENP program by the oil company. And this is in spite of all this ESG noise that one is hearing.

Vikram Suryavanshi: Okay. And the last question from my side, we have got order book percentage but with your understanding in terms of scrapping and all that what could be the net addition in a fleet for tanker and dry bulk for CY22 and CY23 approximately?

Bharat Sheth: It will be somewhere in the 3% mark.

Vikram Suryavanshi: For both the segments?

Bharat Sheth: For each of the two years, yes. Could be three, three and a half, but somewhere in that region. I must say that the supply side is really not a challenge, at least for the next two years. What we really need eventually for demand to pick up as we've just shared in one of the slides, that demand on crude is still 10% below pre COVID levels. That's a lot. So we need that bit to change.

Vikram Suryavanshi: How important is this aviation fuel for this crude demand?

Bharat Sheth: Very important, ATF is, in fact if you see one of the most disappointing sort of petroleum demand areas, has been ATF. The demand is coming back to gasoline, demand is coming back to gas oil. But ATF which is equally critical commodity, that demand is well below pre-COVID levels.

Moderator: Thank you. The next question is from the line of Amit Khetan from Laburnum Capital. Please go ahead.

Amit Khetan: So my first question is, if you look at the tanker markets obviously, there's a big disconnect what's happening between the asset markets and the freight markets. And this will have to get resolved one way or the other. Based on your own historical experience and perspective, could you throw some light on, if asset markets are leading indicators of freight trades, or is it the other way around. And if it's the former shouldn't we be buying more?

Bharat Sheth: So, asset prices at times have lagged the freight market and at times led the freight market. So there is no consistent pattern that asset values will necessarily lead what's likely to happen in the freight market. We've now seen almost 18 months of crude oil tankers earning only OPEX, only OPEX, with virtually no EBITDA contribution. And yet, you've got values where they are, as I was explaining to one of the earlier questioners this time round it's clearly a function of where new building prices rest, and it is our concern. And it remains our concern that if tanker earnings do go up, which at some point they will, what's going to happen to prices. Have they led, have they already led the market and therefore, you might see earnings go up, but asset value stabilize or is it that they will at some point, somebody will throw in the towel and come off. It's really difficult to answer, but what we think and what history tells us that at current price points, you don't create a meaningful return on capital. Then you're just better off buying paper. Because think about it, today let's say my steel is valued at $100. And I'm able to buy my paper at $50. So my better use of capital is buying paper.

Amit Khetan: Got it. And do you see, if you leave out the part of sanctions which are anyways difficult to predict do you foresee any kind of trade route changes over the next two, three years in terms of where oil and oil products are produced and consumed, which could lead to either an increase or decrease in tonne miles?

Bharat Sheth: Yes, so if you just keep all sanctions out, and you just look at, just the pure macro picture clearly, there will be change in patterns for example, there is a big refinery coming in West Africa. And that means that West Africa from exporting crude oil, they will export crude because the refinery that's coming up can't absorb all the crude, but the crude export will reduce and the import, the product import will also reduce. And maybe West Africa will start exporting products. And we are seeing big refinery coming up in Saudi Arabia, which again is very positive for the product tankers, but not so positive necessarily for crude. The demand is still there so then that crude, instead of coming from the Persian Gulf, needs to come from somewhere. Now, if it comes from South America, that's very good for the market. If it comes from let's say like, if it comes from Libya, or if it comes from North America, that's also very good for the market, we are seeing a lot of crude oil come from Mexico, and North America into India. Now, that's positive for the market. So, trade flows will never be a constant, it will be all over the place. And also, you have to remember on the configuration of the refinery, because very few refineries in the world can only survive on sour crudes. So you need some sweet crude and then it depends on where your contracts are on sweet versus sour, etc., and what the differentials are and so on and so forth. So we don't even think about these issues honestly, just our focus is entirely on value. Because if we get the value right, and there's no point predicting these things, but if we get the value right we are done.

Amit Khetan: Got it. And lastly, if you look at the rates that we have earned on our LPG carriers over the last seven or eight quarters they are pretty good if I square them with our operating cost. And, obviously this is on time charter. So why aren't we investing more here, is it because we have a negative outlook on the segment or is the asset market here less liquid and could you just throw some light on our strategy here?

Bharat Sheth: Certainly. So on LPG, as the market is a little less liquid. The last few transactions that have taken place are way above our price points. Again, I'm not comparing somebody asked me would I wait till for the same price points as when we bought in 2016-17, answer is no, we are happy to pay more than those prices. But, we just don't see a lot of sense in today's prices, because even if you pay today's prices, and you get the same two year earnings that we are getting today, the write down is very minimal. Relative to historical pricing of the asset. So if I'm only going to write down and earn my depreciation, what have I earned in terms of return on capital. It will be in the low single digits. Now, today, it's okay, because interest rates are very cheap. And Great Eastern possibly, is able to borrow capital or debt capital at possibly amongst the lowest rates in the world for a shipping company. But there's no point borrowing a 3.5% and trying to make a 6% return on capital.

Amit Khetan: Got it. And we had one ship coming of time charter last quarter. Has that been fixed at a higher rate than our previous rate?

Bharat Sheth: No, it has been fixed marginally below.

Moderator: Thank you. The next question is a text question from Samraj N from Dwarka Share Brokers. The question is, kindly give the split of net income 228 crores between bulkers and tankers. Secondly, if you could give a back of the envelope, SNP price for 10-year-old MR2 and LR1, - Suez and Afra, Kamsarmax and Supra?

Bharat Sheth: Since there's so much data required, can we just deal with that offline?

G. Shivakumar: Yes, only thing on that profit. I'll just mention we don't give that split. But the fact is that tankers have been at negative levels, I mentioned it during my presentation also. They are below breakeven. So they have a negative contribution to the profit. So we don't give the breakup between dry bulk and tankers.

Bharat Sheth: At a net income level.

G. Shivakumar: At a net income level, obviously they're making a positive EBITDA, but at a net income level they are negative. On the asset prices, maybe we can connect separately on that.

Anjali Kumar: You can just request Mr. Samraj to leave his email ID in the chat box as well. So we can come back to him.

G. Shivakumar: Yes, maybe Anjali, if you can coordinate with him?

Anjali Kumar: Yes, can I just request Mr. Samraj again, to just leave his email ID in the chat box as well please. Thank you.

Moderator: Thank you. The next question is from the line of Sanjeev Pandiya from Old Bridge Capital Management. Please go ahead.

Sanjeev Pandiya: Sir, if I could just to take a line out of Warren Buffett that airlines are a candle burning at both ends. Now, if we were to keep the shipping company, like a candle burning at both ends. Now, when you take a view on what price to pay, you just spoke in reply to a previous question that, the baseline of ship prices has kind of gone up and then you talked about asset market sometimes leading product markets. So, in this particular case, we are seeing relative sophistication on the part of asset markets, whether it is driven by scrap prices or a view on carbon emission norms of 2030, etc., and especially the new fuels coming in and you are seeing ship prices go up structurally, there would be a kind of a payback on the delta which can be recovered from higher freight rates that could happen to you with a lag. So, I'm just trying to see whether there is any space where you will sort of give up your, determination to get the right value for your ships sir. Aren't you fighting, the last battle, in the sense last year's battle in the sense that you're constantly looking at the downside on ships and right now, maybe it's time to not look at downside on ships, you should be looking at the potential upside, even if you over paid for a particular ship, maybe freight rates will work out for you. And of course, the prices also might do the same?

Bharat Sheth: So, this is a constant struggle in our own minds as you can appreciate, as I've said to one of the previous or a couple of the previous participants that, we are not just wanting, we're not trying to fight the market and say look we are convinced that 2016-17 prices will come back, we don't know. We are happy to pay higher prices, but having said that are we prepared to pay today's prices. The answer is possibly no. And let me share with you that in dry bulk from December, or let's say from October, November values to today asset values are down between 10% and 15%. So, from our perspective, they're moving in the right direction. Now, maybe they'll reverse again and go up. I don't know, I can't answer that. But what we don't wish to do, because remember once you bought an expensive ship, it is expensive for all its life. And then you have to pray for a strong freight market. You have no optionality left. And why should I go out and take that risk when I can take virtually a zero risk by buying my own ships, more of my own ships at half the price.

Sanjeev Pandiya: That is fair, it's just that.

Bharat Sheth: Think about it, if this market goes up today, if you look at our EBITDA on nine month basis, to the market value of our assets, cash on cash we earn about 15% in dollars. 15% cash on cash and if you take Great Eastern's depreciation it's an accounting charge. But with asset value is going up where is the depreciation. So that's cash you have earned, you've captured all that cash. So you've captured all that cash, so cash on cash and now that's on my current net. Now, if I'm able to buy at 50% of that net, my cash on my buyback price is massive. It's like +20%, now I can find steel that is going to give me that return.

Sanjeev Pandiya: Sir, this would be a fair argument. If you were let's say doing a kind of an LBO, where you're issuing a massive amount of debt while guesses your check writing capability right now would be at least 10,000 crores. So you could buy the whole company out and just do more of it, instead of treating it like a dividend policy and just incrementally doing about 200.

Bharat Sheth: No, so let me tell you why we have not done more of it. So see you get a very narrow window in which to do the buyback number one. Number two, you have to look at what is your daily trading volume, of the day trade, of your daily trading volume what is your delivery volume. Now, if you look at our stock, and if you look at the daily delivery volume, there's only a certain percentage you can buy. You're not going to get 100 out of 100 of your delivery volume. So if you do the mathematics on that, and you just break it up. A Great Eastern's daily trading volume is say 200,000 shares, delivery volume is 100,000 shares Great Eastern gets 50% of that, what more can I do. So within that narrow window, there's only so many shares I can buy. Now, yes if I, let's say instead of the price that we announce let's say we went up 30%, 40%, 50%, of course the volume will go up. But then if I factored in the tax that I'm paying on that buyback amount, am I providing a sensible service to my remaining shareholders, because then I'm buying it closer to steel. So if my all in cost, let's say comes in at 500 or 550 and my NAV is 600, then I'm coming very close to my steel cost, then I might as well buy steel. Even on paper, like we look at steel, we want to be value buyers. Similarly, even on paper, eventually we have a responsibility to the long term shareholder, to the remaining shareholder. And for the remaining shareholder, it's wonderful. If we can successfully do this buyback at the price at which we've announced, and even after paying the dividend tax on it, we are getting it at a significant discount to steel, and I'm getting the same cash flow. So my cash flow on paper is so much better than my cash flow on steel, and if steel value goes up my paper value is bound to go up.

Sanjeev Pandiya: Okay. So basically, I just wanted to understand what will because, while buyback is a defensive argument it's that you are.

Bharat Sheth: No, it's not defensive. Honestly, it is not defensive, it's pure sensible capital allocation. Okay, let's say you were in management position, why would you buy something for $100, when the market says, we are valuing it at $50 give me one reason.

Sanjeev Pandiya: So, I'll wear the owner's hat here. The message you're sending out is that you can't find enough avenues to invest.

Bharat Sheth: No, sensibly invest, I can find plenty today for Great Easter to go and buy another 20-30 ships is not difficult. But will I be serving my shareholder correctly, let's say that I have to take impairments after one-two years. Great Eastern has taken a $300 million impairment in the past. You don't want to be in that position again, where you're impairing assets, what have I achieved, I've achieved growth at without creating value, I will create a lot more value. The only problem is we can't continuously buy back, we can't just do it every second day. But if we could we have the money to do it. And it will be the best thing for the Great Eastern shareholder if we could do it. Imagine if I could privatize the company at Rs.333. Look at the arbitrage. I can sell steel at 600 and I get 333, it's a no brainer. My problem is the liquidity. Why would I not privatize the business today, theoretically if I can make 15% return in dollars. Show me another asset that gives you this. Of course today the fad is, the bigger the loss, the bigger the cash burn, the greater the PE multiple, that's the fact today it will change.

Sanjeev Pandiya: No, I'm not looking at that part of the market. This is a different one.

Bharat Sheth: No, but that's reality whether we not like it a lot, but it's there.

Sanjeev Pandiya: No, then again back to Warren Buffett, a company gets the shareholders it deserves. So therefore, what you just said there are people like me, for example we've been around for a long time I've held you almost from 2017. And we saw the change in the return on marginal investment, et cetera. So, if we see like you said that the cash on the return on paper going up fine. So you will get a particular kind of investor staying with you. And well whoever selling out is probably more short term in nature. The other, I'm just saying if there was a law that prevented you from buying back your shares and for any reason that route was closed, you would look at reinvestment. Now another place which is hurting the existing investors is the negative spread that you're carrying on your cash. So, isn't it the right time to look at a cash management operation or a cash management competency that outperforms, it's not very difficult to outperform the dollar cost just now?

Bharat Sheth: So see today, the only thing you can do is say that all right, I will not hold any dollars overseas, and I will bring it all into rupees. As you know, dollar with the depreciation that has taken place has, let's say earned us 3%, rupee cash is earning us 5%, 5.5% somewhere in that region. And therefore, if you take the blend, it's clearly got a negative carry versus interest costs, no denying that. Now unfortunately here we are not allowed to prepay loans also because of RBI restrictions. So, please remember our hands are tied there. The only thing we can do is to say we won't hold dollars, we'll bring everything into rupees. But remember that we eventually buy dollar assets. So you've got to be net long in dollars as a philosophy. In the dollar business, now imagine if the rupee for any reason meaningfully depreciated. I have reduced the purchasing power of my cash. I have reduced the purchasing power. Now, the second thing is, let's say I hold cash with a negative carry of let's call it 1% or 2%. Let's say I hold it for three years. So 6%, each year I am losing 2% or negative carry correct. Now, if asset values drop 10% at some point. I can afford to wait. If asset values don't drop for five or 10 years yes, I would be completely wrong. In sitting on cash, and that would clearly destroy value.

Now if you see the historical trend of cycles, if you go back 30-40 years. Only one time has the trough stayed for five years, that's the longest period ever. And that was in the 80s. But remember, that is when US dollar interest rates were 12% and 14%. If you strip that bid out, that extraordinary period when US dollar rates are 12% and 14%. Trough have lasted for not longer than three years, actually just a shade below three years. Now we've already had 18 months of the trough roughly. So either the freight markets will go up and if the asset values have led that asset value will stabilize at these prices. And obviously they won't come down. If on the other hand, asset values or the freight markets have disappointed, I believe asset values and if interest rates go up which there is every talk of US dollar interest rates going up, asset values must come down. So it is possible we will be wrong by sitting on cash. I'm not denying that, but at the same time there is an equal chance we'll be right.

Sanjeev Pandiya: So maybe this is not the right forum to be discussing these topics.

Bharat Sheth: You can talk to me whenever you like, I love these discussions. So please give me a call.

Sanjeev Pandiya: Yes, there are a few insights which I really wanted to.

Bharat Sheth: Yes. Just give me a call anytime you like.

Sanjeev Pandiya: Especially that bit about cash management with a hedge.

Bharat Sheth: For cash management, you've got to speak to the CFO, but I will be equally happy to engage with you. So please do give him a call, and I'm sure he will be.

Sanjeev Pandiya: I meant this as a structural competency that ranks along with your ship buying capabilities, something.

Bharat Sheth: I understood. So best is if you talk to the CFO on cash management, and satisfy yourself and of course we are happy to learn. If there is something we can do better. We are more than happy to take it on board.

Moderator: Thank you. The next question is from the line of Himanshu Upadhyay from O3 Capital. Please go ahead.

Himanshu Upadhyay: So my one question was, in one of the previous questions, you replied that we find paper being more attractive than steel. And given in 2016-17, we invested in stocks outside India. How did that whole thing pan out, because when we see this year's Annual Report nothing much is remaining out of that. So, are we finding similar opportunities besides our own stock price and did that whole exercise make a decent amount of money and is it a viable strategy for you because you keep money in US dollar terms or do you think that is not the way or it was not a very physical exercise every time. So, just your thoughts on it.

G. Shivakumar: I'll just add first, so Himanshu, there are two different companies, which are doing this, the company which was investing in the shares of other shipping companies was our overseas subsidiary. They are only buying shares of other shipping companies; they are not buying our shares. Our company is Great Eastern Shipping Mumbai. So that's an independent activity by that company, it has done well in that activity. They are still invested in shares of shipping companies, based on the view that they're taking. So, net-net they have done well with that activity over the last four-five years or so, since they started it. Coming to Great Eastern Shipping, we don't invest in shares of other shipping companies. So that's a completely different activity altogether, which is done by that company. So it's not an either or, because these are two different companies, both of which have different objectives and both of which will not get into the others area. Great Eastern Shipping Mumbai is not investing in shares of other shipping companies. Our focus is here, when we have to buy we're doing a buyback here. Sorry, now we can move forward.

Bharat Shth: Yes, and Shiv, correct me if I'm wrong, but I guess on that overseas subsidiary which I had sort of ideal cash in inverted commas, which was earning under 1%, would you say that over from the time we started that activity, we probably average 10% to 12%?

G. Shivakumar: Yes, that's right.

Himanshu Upadhyay: In dollars?

G. Shivakumar: That is correct. We haven't done badly there at all.

Himanshu Upadhyay: Okay. Secondly, the research team, so we used to have a research team in India for shipping assets only. So the research team, will it be common for that subsidiary in India. So at least, fund manager may be different or do you think, the fund management and research will be separate?

Bharat Sheth: No, our exercise cannot be handled in India, it's a completely independent set of people based in Singapore.

G. Shivakumar: So they take input from us, but it's an independent.

Bharat Sheth: They may take a view, but eventually it is their call.

Himanshu Upadhyay: Okay. So it's a separate line activity, we should understand and depending upon. Equity markets behavior they will behave, and our behavior would be based on what asset prices are there and what our stock price is there. So that is a way the behavior differences there?

Bharat Sheth: No, and there's completely different as the CFO said, there is no correlation. Independent decision making, and so far, over these four years, there is not a single stock on which we have lost money.

Himanshu Upadhyay: And we don't leverage at that end?

G. Shivakumar: No, not at all. So their thing is, they are looking at it as whether you invest in say bank deposit versus equities. Again, sometimes their function is to do chartering as well. If they don't get those opportunities, they look at this as a way to take that exposure. In our case, when we are looking at buyback, we are looking at it as a way to take the exposure to ships itself to the steel of the ships itself by buying the underlying stock when Great Eastern is doing it.

Himanshu Upadhyay: And secondly, we are hearing a lot about this taper tantrum and interest rates going up, in shipping how does it impact see, what we see in fixed income markets the weaker credit the spreads increase very fast in such a scenario. Does it also happen in that way in shipping and is cost of funds increasing at current point of time for weaker players much faster or you're seeing nothing of that sort happening. And how does it generally play out?

Bharat Sheth: Weaker players are really struggling to get finance. More and more banks now are being disciplined in supporting weaker players because they've all burned their fingers. Also, they wish to use their portfolio into investing in more modern assets or supporting only the strong players. So the spreads will very, very clearly, the spreads have increased and will continue to increase meaningfully for the weaker players.

Himanshu Upadhyay: Okay. And one last thing on offshore side. We had a pretty tough period in offshore side, but with the next rig getting now occupied. Can we start seeing that at a bit level it will start making more money or it will start flattening out after the last two tough years or how is that business going to behave. So you may not give the rate.

Bharat Sheth: At the moment we are not impacted, let's say the business does well. Let's say that the markets go up, at the moment as the CFO mentioned, we don't have any re-pricing to be done till 24-25. So, in that sense we are on an indifference curve, whether the market goes up or the market comes down. Because you can't sell the asset, nor can you benefit from re-pricing. Where we can benefit from re-pricing is on the boat side. And there, the CFO mentioned we are seeing an improvement in ENP activity. And some of the boarts, which are required to do a little more complex operation, there the earnings have gone up by between 20% and 30%. And again, also, the customer is willing to take the asset for a longer period of time. So that's again an indication that liquidity is beginning to come into that space. If you ask me if asset value has gone up, they have not in spite of earnings having gone up 20%, 30% but it is no longer possible to buy a cheap offshore asset. If you look at us at a little more complex asset, the basic asset I don't think values have gone up. But on the boats that can do some deeper stuff and do a little more complex operation in the field. I guess asset values must go up. And this is the mystery that their earnings are up 20%, 30% values have hardly moved. If at all, they're static. In dry bulk, earnings came off 15%, values have come off 15%, in tankers earnings have dropped 70% to 80% and values haven't come down. If anything they have gone up. Now, let somebody try and explain this to me.

Himanshu Upadhyay: And any change in opinion on capital allocation on the offshore side, means would we start looking at it or has that moment come when we, historically we have stated that once we start realizing that the market is improving and you can get good rates and get a vessel, we'd like to be more in the market. Hence that moment of truth come or do you think that is still?

Bharat Sheth: No, we won't be able to see, it's just been happening over the last couple of months. And we would really want to see it sustained rather than this being a blip. So currently, we have no plans of enhancing the capital allocation there.

Himanshu Upadhyay: See, it's a funny thing, my question is funny but again, we want surety of asset we want the rates to improve and also the assets to be cheap.

Bharat Sheth: No, that's not true we obviously don't want assets to remain cheap and rates, we just want rates to stabilize, at least for a few months. We would ideally want rates to stabilize we need to see more demand and remember that even a seller is now playing the same game as you who is a buyer. But what is happening in the offshore sector is that banks are taking more and more control of the assets, because I would say a very significant majority of offshore players worldwide are in trouble, significant majority. And either they are going through the process of that chapter 11 or whatever it's called, or they are talking to the banks. So, it is something that we've got our eyes open to, but we would ideally want to see this stabilize a bit. And maybe it's even worth paying up a little more money. But making sure that this is a little more sustainable rally. We know that oil is at 90 bucks today, but we also know that OPEC plus is, controlling the price to a significant extent.

Himanshu Upadhyay: And one last time, we had an incident on Greatship Rohini. And our fault finding research was going on at a team or investigation was on, have everything closed down on that and was it a personal issue or a process issue or I would say just natural event that sometimes happens? And have you change any of the process and workings on those things, some elaboration on that?

Bharat Sheth: Yes, so the matter is now, we are waiting for the insurance company as the CFO said, we've already taken all the impairment, we need to take on that asset. The matter now rests with the insurance company to process the insurance claim, we are hoping that their insurance claim will all conclude, but at this stage we would first wait for the entire loop to conclude before we comment on sort of where the challenge lies, what we have done is, set up a team that now visits all the assets, physically goes on the assets, and continuously talks to the people on safety. We are making sure that nobody is taking any shortcuts, everybody is doing the work as they should do it, and so on and so forth.

Moderator: Thank you. The next question is from the line of Sanjeev Pandiya from Old Bridge Capital Management. Please go ahead.

Sanjeev Pandiya: So, just an intervention, I'd like to react to that thing you said about explain that. So, I thought I had anticipated that prices in the crude market would not come out because we've seen this in a lot of commodity cycles if you make too much money on the upside, I'm referring to the contango trade, then people hold out for longer till they run out of cash. So you could be seeing that rather than look at freight rates. To try to understand this pattern, you should be looking at how much cash people are holding leftover from the contango trade. So maybe pure shippers have too much cash on their hands. And they will hold out for higher and higher prices and along with that if scrap rates have gone up, then there's not much of a cost to holding out. Which is why people live in hope and you'll see a sudden change in the fundamentals. Just something I've seen in other commodity markets.

Bharat Sheth: I think what you say is absolutely right. And we are aware that people made a lot of money in the first few months of CAL2020. But it's now been 18 months of a cash bleed, if you see the results of the pure tanker companies, those who don't have any other assets, but crude oil tankers. They are all heavily bleeding cash and they are now borrowing money in dollars at somewhere between 6% and 10% which is very expensive today in dollars by issuing bonds and all that. So now the private players it's impossible 75% of global shipping is privately owned and it is very, very difficult to know the private players philosophy on this, many of them have cash from lots of other businesses and have very, very deep pockets. But what we have seen in the past is that even the strongest of players do sell ships, for whatever reason, but they do sell ships, maybe they want to invest in another sector, maybe they need cash for investing in other businesses, because they're all privately owned, they don't need to necessarily, follow just being in shipping. So they look at other businesses, if they look at other businesses as well. And we have seen them come and sell. This time around, they haven't sold and my guess is also because interest rates are where they are. If they start seeing interest rates go up and they can earn 3%-4%. in dollars maybe things will change. I don't know, today we know that on deposits we are all earning under 1%.

Moderator: Thank you. The next question is from the line of Amit Khetan from Laburnum Capital. Please go ahead.

Amit Khetan: Just a quick question around. So if I compare our operations to and benchmark them to some of the global companies both in the tanker and dry bulk space, it's clear that we are doing a fantastic job. But yet we kind of get valuations which are much inferior to those companies, have we ever debated this at the board level in terms of listing at other exchanges and what has been the conclusion of that?

Bharat Sheth: So honestly, both the points you raised are very valid, I would say that, on operations on all the data that we provide, on operating cost, on the way we maintain the assets, customer satisfaction on everything, I would guess we are in the very top quartile globally, both private and public companies included. And at the same time as you very rightly pointed out, our valuations are below the median pricing that we see on price to book or price to NAV globally in spite of producing a superior return on equity, and with a lower risk because as our net debt to equity is possibly amongst the lowest globally, both private and public included as a shipping company. So what you say is absolutely right, have we taken it for a board discussion on an overseas listing. Answer is no, we haven't. CFO, Shiv you want to add something to that. Because you have looked at it on and off.

G. Shivakumar: Yes, we have had discussions with some of the international brokers, and these are not very serious discussions. So we've had discussions with some of the international bankers who deal with shipping, one of the feedbacks and one of the thing you may have noticed yourself Amit with the international companies is most of the western listed companies are pure plays. And pure play in the sense that not just a tanker company, but a crude tanker company or just a product tanker company or just a dry bulk company or just an LPG company. So one of the areas of feedback that we got is that market doesn't seem to like these companies, which are in different sectors, and remember that investing in Great Eastern is not just these four different sectors, it is also an investment in offshore rigs and offshore supply vessels. So, it appeared, and that is the feedback we got that that market doesn't like, non-pure players. I don't know whether this has changed. There are some companies which are not pure play, even in the US, but they don't trade very well. So, that sort of the feedback again, as I said, this was very informal discussions just to ask because the same question that occurred to you has occurred to us as well. And when we asked this is the reply that we got from them.

Amit Khetan: Got it. The reason I asked this is because, if I look at your cash flows and compare them with your peers globally, obviously, the way I look at it is that, once the market sees that your cash flows are so stable and the companies which are operating in single segments. So shouldn't they be giving you a better valuation just because of that?

Bharat Sheth: Without doubt, noticing and saying, but somehow that seems to be their preference. So in any case, we will.

G. Shivakumar: Yes, that is absolutely right. And if you see the most successful of privately held companies, they're all diversified like us. I'm talking about the very, very best privately owned companies. And therefore there is little doubt that a diversified play provides much, much better long term return than a pure play. And there is plenty of empirical data to support what we are saying. But for some inexplicable reason, people prefer pure play.

Amit Khetan: Got it, thank you.

G. Shivakumar: So apparently, it's because fund managers prefer to make very specific calls on individual markets, rather than leave it to.

Bharat Sheth: Yes, but Shiv which fund manager can make a call on the tanker market when we with 40 years' experience can't.

G. Shivakumar: Yes, that's right.

Bharat Sheth: It's is just a waste of time trying to make a call in the market.

Amit Khetan: Thank you, but this is something which may be worth considering.

Bharat Sheth: Yes. The only thing worth considering is privatize.

Moderator: Thank you. The next question is from the line of Samraj N from Dwarka Share Brokers. Please go ahead.

Samraj N: First, I just wanted to confirm whether Ms. Anjali has got my mail. I have sent it in the block. Have you got that?

Anjali Kumar: Yes, we have got that. We'll come back to you.

Samraj N: So just one query I had. This time you didn't reflect in your opening remarks on the freight rates of the spots, freight rates for the different vessels. So if you could just in a few lines, just give me a freight rate, spot rates for the bulkers and the tankers I will really appreciate it.

Bharat Sheth: Sure. We did, we showed it on a graph. But any case if you want to know and remember this is valid for today. It can change tomorrow.

Samraj N: Yes, sure just the current rate.

Bharat Sheth: Yes. So the larger crude oil tankers, which are the very large crude oil tankers, the VLCCs what they call, they are somewhere between negative means below zero to let's say $10,000 a day. The Suez tankers are earning again, depending on the asset class, the kind of Suezmax tanker you own, whether it's eco, scrubber fitted, so on and so forth, is earning between $2000 and $10,000 a day, the Aframax similar between two and 10. On the product side, the bigger product tankers, which are the LR2s are earning, between 5 and 10. The smaller product tankers, the MRs are earning also between let's call it 6 and 10. On, Capes, just at the moment, the Capesize bulk carriers, the earnings are sort of between seven and nine. The Kamsarmaxes, the spot market earnings depending on where your ship is, et cetera, etc., is between 16 and 18. And the Supramax are again something similar to the Kamsar between 16 and 18. But I repeat, this is spot for today. Tomorrow is an another day.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants. I would now like to hand the conference over to the management for closing comments.

G. Shivakumar: Thank you, everyone. That was an interesting call with lots of interesting questions. Thank you for making us think and thanking you for giving us the opportunity to share our views on the markets and our views on how we are approaching these markets. As always the transcript and the recording of the call will be uploaded within a few days.

Bharat Sheth: And, I would just like to add, if anyone even beyond this call has suggestions on how, if there are any areas of improvement or they want us to think on certain issues, I'm sure they are free to mail to head of our corporate communications.

G. Shivakumar: Yes, absolutely. Thank you, everyone. Stay safe.

Moderator: Thank you very much sir. Ladies and gentlemen, on behalf of GE Shipping that concludes this conference. We thank you all for joining us and you may now disconnect.