The Great Eastern Shipping Co. Ltd.
Investors/Analysts Conference Call
(January 29, 2008)

Moderator: Good evening, ladies and gentlemen, thank you for standing by. Welcome to the GE Shipping Earnings call on declaration of it is un-audited provisional financial results for the third quarter of financial year FY2007-08 ended on December 31st, 2007. At this moment, all participants are in a 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 hand over the conference to Ms. Anjali Kumar, head of corporate communication at The Great Eastern Shipping Company Limited to start the proceedings. Over to you madam.

Anjali Kumar: Good afternoon ladies and gentlemen, on behalf of The Great Eastern Shipping Co.Ltd, I welcome you all to the earnings call for Q3 financial results. Today, we have with us our Deputy Chairman and Managing Director – Mr. Bharat Sheth, Our Chief financial Officer – Mr. Balan Wasudeo and Chief Operating Officer of our offshore subsidiary Great Ship India Limited. Mr. Wasudeo would first give a brief financial snapshot of the Q3 performance of our company and after that we shall handle the question and answer that you may have. Mr. Wasudeo over to you.

Balan Wasudeo: It is my pleasure to invite you again to the presentation of a very satisfying quarter. There was a strong net profit growth of 77% & 65% in Q3FY08 and 9 months ending FY08 respectively.

Broadly, the growth came on the back of four favorable factors- a larger fleet, sharp improvement in the dry bulk time charter yields, higher gain on sale of ships both in the quarter and the nine months and impact of AS11, the new Accounting standard that became effective from April 2007.

There were two adverse factors, which dampened the growth a little. One was the softer tanker charter yields and the other was higher capital related cost basically interest & depreciation.

In Q3FY08, the freight & charter hire improved by 23.2% to Rs.604 crs as against Rs.490 crs in Q3FY07, broadly on improved dry bulk yields and 13% increase in the revenue days, i.e. 3683 days growing up to 4164 days. Likewise the freight and charter hire for nine months improved by 27.4% on very similar reasons. As I mentioned earlier, the gain or sale of ships has been higher both in the quarter and the nine months. Interest and regular incomes have been broadly been flat. Other income is mostly because of the change in the accounting policy of AS11 and also some increase in profits on sale of miscellaneous assets and some old claim, which we received. So, overall the total income grew by 43.2% to 744 crs in the Q3FY08 and 46% to 2420 crs in the nine months ending FY08.

Coming to expenditure side, there is a sharp increase in employee cost & direct operating expenses, which can be justified by increase in fleet size as compared to corresponding quarter of the previous year. Overall the total expenditure grew by 17.6% as compare to increase of 23.2% in freight and charter hire. This in turn has given 200 basis point improvement in the operating margins from 46% to 48% in the Q3FY08.

Total operating profit (PBIDT) showed an increase of 70% from Rs.253 crs to Rs.430 crs and an increase of 56% in the nine months' comparable previous. Interest has gone up substantially about 59% of the quarter and the 33% in the nine months. As I said we have been borrowing to finance fleet increase and borrowing outstanding as on December 31 2007 was higher by about 42% as compare to December 31, 2006, so that is the major increase in the borrowing cost resulting in higher interest cost. Depreciation also has gone up because of the higher gross block of fleet as the fleet size increased. This brings us to the profit before tax which is Rs.304 crs 80% increase in the quarter and Rs.1096 crs 66% growth in the nine months.

Tax charges in the nine months has been Rs.38 crs vs Rs.24 crs in the previous nine months. Our tax out go has been in the region of around 3.5% of PBT which is what we are maintaining for some time and therefore that brings us to the total bottom line after adjusting of the prior periods credits in the nine months' period to Rs.1057 crs in the nine months compare to Rs.642 crs increase of 65% and a 77% increase in net profit for the quarter. Even if you exclude the gain or sale of ships both in for the quarter and in the nine months and also exclude the impact of AS11 favorable impact both in the quarter and in the nine months, the bottom line increased by 34% in the quarter and 22% in the nine months, fairly satisfied growth I would say. The return on invested equity is almost 30% for the Q3FY08 and about 40% for the nine months and the return on capital employed was about 21% in Q3FY08 and about 26% in the nine months ending FY08.

With this I conclude my presentation. I now request my Deputy Chairman and Managing Director to answer all questions for you, thank you.

Moderator: We are having our first question from Mr. Parag Gupta of Morgan Stanley,

Parag Gupta: Wanted to know your thoughts on what is happening in the tanker and the bulk segment especially with respect to tonnage miles, change in trade patterns & effect of port congestion on the same?

Bharat K. Sheth: In the last of couple of years, we have seen steady increase in the tonne mile situation, both for tankers as well as for dry bulk. The surplus capacity of oil is only with the Middle East and the members of OPEC and therefore any incremental demand will mean greater tonne mile demand. Similarly, on the dry bulk side because of significant demand for iron ore and coal, we are now seeing trade patterns that are adding to tonne mile demand for bulk vessels. As far as port congestion is concerned, some of the Australian terminals have shut down due to bad weather and consequently the cargo has been stuck in the terminals. We think this is a temporary phenomenon and as the cargo starts moving, the situation will ease considerably.

Parag Gupta: Could you share what is the NAV at the end of December 2008 and a broad breakup of how much of that is tankers, bulkers, and cash?

Bharat K. Sheth: The net asset value on the diluted per share basis as of 31st December 2008 is Rs.540. Out of that, cash is about Rs.80 and the rest is basically fleet value adjusted for the debt. The tanker fleet will contribute approx 70% to 75% of the remaining amount.

Moderator: We have our next question from Mr. Pinaki of Tradewind,

Mr. Pinaki: What will be the effect of ongoing softness in the dry bulk market on the Indian ship owners in Q4 FY08?

Bharat K. Sheth: At present GE Shipping has most of its dry bulk vessels in the spot market. So there will be some impact on the dry bulk earnings in the fourth quarter as compare to third quarter of FY08.

Mr. Pinaki: Would you consider buying second hand vessels from the market?

Bharat K. Sheth: We always look at the various opportunities prevailing in the market to buy assets. Going forward if the same opportunity looks feasible, we will certainly go ahead to acquire second hand assets. The way second hand prices have surged, we expect a slight softening in prices of these assets.

Moderator: We have our next question from Mr. Bhavin of BNK Securities.

Mr. Bhavin: What is happening on the offshore side. We were thinking about doing second & third phase of capex. Do we have any concrete plan as of now?

Bharat K. Sheth: At present we have four assets in the waters in our offshore business. All the new building orders will be delivered to us by H1FY2011. The total balance sheet size after these additions will be in the region of $800 mn. We are now looking at the possibility of moving in to what we have been internally calling the phase three of the expansion program.

Bhavin: To fund the capex of Greatship (I) Ltd, will there be an equity dilution or would it be all debt?

Bharat K. Sheth: Currently, $200 mn has been funded by GE Shipping as part of its equity participation in Greatship (I) Ltd. The remaining amount will be funded by debt & internal accruals.

Mr. Bhavin: Can you give us your outlook on the tanker markets for the next year?

Bharat K. Sheth: Looking at the low oil inventory levels, the tanker earnings should be fairly strong. In December 2007, the tanker rates went up almost 7 to 8 times and now are in a consolidation phase. Going forward, we think we will get these sharp spikes again but expect that the average earnings for 2008 will average better than earnings of 2007.

Mr. Bhavin: Do you think conversions could have any impact on the earnings?

Bharat K. Sheth: We think the impact depends on when all the vessels go out for conversion. It can be a very positive factor to our earnings because there are all kind of numbers being thrown around on the VLCC, Suezmax and Aframax that are going for conversions in to bulk vessels or in to FPSO projects. If something like that was to happen then you could get a very sharp jump in tanker rates. Again, it all depends on when these conversions take place and how many actually take place. We are not planning to convert any of our tankers into dry bulk carriers.

Mr Bhavin: Does the NAV that you mentioned include the value of Greatship's assets?

Bharat K. Sheth: The NAV mentioned is for shipping business and does not value the assets of Greatship (I) Ltd. It only includes GE Shipping's investment in Greatship at cost.

Moderator: Next in queue is Ms. Rachana Kothari of LKP Shares.

Rachana Kothari: Looking at the recent shuffling of your fleet, the sense that I get out of this is that you are trying to get a mix of dry bulk as well as tankers, so is there some management policy to have a shift more towards to the dry bulk?

Bharat K. Sheth: No if you look at the current fleet breakup, we are approximately 75% in tankers and 25% in dry bulk. And by the time we complete our current committed expansion we will probably around 70% in tankers and 30% in dry bulk. So it is a very marginal shift towards dry bulk.

Rachana Kothari: What is the current committed capex of GE Shipping. Do we plan to increase it? How is the present capex funded?

Bharat K. Sheth: The current committed capex of GE Shipping is $589 mn. Of which $60 mn has actually been paid and the rest has to be paid out between now and FY12 with a mix of debt and equity.

Rachana Kothari: What will be the comfortable debt equity ratio that we will be looking at?

Bharat K. Sheth: For the company as a whole or on the incremental expansion?

Rachana Kothari: Both.

Bharat K. Sheth: On the incremental expansion because it is all in new buildings there will be approximately 30% equity and 70% debt. And on the company as a whole we will be within 1:1.

Rachana Kothari: What would be the target cost of debt?

Bharat K. Sheth: Current cost of debt is about 6% and as interest rates are falling further, we hope that our cost of debt will reduce.

Rachana Kothari: The committed capex of Greatship (I) Ltd is $667 mn for 18 more assets. Wanted to understand the funding structure of the same.

Bharat K. Sheth: Till date, GE Shipping has committed to invest Rs.850 crs in Greatship (I) Ltd. The remaining will be taken care by raising debt and their internal accruals.

Rachana Kothari: What is the amount of current debt on books of GE Shipping?

Bharat K. Sheth: Gross debt on books is about Rs. 2500 Crs. The bulk of it is foreign currency i.e. approx. 95%.

Moderator: Next in queue is Mr. Sameer Raj of Reliance Mutual Funds.

Sameer Raj: Could you please share financials of your subsidiary for the 9 months and if possible also the NAV of the company.

Bharat K. Sheth: We have not started giving out numbers for our subsidiary on quarterly basis. We publish it at the end of the financial year. We do not give NAV of our subsidiary company.

Moderator :We have our next question from Mr. Sachin Kasera of PINC Research.

Sachin Kasera: Couple of queries, one I was looking at the cost structure. Our owned tonnage has gone only from 2.92 mn dwt in Q3FY07 to 3.14 mn dwt in Q3FY08 whereas the interest and depreciation has gone up significantly. Just could you explain a little bit on that, sir.

Bharat K. Sheth: No I think it is just to do with what kind of ships we acquire. I do not think you should just look at that way. As you know we have significantly modernized the fleet over the last few years. And as a consequence, on the incremental ships, the capital expenditure has been larger. And as a consequence the interest and the depreciation charge is larger, but the average cost of borrowing has broadly remained the same. I think it was 5.6% or 5.7% for the last quarter and it is just about 6% for this quarter.

Sachin Kasera: Regarding the breakup that you have given in the revenue visibility if you could let us know whilst the number of vessels how many of them are on the long term chartered that would probably help, on tanker and dry bulk.

Bharat K. Sheth: Yeah as far as the, I have got the numbers for Quarter 4. And on Quarter 4 approximately I think it is around 50% odd is going to be on the spot basis, I will just if you give me a minute. Yeah it is about 48% on spot.

Sachin Kasera: Number of vessels sir.

Bharat K. Sheth: This is Quarter 4 in terms of revenue days.

Sachin Kasera: Out of the total fleet, how many of the vessels are on spot?

Bharat K. Sheth: Out of 34 tankers, we have about 12 vessels on spot and out of the 13 drybulk carriers, 11 ships are on spot.

Sachin Kasera: Do you think the spot rates for tankers will see an improvement in Q4 FY08 as compared to Q3 FY08?

Bharat K. Sheth: Yes, we expect improvement of crude tanker spot rates in Q4 FY08 as compared to Q3FY08. Product tanker spot rates for Q4FY08 will probably be broadly in line with Q3 earnings.

Sachin Kasera: Are any of the vessels which are on long term charter coming up for renewal in coming months.

Bharat K. Sheth: Some vessels which are operating on the Indian coast on long term charter are coming up for re-pricing in March 08. So they will start impacting in the next financial year. Similarly we have a contract of affreightment with one of the Indian refiner that too comes up for re-pricing in the next few months.

Sachin Kasera: So considering the current market scenario, will these re-pricing be done at a higher level?

Bharat K. Sheth: At the moment the one & two year charter rates are broadly in line with where the spot rates are. But it all depends on the asset class and the market situation prevailing at that time, which is very difficult to predict.

Sachin Kasera: Can you throw some light on dry-docking days & expenses incurred in this quarter for the same? How many dry-docking days are expected in Q4FY08.

Bharat K. Sheth: For Q3FY08, the dry docking days were 161 as compared to 105 days in Q3FY07. For Q4FY08 it will be about 250 days.

Sachin Kasera: What are the dry dock expenses for this quarter?

Bharat K. Sheth: Dry dock expesnses for Q3FY08 were Rs.23 crs as compared to Rs.30 crs in Q3FY07. For Q4FY08 we are targeting about Rs 40 crs as dry dock expenses.

Sachin Kasera: How many days will you account for dry docking in FY2009. Is it safe to assume 800 to 900 days?

Bharat K. Sheth: No, there will be lower number of days, because this year many of our older ships have gone into dry docking. So in FY2009, the number of days will probably be less and also the amount of money that we will spend on drydocking.

Sachin Kasera: Okay. And regarding the operating expenses how is the outlook there, I think there is some impact in the current quarter also because of the higher bunker cost, so how is the outlook going forward there.

Bharat K. Sheth: Yeah but we look at always TCE earnings, bunker prices continue to remain high, but they are slightly softer than what they were in Quarter 3, but again bunkers as you know also has the huge volatility factor, it is function of what crude prices does every day. The way we look at it is everything is looked at on a time charter equivalent basis. So in Q3FY07, if you look at it as a percentage of our direct operating expenses it was 59% and in Q3FY08 it is about 62%. And we think it should broadly be the same in Q4FY08. And it will probably be the same in FY09.

Sachin Kasera: Will any of our tankers be scrapped by the next 12 to 18 months to comply with the IMO regulations.

Bharat K. Sheth: Yes, two of our single hull product tankers will need to get phased out early next financial year. One in Q1FY09 & another in Q2FY09.

Moderator: We have our next question from Mr. Paresh Khandelwal of Birla Sun Life Mutual Fund.

Paresh Khandelwal: Sir my question was regarding this conversion of the single hull ships only and much of it is clear, but can you just kind of repeat it again for us or the policy that you are adopting in how are we going to deal with all the single hull ships.

Bharat K. Sheth: Today we have approximately if you just take the tanker fleets about 74% or 75% of our fleet is double hulled and the rest is single hulled. Now what we have done is a couple of our single hull tankers we are in the process of converting into double hulls. Though if you first just take the crude side we will be left with only one single hull tanker which we will continue to operate for cargos into India and the rest of South Asia. And as far as the product tankers are concerned we will have approximately 6 or thereabout single hull vessels.

Paresh Khandelwal: And this would be continued…

Bharat K. Sheth: Now this we intend to, because statutorily they can freight until 2010 or 2011. So these are vessels that currently we have no plans of converting into double hulled. We will reassess our provision as we approach 2010.

Paresh Khandelwal: But sir a lot of other ships probably the other single hull vessels which the other owners have would also be lying vacant or idling. So probably by the end of this year or sometime the next year we will find a lot of these ships going for either scrapping or conversion or something or the other happenings so prices might get affected then.

Bharat K. Sheth: Prices you mean on single hull tankers.

Paresh Khandelwal: Yeah if scrapping and the other prices if you want to sell at all or want to converted something on that front.

Bharat K. Sheth: No what is happening here you see where the conversions are taking place, I mean once you have a tanker a single hull tanker either you make it into a double hull which is not possible for all ships because it depends on the initial configuration of the particular ship. That is a very technical discussion so I will not get into detail, but it can get converted into double hull but not all single hull tankers can necessarily get converted into double hull, that is one. Second is that there was a demand until very recently for converting tankers into dry bulk vessels. That demand as I mentioned a little earlier is slightly slowing down because of the fall in the spot rates of the dry bulk market. And the third area where single hull tankers are getting converted are into floating production storage & offloading units. Now these are the three areas. So some of the tankers for example and we have contracted to sell are actually going into storage as opposed to going into double hull conversion or dry bulk conversion. So this is where the demand for single hull tankers is coming from, but as far as our business is concerned whatever they get converted into they no longer come and compete for the cargos in the tanker market.

Paresh Khandelwal: Sir can you clarify more on the Phase III of expansion for Greatship. What will be the timeframe in which it will be finalized?

Bharat K. Sheth: I think it will take us another 3 to 6 months.

Moderator: We have our next question for Mr. Karthik of Unifi Wealth Management.

Mr. Karthik: What will be your time-spot strategy going forward in all the segments?

Bharat K. Sheth: We do have a certain number of tonnage, which by default goes into period cover into charter. And when I say by default it is because that is the nature of the trade. So for example, we bid for certain domestic trades where the customer wants these vessels between 1 and 2 years. So by default certain percentage of our revenue base gets committed. Then there are revenue days where we keep re-pricing or we keep looking at the differential between what we believe the vessels can earn in the spot market and what we believe we can lock up to secure a particular revenue stream. That is more a function of where we are as far as risk is concerned and it is also a function of how we see the market going forward. At the moment our view is to run our double hull tankers on the sport. And similarly on the dry bulk it is our intention to run whatever we have currently running on spot to run it on spot. Again with the caveat that if we see a significant contango to where the spot is we may reconsider that option. The same goes true even for the spot product fleet.

Mr. Karthik: So do you completely respond to opportunity or are there some internal rules that you have with regards to the range in which you operate.

Bharat K. Sheth: Well I do not think we will ever go to any extreme for example, I do not see a position where GE Shipping will go to a zero cover and you know run a 100% of the revenue base on the spot market nor do I see a position where we will be a 100% covered. We think it will be ~ between 40% to 60% bandwidth within which we will play the spot and the period market.

Mr. Karthik: How will the asset prices move in coming quarters? What is your sense of where we are in this cycle?

Bharat K. Sheth: Well I think asset values are clearly very firm. And so long as there is a willing buyer and a willing seller at a particular price that is a price of that particular asset. I think what is happening is that due to the volatility people are now seeing embedded in the value of the asset optionality because you can only make money if you own an asset. And now people are now recognizing that this volatility gives you tremendous opportunities if you happen to have the right asset at the right time.
Secondly, it is also a function of where the new building market is and how people perceive the new building prices to behave in the foreseeable future. We know shipyards globally, are tied up until 2011 and some even until 2012. Therefore there is little likelihood of any of these new building prices coming down because the shipyards are very comfortable, steel prices are not correcting, supported by weak US dollar etc.
So ship prices are likely to hold firm and that again influences the way people price modern second hand tonnage. There is every possibility that particularly on the tanker side where there is a great degree of consolidation, the value for modern tankers will hold very strong.
We even saw in 2007 when tanker spot markets were down, the asset values did not really come down. And that I think is a sign of people's approach to the business.

Moderator: We have our next question from Mr. Kamlesh Kotak of Asian Market Securities.

Kamlesh Kotak: Wanted to know, whether you have started looking at chartering the offshore vessels which will be coming up in the next 1 to 2 quarters?

Bharat K. Sheth: The four vessels that are in the water they have been chartered out for period varying from 1 year up to 5 years, The one that will join in March 2008 has been chartered out, but the remaining vessels have not been chartered out.

Kamlesh Kotak: At what rates has been the vessel joining in march chartered at?

Bharat K. Sheth: We sign a non-disclosure agreement with the clients. So we have to keep the rates confidential.

Moderator: We have our next question from Mr. Sachin Kasera of PINC Research.

Sachin Kasera: Question on dry bulk, you mentioned that 11 of the 13 vessels are on the spot market and the press release that around 60% of the operating days being covered so this 60% includes the vessels which are on the spot market what have been covered for the March quarter?

Bharat K. Sheth: You see what happens is that some of the vessels I was saying are covered say until say the middle of February, some are covered until the end of January. So, you know there you should take an average. And therefore, I said rather than take the number of vessels much more importance is the number of revenue days in the quarter.

Sachin Kasera: Okay and secondly sir this product tanker you mentioned that six of them may have to be scrapped. So, these include the two that you mentioned which are going off in June and September?

Bharat K. Sheth: Let me clarify, I have not said that the six needs to be scrapped. All I have said is that two vessels of the product tanker they are the ones that require to moved out of the trade between April of 2008 and July of 2008. The other four vessels can continue to trade until 2010-2011. What we do with the vessels we will decide in 210-2011.

Sachin Kasera: Can you give the break up of time & spot on total fleet basis for Q3FY08?

Bharat K. Sheth: For Q3FY08, on a total fleet basis, 38% of the days were on spot and 62% covered on time carter.

Sachin Kasera: Regarding the outlook on dry bulk especially related to India, we are seeing huge amount of capacities being put up on both steel & power plants. All these will require imported coal because of poor domestic coal linkages. So, how do you see that scenario panning out?

Bharat K. Sheth: There is going to be a huge surge in the demand for coking and steam coal and as you have rightly pointed out due to the poor coal linkages domestically, a lot of these will get imported and that will require more ships.

Sachin Kasera: At present most of the coal is imported from Indonesia which is a short trade. But the type of surge we are talking of, do you believe that going forward longer trades will take place?

Bharat K. Sheth: It will depend on how much coal eventually comes from Indonesia. This is because Indonesia themselves have their own bottleneck. So all these logistical failures will result in more tonne mile demand as India may start importing coal from South Africa, Australia, Columbia etc..

Moderator: We have our next question from Mr. Richard D'Souza of Four Dimensions.

Richard D'Souza: Would it be possible to know the world net fleet addition for both the dry bulk and the tanker?

Bharat K. Sheth: As I was saying earlier it depends on the number of vessels going out for conversion, so it depends on exactly what assumptions you take and which asset class you look at. There will be a very little fleet growth i.e. under 3% as far as VLCC and Suezmax are concerned. There will ~ 7%-8% growth in Aframax and the product tankers. In dry bulk, between the capesize and Panamax. the gross fleet growth before any scrapping will be close to 7%.

Richard D'Souza: Looking at the US Slowdown and anticipated degrowth in China, are we seeing some signs of changes in the current cargo movement?

Bharat K. Sheth: It is very difficult to measure the actual quantum of the current crisis we are seeing in the financial space and its impact on US's real economy and visa-a-viz its effect o the tankers & dry bulk business.
But all I can tell you is that US has not been the driver of either the tanker market or the dry bulk market last year. The main drivers were China, India, Middle East and other countries in South Asia. So, all depend on how the fallout in the banking segment in the US has its impact on the real economy in Asia. I think it is too early to judge that.

Richard D'Souza: Out of the total global fleet how much would US account for in terms of tonnage movement?

Bharat K. Sheth: Last year on incremental demand growth, US accounted for about 0.5% on import of raw materials whereas China accounted for close to 90%. So as long as the industrialization process continues in China and to an extent in India, the demand for bulk business should remain strong.

Moderator: We have our next question from Mr. Arun of Capital Market.

Mr. Arun: Is GE Shipping planning to convert its single hull tankers into bulk carriers?

Bharat K. Sheth: Currently, we have no plans to convert any single hull tanker into dry bulk carriers.

Mr. Arun: Globally, what is the scenario on conversion of VLCC into VLOCs? Is it on schedule? We are hearing that some delay has happened because of the sudden spike in tanker rates in December. Any views on that?

Bharat K. Sheth: About 50 single hull VLCCs will be converted into bulk carriers. Now when that will happen is impossible to tell. Many of the Chinese yards where most of these conversions are done are running behind schedule. There have also been cost escalations to the various projects because these Chinese shipyards have increased the unit cost of many of their tariffs and as a consequence of delays there could be a few more single hull VLCCs trading in the spot market. But eventually between 2008 and 2009, these conversions are likely to take place

Mr. Arun: How many VLCCs does the company have? What is the company's position in the contract of affreightment especially in the crude oil movement within the country?

Bharat K. Sheth: Currently we have only one contract of affreightment for one of the Indian refiner, which comes to an end in March 2008 and we will be rebidding for the contract for the next year. As far as VLCC contracts are concern we do not participate in those because we do not have any VLCC.

Mr. Arun: How are the iron ore contracts panning out? When will these be finalized?

Bharat K. Sheth: At present negotiation is still going on between the big Brazilian Iron ore company and the biggest Steel mill in China, Bao Steel.
Besides this, China will be going for a new year holiday for the next two weeks and its difficult to predict whether the negotiations will complete before the Chinese breakup for their holidays. It is expected that the negotiations should conclude by March 2008. But two years ago the negotiations did not conclude until June-July of that particular year. Even now there is a big disparity between the 2 parties. Chinese are offering 30%-35% increase whereas the iron ore producers are asking for between a 50%-60% increase. So, there is a big gap.

Moderator: We have our next question from Mr. Vineet Lakhotia of UTI Mutual Funds.

Vineet Lakhotia: Does the GE Shipping's capex of \$ 589 mn (~ Rs. 2300crs) include your contribution in Greatship? What is the capex of Greatship (I) Ltd? How much has GE Shipping already infused in Greatship (I) Ltd?

Bharat K. Sheth: No, the current capex of \$ 589 mn for GE Shipping's is only for the shipping business which includes eight new building bulk carriers and four tankers. The committed capex for Greatship (I) Ltd is \$ 667mn. GE Shipping has already infused Rs.592 crs out of committed equity participation of Rs.850 crs in Greatship (I) Ltd.

Moderator: We have our next question from Mr. Bhavin of B&K Securities.

Mr. Bhavin: Is the group building any of its vessels at the Chinese or India yards?

Bharat K. Sheth: Out of the orderbook of 12 vessels, GE Shipping has placed 2 of its drybulk carriers in one of the Chinese yard. Similarly, Greatship (I) Ltd, has contracted to built its 2 MSVs at an Indian yard.

Moderator: We have our next question from Ms. Shubhra of Hindu Business Line.

Ms. Shubhra: What will be GE Shipping's freight rate earnings in Q4 FY08 as compared to previous quarter?

Bharat K. Sheth: For the Q4 FY08, we believe that our crude carriers, which are trading in the spot market, will earn higher freight rates as compared to Q3 FY08. As far as the product tankers are concerned, we see no major changes in the rates as against Q3 FY08. Dry bulk rates could be within a 10% band of Q3FY08 earnings.

Ms. Shubhra: Any broad outlook on the industry as a whole?

Bharat K. Sheth: We remain positive on tankers as well as dry bulk freight rates.
The recent softness in dry bulk rates are not expected to last long but again, it is very difficult to predict when these will improve. But we do believe that the speed at which this market has come down we could get an equally sharp correction on the upwards.

Moderator: We have our next question from Mr. Sandeep Bansal of Kotak Securities.

Sandeep Bansal: We have seen that GE Shipping has been selling off its single hull tankers but in the last quarter for the first time we saw that the dry bulk carrier was also sold. Can you please throw some light on that transaction?

Bharat K. Sheth: Well as you know we have gone and contracted for some Kamsarmax bulk carriers due for delivery in between 2011 and what we just basically have done is we have gone and committed for the tonnage at a price which is significantly lower than what we could achieve today on a 1994 built Panamax bulk carrier. So, we played our time arbitrage and we played an age arbitrage.

Moderator: As there are no more questions, I would now like to handover the conference to Ms. Anjali Kumar. Please go ahead Ma'am.

Ms. Anjali Kumar: Ladies and gentleman this concludes today's earnings call. Thank you for your active participation. The transcript of the same will be uploaded on our website for your future reference. We shall however be glad to answer any of your questions that you may have which could not be dealt with today due to scarcity of time. Do send us an email on the same and we shall be glad to respond to the same. Thank you once again.

Moderator: Thank you very much Madam. Ladies and gentlemen, this concludes your conference for today.