Management Discussion

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited

Thank you. Good afternoon, everyone, and thank you for attending this conference call, this quarterly conference call. Uh, we have kept it a couple of days later than usual because we were told that a lot of people will be out for the long Diwali weekend, so you would have had time to, uh, to, uh, take a look at our results and our presentation as well. Nevertheless, I will take you through the presentation quickly and then we can jump straight into Q&A. Standard disclaimers apply. Another very profitable quarter, slightly lower than the previous immediately preceding quarter, but second highest in, uh, in historical terms.

Uh, we-- the NAV is at its highest ever, and, uh, the interim dividend has been maintained at the previous quarter's level of INR14.40 per share for this quarter. I won't go too much into these numbers. Let's, let's look at what the markets have done. Uh, first of all, uh, looking at the Suezmax earnings, the one caveat I'll put-- while it shows earnings spiking to, uh, between $600,000 and $700,000 a day, uh, you need to keep in mind here that this includes some routes that get a huge risk premium because they involve physical danger to the ships, cargo-- the ships, their cargoes, and their crews.

This is-- there are 2 specific routes. One is loading from inside the Strait of Hormuz, that is loading from either Iraq or Astana or from Abu Dhabi. And the second is loading from the Black Sea port of Novorossiysk Uh, which again has seen, uh, several attacks from Ukraine. This is a Russian port where oil is loaded. While the oil itself is not sanctioned because it is not Russian oil, it's Kazakh oil, but a lot of ships have been attacked while waiting to load at Novorossiysk or after they have loaded there.

So those 2 loading areas get a huge premium, which of course we don't participate in, and therefore that number has spiked because of the big premium which is attached to those loading areas. Without those, the, the average Suezmax earnings would probably have, uh, would probably have maxed out at about $350,000 to $400,000 a day on the spot market. This was about a month ago, maybe in early, very late September or early October, when Suezmaxes were at those levels. Uh, after, in the last 10 to 12 days, rates have dropped off very significantly for crude tankers, specifically for Aframax and Suezmaxes.

Suezmaxes, the rates that we are talking about, $350,000 to $400,000 at the peak a month ago are currently at about $130,000 to $150,000 a day. Still very high numbers, uh, in historical terms and even in comparison with last year, but they've come off a lot. And every day we see these rates coming off by $15,000, $20,000, $25,000 a day. Uh, this is-- this Market action was caused by, uh, the renewed traffic through the Strait of Hormuz. So there are now-- there is now a standard process where there are some ships which are just doing what we call a shuttle service.

They load inside and come outside, they discharge into another ship which then takes the oil to the ultimate destination. So these shuttle-- the ships which are doing the shuttle earn a huge premium. What happens because of this is that the entire supply chain has become very inefficient. Typically, on a Middle East to Far East voyage takes about 45-46 days on a VLCC. This shuttle process, because you have to load twice, you have to discharge twice-- the ship is loading inside, coming outside, uh, then offloading to another, offloading to another ship, uh, and that adds 8 to 9 days on average to the voyage time, which is an 18 to 20% reduction in efficiency.

And that resulted again, when efficiency gets reduced the, uh, the market becomes tighter and therefore rates spiked. So that's what we saw last quarter, which is-- this happened in August, September, and up to early October. Now, uh, product tankers took some more time to react. So now they are at-- an MR tanker is probably around $50,000 to $60,000 a day. Where we had, again, we had a shortage of diesel, we had diesel crack spreads going up a lot, and therefore this trade continues to be reasonably strong.

It has not yet faced the kind of correction that we saw in the Suezmaxes and Aframaxes. Uh, looking at the order book, we are-- the order book is, uh, is pretty high for crude tankers. It's about 22% for the product tankers. On dry bulk, it has been nowhere near as exciting as in the case of the tankers, but it still has been at profitable levels. Coal trade has grown a little bit, the iron ore trade has grown, bauxite continues to be strong, and therefore the ships continue to be earning at reasonably profitable levels.

CAPE sizes which were at around 40,000 in September have now come down to the 30,000-ish level, 30,000 to 35,000 level. So it's come off a little bit, but again higher than it was in the previous year. The, um, prices across the board have gone up. So bulk carrier prices are probably up 5% to 10% during the quarter. Uh, tanker prices for the large crude tankers, the Suezmaxes, it's probably gone up 50%. In the last quarter, which is reflected in our net asset value. For the smaller tankers, probably between 5% and 20%, depending on the vintage of the fleet.

Coming to LPG, LPG, of course, all of our ships are on time charter, but these are the spot rates. The spot rates have been exceptionally strong again because of the disruption So, uh, basically the oil-- the LPG is not coming out so much from these through the Strait of Hormuz, and this is being sourced from the US, which is of course a much longer ton-mile. And this has led to a tightness in the fleet. So we are seeing, uh, spot rates at about $140,000 a day in H1 versus $55,000 in the same period the previous year.

Uh, again, I must emphasize our ships are all on time charter, fixed rate time charters, except for one which has a profit share built into it. Uh, I mentioned already on asset price movements, you can see that almost vertical line in, uh, in crude tankers, uh, and you can see everything else is, uh, moving up quite gradually. LPG also saw a big spike. Uh, the order book continues to be solid. LPG is now almost 40% of the, uh, of the fleet. The order book is almost 40%. As I said, crude tankers 28%, uh, product tankers 22%, and dry bulk also starting to tick up.

So we are now at almost 16% of the existing fleet. This is year-wise. We won't go too much into it. Scrapping, of course, logically, uh, you would not be scrapping ships when earnings are so high. So earnings have been, uh, have kept scrapping to very minimal levels. Typically, the tankers which have been scrapped tend to be those which have been sanctioned and are very old. And therefore, because they don't have an opportunity to trade and take advantage, advantage of these markets, they just opt to scrap the ships.

Coming to the offshore business, jack-up market utilization Remains quite decent. Of course, there is some turmoil in the Middle East about contract suspensions, rigs put on standby, etc., but not much change in the jackup utilization. Uh, won't go into this. This is the standard slide on the age of the fleet. We have repricings here. We have a couple of updates. We have got 2 contracts in India, 3-year contracts for 2 of our rigs. So those now show on the extreme right of this, of this graph as the 2 rigs which next need repricing in H2 FY30.

These 2 rigs will go on to their contracts in the next 6 months and will be employed all the way up to FY30. So we only have 1 rig left now for which we need to find employment. Apart from that, we also

have 8 vessels which are up for repricing. 4 of these have been bid into tenders in India. We await the outcome of those tenders. Um, these, these are general overviews. I will just-- yeah, uh, we have added-- in the last quarter, we only did 2 transactions. One is, uh, we sold our 2009-built LR2 tanker Jag Lokesh.

We replaced with a more modern LR2 tanker, Jag Lakshman. So that is a transaction which was done in July, a set of transactions which was done in July. Uh, after that, we have added, uh, 2 vessels in the last week. That's one Kamsar Max, the Jag Amit, which is 2015-built, and the Jag Vikrant, which is a very large gas carrier. Uh, which is also 2015-built. The, uh, Jag Vikrant comes with a charter attached, so she's on a fixed rate contract, uh, for almost 3 years. This goes up to around September 2029.

So again, she will not be participating in the current spot market. She has no pricing points for the next almost 3 years. Apart from this, we have 2 more vessels where we've committed. We have a Kamsarmax bulk carrier which again will be delivered to us within this month or the next month. This is a 2019-built bulk carrier, and we have a newbuilding Suezmax tanker which will come to us in about 2 years' time, a little over 2 years' time. You can see what happened here. I just focus on the TCYs.

You can see what happened here between Q1 and Q2 and why the shipping profitability came down a bit. We had average TCY about $93,000 a day for crude carriers in Q1, which came down to about $73K. The big impact was felt by the Aframax, which were averaging about $80,000, almost $85,000 in the first quarter, and that came down to about $50,000 in the second quarter. So that's mainly what dragged down these TCYs. Product tankers as well came off quite a bit, uh, in the quarter, from 45,000 on average to about 32,000.

LPGs, the repricings took our rates up slightly from 41 to 46, and dry bulk again was a small improvement from the previous quarter. But the big down was from the crude and product tankers in the, uh, in Q2 over Q1. Uh, we have done 2 time charter transactions, and this is something, uh, we had generally tended to operate our crude tankers or Suezmax tankers on the spot market. In the last quarter, we have tied up 2 of our Suezmaxes on 1-year charters each, uh, so they have gone on to the charters in September.

August, September. And so those will be out till-- one of them is an in-chartered ship, one is an owned ship. Both of those are locked in now till August, September next year. But otherwise, we had one LR2 tanker as well which we fixed out on charter in July, the Jag Lakshman. We took delivery and fixed her out on a 1-year charter again at a very profitable level. So she's also been fixed on charter. As I mentioned, the LPG carrier that we took delivery last week also has a charter attached which goes for 3 years.

Yeah, I think nothing else really to highlight. We have the usual slides here, but we are happy to-- I think we will straight away go to Q&A. Thank you.

Questions & Answers

Operator
Thank you very much. [Operator Instructions] First question is from Nanavrajesh Jain, individual investor. Please go ahead.

Rajesh Jain - Analyst, Individual Investor
Yeah, hi, uh, thanks for the opportunity. Uh, sir, congrats on a, um, a great set of numbers. Uh, so my first question is, um, when the rates had spiked in September and early October and they were close to all-time highs, right, uh, for,

yeah,

for crude especially, right? Uh, yeah. Why did you, uh, why did you not fix more of your crude and product tankers on time charter for 2 years? So you mentioned that you have fixed 2 of your, uh, ships on 1-year charter, when-- and out of that, one is in chartered and one is owned, right?

So

what was your thought process in not fixing more ships on time charter for longer duration, even if it was, uh, 20-25% below the spot rate?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Okay, uh, unfortunately, the rates that were available-- it's a good question, uh, the rates that are available in the, in the time charter market were at a very, very big discount to the spot rates. So for instance, when rates were at $300,000 a day for, uh, in the spot market for a Suezmax, the, uh, 2-year time charter rate was probably around $60,000 or max $70,000 a day. So the discount you have to take to fix on time charter, uh, is, uh, 60 to 70% at least. So it was not available at a 20% discount to the spot rates.

That only happens in weak markets where you will get closer to a 20% discount. Uh, in not a weak market, you you will get it in a market which is normal strong market. Let's say at a $45,000 spot market, you could possibly get a $35,000 2-year time charter, but not in such a, in, uh, in such a hot market as we saw in the last 3 months.

Rajesh Jain - Analyst, Individual Investor
Okay, sir, if you were to fix, let's say, more of your ships at today's time charter rates Uh, how much theoretically, uh, how much of the PAT could you lock in, uh, for the next 2 years if you were to fix it at time charter? Would you be able to, let's say, lock in PAT of, uh, close to INR2,000 crores, or that number is, you know, uh, I mean, much lower? Uh,

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
much lower, much lower. So you will not be able to get-- okay, couple of things here. Uh, some of the ships cannot be fixed on time charter. The ships which are very old cannot be fixed on time charter. So say if you have an MR tanker which is 18 or 19 years old, it cannot be fixed on-- it's very difficult to fix on time charter except by discounting a lot. Okay, so, uh, you're-- but in this market, you cannot lock in these returns, these rates, uh, by fixing out. Bigger than that, uh, at least not in this market.

Then you need a much stronger market, spot market, to be able to lock in these numbers. So for instance, we have averaged, uh, $75,000, right, for the, for the crude tankers. In order to make that $75,000, uh, per day, then you can possibly lock in for a Suezmax tanker for at the top of the market, you could have locked in a Suezmax tanker at that number for 2 years, but certainly not an Aframax tanker for that period. So you can't lock in. So if, if I'm reading your question right, you're saying, can you have-- could you have made this profit, sort of, could you have created this base of

profit just by fixing out and assuring yourself of this level of profit?

Answer is no.

Rajesh Jain - Analyst, Individual Investor
Okay, but, but even then, uh, why did you choose to fix only one Suezmax? Because you do have 3 Suezmaxes, right?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
We have 3 owned plus 1 in chartered. We fixed 1 owned and 1 in chartered ship, so we fixed 2 out of our 4 Suezmaxes that we run. So 50% of our Suezmax fleet is Is fixed.

Operator
Thank you, Rajesh. I'll request to come back for a follow-up question. Next question is from the line of Amit Khetan from Laburnum Capital. Please go ahead.

Amit Khetan - Analyst, Laburnum Capital
Hi, am I audible?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yes, Amit, you are audible.

Amit Khetan - Analyst, Laburnum Capital
Yeah, hi. So my first question is. You know, this, the new Swissmax new build that we've taken, right? This marks a significant departure from what we've done historically. Just want to get your thoughts on this. Does this reflect the management becoming a little more constructive in terms of doing more CapEx on the tanker market, or is this just replacement CapEx where new build has become cheaper relative to say the older tankers which have moved up much more?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah, a little bit of both. Uh, so this is, uh, because we saw very high numbers on the secondhand ships. It's also getting-- it looks like it's going to be a little difficult to replace ships for the next year or 2, especially because prices have just gone to such high levels. Uh, we also saw a little pocket of value in this particular ship, and therefore we decided to go for it. The-- this is again part of portfolio construction. Our ideal is to buy secondhand ships, uh, where, you know, where we would be able to maximize bang for the buck, uh, by buying, say, a 5 to 12 year old ship.

In the weak markets. We also recognize that it may not be possible to execute at those levels, so you need to have a core of, say, very modern ships like newbuilding ships. And so this is just a move in that direction, uh, where you would take-- and because you don't pay a huge premium for it that you would pay in the, uh, in the secondhand market, you also get a vessel with a reasonable breakeven. That you can keep for the long term.

Amit Khetan - Analyst, Laburnum Capital
Got it. But given that this is going to be delivered maybe 2 years down the line, uh, yeah, does-- is it a fair assumption that you expect markets to remain relatively strong?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Um, so more than expect market price to remain strong, it is probably an expression of our view that we may not be able to deploy all our capital when the prices-- even when the prices are weak. Because, you know, the cash generation which is happening because of the market, and if we have to deploy all of that capital in the secondhand market, as I said, in those vessels which, uh, which give you fantastic IRRs in an Excel sheet, uh, you know, we are sort of recognizing that you may not be able to deploy And we need to deploy in excess of a billion dollars, uh, in, in ships.

So we are just doing this as a little bit of insurance in case we are not able to buy those cheap ships. What also-- this would meet up-- sorry, go ahead.

Amit Khetan - Analyst, Laburnum Capital
Uh, no, I, I just wanted to confirm this would meet our hurdle requirement in terms of IRR based on whatever median rates we use. In terms of determining the minimum IRR we need?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yes, so a couple of things here. Uh, maybe not-- it'll come close to it, uh, not strictly so possibly, but it will form that base where you can, you know, you have much more optionality where you can lock in charters and things like that because it's such a modern ship. So we believe that it will turn out to be a decent investment.

Operator
Thank you, Amit. I'll request to come back for a follow-up question. Next question is from line of Vijay Kumar Subramanian from Trustline Holdings. Please go ahead, Vijay Kumar. May I request you to unmute your line and proceed with your question? Vijay Kumar, if you can hear us, kindly unmute your line and proceed with your question.

Vijay Kumar Subramanian - Analyst, Trustline Holdings
Yeah, just one second. Can you hear me? Hello?

Yeah, hear

me?

Operator
Yes.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah.

Vijay Kumar Subramanian - Analyst, Trustline Holdings
So actually in the earlier today morning interview with CNBC, you were referring that the current shipping prices are at elevated levels and that's captured in the net asset value of your currently. So what do you think if the NAV, if you consider a pre-war level, what would be the fair value of the NAV we should consider?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Sorry, uh, when you say pre-war, this is pre this Iran war? Because there are a couple of wars going on currently.

Vijay Kumar Subramanian - Analyst, Trustline Holdings
Yeah, yeah, Iran war. Yes. Yeah,

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
so the Iran war, you

Vijay Kumar Subramanian - Analyst, Trustline Holdings
can say--

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
yeah, sorry. Uh, so beginning of this year, January 2026, right? Yeah,

Vijay Kumar Subramanian - Analyst, Trustline Holdings
yeah.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
So if we priced, or rather we just put all the ships at their prices of January this year, we would probably be lower by about INR250 or so per share in NAV.

Vijay Kumar Subramanian - Analyst, Trustline Holdings
That's not bad. Okay, but you know, today morning you were talking about the ships are selling at $80 million, against which probably INR40 million may be their fair value, kind of, uh, uh, or INR20 million.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah, so this is-- that's basically for the crude tankers. That does not happen so much for the other vessels. So the example I gave was for a Suezmax tanker. Uh, it's not happened so much on the other sectors. So the crude tankers have seen the most-- the larger crude tankers, Suezmaxes and VLCCs, have seen the most spectacular, uh, rise in, in prices in this last 3 to 6 month period.

Vijay Kumar Subramanian - Analyst, Trustline Holdings
That's my question. Thank you.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Thank you.

Operator
Thank you very much. Next question is from Nanav Rajakumar from RK Invest. Please go ahead.

Rajkumar Vaidyanathan - Analyst, RK Invest
Yeah, good evening. Can you hear me?

Operator
Yes.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah, good evening. I can hear you loud and clear.

Rajkumar Vaidyanathan - Analyst, RK Invest
Yeah, thank you. Thanks for the opportunity, uh, sir. The first question is, uh, I see that the freight earnings have softened Q-on-Q, but the But you're saying the asset prices have moved up. So just want to know what is the disconnect. Uh,

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
yeah, so this is just the normal leads and lags. So, uh, let's just take the crude tanker again because it's the most extreme example. The crude tanker freight rates started strengthening significantly in, uh, from around the middle of August, let's say beginning middle of August. The earnings-- typically these are 45 to 60-day voyages. So if you fixed a ship on 1st of August, uh, typically the voyage would go on till sometime in September. So the earnings that you are seeing of July to September will be the spot markets up to maximum 15th of August, let's say.

Okay, the prices of the ships are influenced by the spot rates, including of September. If the market has spiked in September, the freight markets, those rates will be seen in the subsequent quarter P&L. However, the ship prices would already have reacted to those freight rates. So it's just that timing thing because you fix a voyage, you perform that voyage, and that comes into your P&L over the next 45 to 60 days.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, got it, sir. Yeah, I understand, I understand what you're saying. Yeah, okay. So the, the second question is, I see that, uh, company, the PSU company like IOC, is, uh, foraying into shipping. They have asked for tenders, you know, for purchase ships. So do you think when a non-serious player like IWAS is getting into shipping, is it a-- is it a-- I mean, is it something that we can call that the shipping industry is speaking or the shipping cycle is speaking?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Uh, no, I would not call them a non-serious player. They are one of our customers.

Rajkumar Vaidyanathan - Analyst, RK Invest
From a shipping standpoint, yeah, they are not. So non-shipping,

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
yeah, non-shipping player. Yeah, I think so. I think there are different strategic considerations. What is also happening, and let me make this into a bigger picture, thing. I think beyond the, you know, beyond finding the efficient way to do things, uh, the world is moving into a, a situation or has been

shaken so much that you say that I want to move from just-in-time to just-in-case. So for instance, we-- India used to import maybe 90% of its LPG from the Middle East because it is the most efficient way to efficient route.

You reduce the freight to the minimum possible, and it was most efficient. The issue which happens is if you have a situation like today's, then suddenly you don't have supplies. Okay, therefore you have to now start hedging, even if it means that you find the-- you, uh, you are not able to do it in the most efficient possible way. Even getting into shipping sometimes for an end user. Today you will find, and not just today, over the last 2 months, the Middle Eastern oil companies-- these are the producers and exporters of oil-- have bought a huge number of either crude tankers or LPG ships because again they want to control their supply chain.

So I think Of course, IOC started talking of doing this maybe several months before that, but this is sort of the direction in which we are heading, where everybody is looking more to, to protect their supply chains rather than just finding the most efficient, cost-efficient way of doing things.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, got it. So, and lastly, on the buyback, I think, uh, you, uh, I mean We have almost done with the 75% of the minimum threshold requirement. Uh, given that the, the shipping cycle is kind of peaking, and I hope the share price will also be volatile go forward, so I-- my request is if you could slow down your buybacks so that if there is any significant fall in prices, that can be cushioned so the long-term investors are protected. That's a request.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
No, no, it is our intention to complete the buyback as soon as possible. Uh, and because we see it-- see, the way that we looked at it is we put a peak, uh, we put a cap of 1,530 because we felt that is a reasonable price to buy. And this is the same approach where, uh, and again, I'm taking it on a slightly broader philosophical level, uh, where you look at, say, you want to buy a ship and you find that $35 million for that ship is reasonably cheap. But it could easily be $32 million in 3 months' time.

So are you tempted to hold out for that $32 million, which is a better price? I don't think we should do that. So we think this is a good price at which to buy, and we will buy. And our intention is to complete the buyback, and we will-- you know, who knows what happens to markets, but, uh, yeah, our intention is to try to complete it at the earliest.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, got it, sir. Thank you so much.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Thank you.

Operator
Thank you. Next question is from line of Himanshu Padhyay from Stratford Investments. Please go ahead. Hello. Yeah,

Himanshu Upadhyay - Analyst, SteadFort Investments
hi, may I hear you? Yeah, so, uh, happy Diwali. To everyone. Yeah, great results. I had a question. I was going through a few months back on the annual report, okay? And one thing in our chairman

statement, we have stated that most of our newly acquired ships have overseas registrations and flags.

Yeah, what

does it mean? Are they bought in foreign subsidiaries, and how does it impact the business? Will it also lead to change in transaction? I'll just, uh, complete the question.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah, yeah, please, please. Uh,

Himanshu Upadhyay - Analyst, SteadFort Investments
are they bought in and how do you-- does it impact the business? Will it lead to any change in the taxation for the company? So some clarity on all these aspects will be helpful.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah, yeah, thank you. Uh, it's good that you asked the question because, I mean, it's probably not clear to a lot of people. And this gives us an opportunity to clarify. So these-- there is a provision where an Indian shipping company, that is an Indian shipping company registered in India, the company can own ships under foreign flag. This is something which came about 10 years ago. Before that, it was not permitted. An Indian shipping company could only hold ships under the Indian flag. And if you wanted a foreign flag, you needed to set up a subsidiary which would own those foreign flag ships.

This provision came in 2014, and we have taken advantage of it. There are operational reasons and there are tax reasons for this, and the tax is related to indirect tax, not direct. The operational reason, the main operational reason, is that Uh, the Marsh-- we are under Marshall Islands flag for all of these foreign flagships. Uh, the Marshall Islands flag, uh, offers a, uh, uh, has a better reputation internationally. Uh, some of our customers-- and you know that, uh, 80% plus of our ships are working in the international market-- and they prefer to have the Marshall Islands flag because it leads to minimal disruption at ports.

And that's why we've opted to, uh, to keep, uh, those ships under the foreign flag. So they continue to be owned by Great Eastern Shipping Company Mumbai and operated from here, but it's just the flag is different.

Himanshu Upadhyay - Analyst, SteadFort Investments
Okay, and, uh, any preference? Let's say, uh, historically Indian oil, uh, large companies would prefer Indian companies, uh, Indian ships or Indian flagships. So those things remain the same, or is there any change in those? Sorry. Yeah,

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
good, uh, good that you asked that. The-- in line of preference, we will be below an Indian-owned Indian flagship. So we will be below that level in preference when it comes to, say, the right of first refusal for an Indian customer's business. However, we are okay with that. We have weighed that also in the decision, uh, and we are okay with that. So we are second in preference For Indian business vis-a-vis an Indian flag ship.

Himanshu Upadhyay - Analyst, SteadFort Investments
Okay, and the taxation will remain the same means on these tonnage tax.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah, yeah, see. Yeah. So tonnage tax applies. So in fact, we pay Indian tonnage tax on these ships as well because yeah.

Himanshu Upadhyay - Analyst, SteadFort Investments
Okay. Yeah. Thanks on that. And one more thing. On the offshore side, uh, if I look the previous PPT, okay, there were 4 offshore vessels repricing in first half FY27 and 4 in FY-- second half FY27. But in this quarter PPT, it is now all 8 vessels repricing in second half FY27.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah.

Himanshu Upadhyay - Analyst, SteadFort Investments
So was there some extension in previous contract or delay in getting these

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
No, we did some short-term contracts. Yeah, we did some short-term contracts which come through in-- which get over in the second half. So the 4 which are originally to be repriced will have to be repriced in the sec-- in the sec-- they continue. But the 4 which were to be repriced in H1 were put onto short-term contracts which then come off in H2, and therefore we'll need to find further business.

Himanshu Upadhyay - Analyst, SteadFort Investments
Okay, so, uh, what were earlier 4 ships in second half to go? There we have already got the tenders, means what you were trying to explain in your comments. Okay, you said 4. Yeah, we have got-- yeah, we have

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
bid into tenders. We have not got the awards yet.

Himanshu Upadhyay - Analyst, SteadFort Investments
Okay, okay. And one more thing, the coverage days what we give in the slide, okay.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yes,

Himanshu Upadhyay - Analyst, SteadFort Investments
uh, is it at the end of, let's say, the quarter, so 30th September status, or is it as of the result day status? So some-- this is

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
as of last week, right? Yeah, this is as of last week. So after 30th September status? No, but it is for the period. So it is the status of last week taking the full period, that is from 1st October to 31st December, into account.

Himanshu Upadhyay - Analyst, SteadFort Investments
So let's say when you give the crude carriers the coverage of operating days, this is I think slide 26 or 27, okay, where it is 58%, okay. So it means as of 1st October, the status was 58% were revenue days were covered for the Q3 FY27.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
And yes.

Himanshu Upadhyay - Analyst, SteadFort Investments
Yes. Okay, so now it would be much higher. That's

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
right, it'll be much higher. That's right.

Himanshu Upadhyay - Analyst, SteadFort Investments
Okay, okay. Yeah, for further queries, I'll join back in the queue. Thanks.

Operator
Thank you very much. [Operator Instructions] Next question is from the line of Ojas Singh, individual investor. Please go ahead.

Ojas Singh - Analyst, Individual Investor
Uh, thank you. Hello. Hi. Uh, thank you for the opportunity. Uh, are you guys able to hear me? Hello?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yes, I can hear you loud and clear.

Ojas Singh - Analyst, Individual Investor
Yeah, thank you. Uh, so I just wanted to ask you this. Uh, so we hold about INR8,500 crores of net cash on our, on our balance sheet, right?

Yeah,

uh, and even if we like discount the, the asset value to the, uh, to the values that we had say in January by 250 that you, you guys just mentioned, uh, we discounted, it becomes like 2,000 is the NAV right now, 2,900, something like that. That becomes the NAV. So yes, can we not do a buyback again? So we, once we complete this buyback Can we not do a buyback again so that like capture long-term value instead of like giving, uh, dividends, uh, like a INR14 dividend? Because it creates a tax drag. Don't you think the way of like deploying capital and then getting long-term value out of it?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah, so a couple of things here. Uh, one is the regulatory aspect of a buyback. The one of the reasons, and when I spoke to the one of the previous, uh, callers. I said that our intention is to complete the buyback at the earliest. Uh, you cannot do another buyback for 12 months from the date of closure of the previous buyback. Okay, so your clock starts from the day you close the buyback. Okay, and that's why our intention is to do it as early as possible. Uh, so for the next 12 months, we are out in any case from whenever we close this buyback.

So that's one. The second is, I want to clarify, the decision to do a buyback is not one of returning money to shareholders. It is a capital allocation decision. We are doing a buyback as a way to buy our own fleet at a discount. Okay, so we are looking at it not as a replacement for buying ships, not as a replacement for dividend, but as a replacement for buying ships because we are getting ships at current values, uh, at a discount. So that's one. Dividend, we pay Because we have shareholders who will not offer, and we have a lot of loyal shareholders who will not offer their shares even in a buyback.

They hold the shares and they've held the shares for decades, and we believe that we still owe it to them if you're making a profit to pay a dividend. So we will continue to pay a dividend.

Ojas Singh - Analyst, Individual Investor
Okay, I just had that question because I thought that, uh, giving everybody-- because any which ways I think a large-- your statement is--

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
your calculation is very logical that it is more tax efficient for a large shareholder. It is more tax efficient to tender in a buyback. But we found that it's not everybody who's tendering in a buyback, right? It is some of our shareholders just don't-- they've just held for many, many years. And again, because for us it is not a dividend decision, it is a capital allocation decision. That we just think about it differently.

Ojas Singh - Analyst, Individual Investor
Okay, okay, thank you. I just had this one question. Thank you,

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
thank you,

Operator
thank you very much. Next question is from the line of Vineet Banka from Nomura. Please go ahead.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Hello, Vineet.

Operator
Vineet, may I request you unmute your line and proceed with your question, please?

Bineet Banka - Analyst, Nomura
Hi, am I audible now? Sorry, yeah, yeah, yeah. Hi sir, hi sir, thanks for the opportunity. Uh, I had a question on, uh, the immediate fallout of the, say, the war between the US and Iran gets completed somehow in next one quarter. So what will be the immediate fallout in terms of crude tanker rates? So with a lot of ship-to-ship transfers happening a lot of inefficiencies have been created, and if these go away, how will the ton-mile demand be impacted, especially for the crude tankers? And will that be offset by, say, some of the shadow carriers and sanctioned vessels going off the market, which probably are being used in the Strait of Hormuz?

Yeah, and is there any meaningful scrappage of tankers that will offset the lower ton-mile demand?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah, so yeah, so this is a complex situation, and thanks for your question. There's something that we think about all the time when we are planning. Uh, so the first impact of a cessation of these hostilities-- let's assume you just go back to where we were in Jan-Feb before this entire thing started. Okay, immediately, as you said, the inefficiencies get knocked out and you get back to the market that existed before. Now, what was the market that existed before? The market that existed before was that a Suezmax tanker in early February was earning $70,000 to $80,000 a day.

So it was a strong market going into the war itself. We already had a tightening going into the war. Uh, therefore you will have a strong market, obviously not as strong as it is today. Today you're still even after the significant fall in the last 2 weeks, you are still at $130,000 to $150,000 a day in the spot market. So profitability levels will come down, but still at significantly higher numbers than we saw a year ago. Okay, so that's one, that's the first impact. The second impact is this: what happens if you're going back to January Uh, the-- what has happened to the world since then?

We have drawn down from inventories to consume because we were running-- we just didn't have the oil. The oil was not coming out of through the Strait of Hormuz for at least 3 months, and we have drawn down from inventories. People will replenish those inventories, and there will still be a lot of demand for ships to be carrying crude oil out of the Middle East to all the importing nations. So you will have that demand coming through. Uh, you will, uh, uh, you will-- on the other hand, you need to think about what happens to the shadow fleet.

Now, the shadow fleet, what can happen to it? What, what are the contours of a US-Iran deal? Does it involve Iran coming out of sanctions? If it involves Iran coming out of sanctions, uh, then that comes into the broader tanker market. Today, those cargoes which are coming out of Iran-- of course, there are no cargoes coming out of Iran for the last 3-4 months, but the cargoes which used to come out of Iran were never carried on ships like ours. They were carried on a dedicated fleet of ships which were under sanctions.

Either the Iranian tanker company, uh, had them or similar sanctioned entities, and that's what you have referred to as a shadow fleet. If Iran comes out of sanctions as part of the deal, that means Iranian oil comes back into the main market, which means we can access-- ships like ours, and that is a legit trade-- can access those cargoes, which means this market expands, the sanctioned trade market contracts, which means those shadow fleet ships which are too old to trade in the main market will probably get scrapped, as you mentioned.

So it's complicated. It depends on how the deal is actually written. If it is written as-- just to summarize, if a deal is done which says Iran is free from sanctions and therefore can participate in

the overall oil export market, that means that all of us can do that trade. The legitimate tanker trade increases in size because Iranian cargoes come there. The shadow trade becomes zero, at least the Iranian trade, which means that those shadow ships which are 25 years old-- a lot of them are very old-- then just have to be removed from the fleet and will get scrapped.

So you could have the short-term impact of a deal could be that obviously it comes down from these very frothy high numbers but still remains at reasonably firm levels. For some time to come, as countries start building up their stocks, stocks of oil again, which they have drawn down in the period between March and say August, September.

Bineet Banka - Analyst, Nomura
Thanks, sir. And just to follow up on this, so when we compare from say February till now, there has been a lot of built-up in the order book also. So order book currently I think is about 28%. For crude tankers. And that's right. And I'm not sure what is the number for shadow fleet in terms of percentage, and will that be enough to offset the strong order book that we're going to see over the next couple of years? And if not, the rates from current levels probably have to come down significantly because of this supply not as much.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
So the-- we used to show this another slide before, which is, uh, proportion of fleet which is more than 20 years old. Uh, for crude tankers, that used to be 20+ percent of the fleet being more than 20 years of age. And 20 years is where a normal crude tank-- under normal markets, a crude tanker would stop trading in the international market. Okay, so that fleet in a weak market will tend to get removed. But coming to your question on on what can happen with the new supplies of ships. The supply of ships and this 28% order book is fairly rear-ended.

So you have, uh, of the 28%, only 7.5% which is coming between now and end of 2027. Uh, most of it is coming in '28, '29, and now pushing into 2030 as well. So it is fairly rear-ended. This is not an immediate threat for the market. The immediate threat for the market is really the-- if, if everything becomes peaceful again and everything moves back to operating efficiently. So the supply, we don't believe, is a major threat here of new ships. It's more on just a normalization of the supply chain.

Bineet Banka - Analyst, Nomura
Just last one. And why? So you said, you said the headline day rates for Suezmax are very high, around $7,700, $700K. But for your routes where you operate, the numbers are much lower, $350K kind of numbers. So because GESCO doesn't operate in those high-risk areas. So may I know what is the reason GESCO doesn't operate in 2 routes which are high risk? Because I think insurance is covered by the clients. So Yes, the issue is

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
not insurance. Uh, finally, we think about the crews. We have our crew on both these ships, and we cannot knowingly send them into a situation of danger. Most operators in the world are like us. There are very few who are actually doing that, and it's a personal choice that, you know, a shipowner makes. This is a choice that we made, that we don't want to put our seafarers in, in danger of being attacked by a drone, a missile, whatever else it might be. So again, that's just the approach we have taken.

It's sort of similar to-- our objective is not to take these kind of risks. For instance, since 2022 February, when the Russia-Ukraine war started, we have not done Russian trade at all, though it is still legitimate at certain price levels. But we have not done it at all. There are a lot of European companies who still do that trade, but we just don't take that risk, saying that we don't want to take even a 5% chance that we could get sanctioned. So these are just some risks that we don't take at all.

Bineet Banka - Analyst, Nomura
This is last one on NAV.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah,

Bineet Banka - Analyst, Nomura
the NAV growth this quarter was very strong because September end prices are very high. Now prices have fallen, so NAV growth this quarter could be negative because of the vessels repricing lower.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Um, we don't know actually, uh, whether prices have fallen. We haven't seen any transactions done for crude tankers, and this is mainly a crude tanker phenomenon where the prices shot up in the last quarter. We have not seen any transactions in the last 2 weeks, so we don't know where it will end. I think it will be-- it has to be significantly lower, but again, let's see. Uh, you know, this is outweighed by operating flows, but if-- yeah, you could get a significant-- you could get a significant drop in fleet value.

Now, how that functions vis-a-vis Uh, you know, operating cash flows, that we'll have to see. Also, another factor is the exchange rate. So we were at 95.5 in, uh, end of September, uh, and now we are at below 94. So that's another factor in the NAV.

Bineet Banka - Analyst, Nomura
Thank you, sir. All the best for the next quarter.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Thank you, Benny.

Operator
Thank you. Next question is from Lainav Harsh. Individual investor, please go ahead. Harsh, may I request you to unmute your line and proceed with your question, please? Harsh, if you can hear us, may I request you to unmute your line and proceed with your question, please? Due to no response, we move on to the next participant. Next question is from the line of Rajesh Jain, individual investor. Please go ahead.

Rajesh Jain - Analyst, Individual Investor
Yeah, thanks for the follow-up again. Yeah,

yeah.

At what TCY have you booked the 60% coverage days for crude product and dry bulk for the December quarter?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
I don't have the numbers offhand, but I think they would be a little higher than the previous quarter's averages.

Rajesh Jain - Analyst, Individual Investor
Okay, so considering that, considering the lag effect of the voyages, right, which you mentioned,

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
yeah,

Rajesh Jain - Analyst, Individual Investor
yeah, can we say that a significant part of the September freight spike will show up in the October to December quarter?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yes.

Rajesh Jain - Analyst, Individual Investor
That is absolutely right.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah,

Rajesh Jain - Analyst, Individual Investor
yeah. And, and because the spike was indeed very significant, can we say that the TCY which you have booked at your 60% coverage days would be at least 20-30% higher, if not more?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
I'm not going to put a number to it, but yes, they are-- they will be significantly higher than the previous quarter's rates for tankers. Just to clarify, for tank-- for crude and product tankers only.

Rajesh Jain - Analyst, Individual Investor
Yes, yes, yes, I understand that. And, uh, uh, as per my calculations, so even if I take your NAV, uh, current NAV and subtract INR250 to go back to the January fleet valuation, but, uh, uh, I mean, it looks like, you know, that INR2,000 could be a floor for your NAV, right? Because if you reduce, uh, the INR250 and lead and come to INR1,950 and then there will be, you know, about 100-odd EPS for at least one quarter, and then maybe strong 50-70. So theoretically, or probability-wise, 2,000 could be a floor for your NAV for the next 2 quarters at least,

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited

right? Um, I mean, is my understanding

Rajesh Jain - Analyst, Individual Investor
correct? Uh, yeah, so, uh,

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
the way you have done your calculation is 100% correct. Uh, so, uh, and this is the point that we keep making on the NAV, which is that the, the ship value translates to cash flows. So, so a large part of the NAV accretion actually comes from cash flows. Now whether the drop in ship values will be higher than or lower than the cash, cash accretion is anybody's guess. Uh, it's, you know, uh, just to, uh, it's not very, uh, it's not a very low number in January this year. The ship prices were already really high, uh, so it's not sort of the low case for asset prices.

Rajesh Jain - Analyst, Individual Investor
Okay. And sir, the Government of India had a mission to save the outflow of freight that was paid to overseas shipping companies and Some estimates have put that number at $80 billion. I'm not sure if that is right. So, uh, how can GESHIP benefit from this vision of the government, and have you been in any discussions?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Um, yeah, so I have also heard this number. I think I've heard some $70 billion plus. The issue is a large part of the freight is actually paid on container, uh, movement-- is on the container movement rather than on the commodity movement. Ours is a commodity movement business. I don't think the commodity business, uh, commodity freight rates are so high today. They might be pretty high for crude tankers, but I think a small part of it is commodities, uh, like the crude and LPG imports. We are participating in those to the extent we can.

We are-- however, we will participate in those when it makes commercial sense for us to do so. If we can, uh, if we get a fair price for participating in this trade, we will do so. If we do not get what we think the ship is worth for a particular voyage or for a particular business, we are able to operate all over the world and we will take whichever voyage maximizes our earnings. We are happy to participate in the Indian business, the EXIM trade. We don't participate in the coastal trade because that's some segment that we don't want to enter.

But on the export-import trade, we are very much there and willing to participate.

Rajesh Jain - Analyst, Individual Investor
Just one last question. So for advance bookings, can the charterers cancel if the freight economics break before the cargo is physically lifted?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Contractually, no. This will lead to a contractual-- contractually they cannot cancel. So typically the way it is fixed is that you fix on what is called subjects. So let's say today we want to fix a cargo for loading on, say, 25th of November. So we will tie up all the commercial details, say today is the 11th of November. The customer has 2 to 3 days, sometimes, sometimes it's just 1 day, uh, in which to confirm because they also have to get their confirmations from the loading area, the discharging

port, the load port, discharge port, etc.

So you have 1 or 2 days to confirm. After that, when the deal is confirmed, then we are contractually obliged to perform. Both sides are contractually obliged to perform that voyage. If they decide to cancel it, then it's a contractual dispute which will go into legal, which will go into legal processes.

Rajesh Jain - Analyst, Individual Investor
Okay, so when you acquire a ship and it joins your fleet, are you able to-- I mean, is there a time lag in putting the ship to use, or you are able to plan in advance and employ the ship immediately?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
So we plan in advance. In some cases, it takes up to 3 to 4 days to do the change of flag, to, you know, do everything, because, uh, in effect, you have-- your people have to familiarize themselves with the ship. Uh, so this is-- sometimes we have done it in 1 to 2 days, but typically this will take 3 to 5 days. But after that, the ship is earning.

Rajesh Jain - Analyst, Individual Investor
All right, okay, all right, sir. Yeah, thank you,

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
thank you,

Operator
thank you. Next question is from the line of Falguni Dutta from Mansarovar Financials. Please go ahead.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Hello,

Operator
Falguni, may I request to unmute your line and proceed with your question, please? Falguni Khwanyaras may I request to unmute your line and proceed with your question, please? due to no response, we move on to the next participant. next question is from the line of Rajesh Agrawal from Mani Oar. Please go ahead. Rajesh, go ahead.

Rajesh Agarwal - Analyst, Moneyore
Can you hear me?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah, you're very faint. Yeah,

Rajesh Agarwal - Analyst, Moneyore
sir, my question is, uh, you feel the last, uh, the mileage will not come down, uh, come down in next 6 months, 1 year? Shipping mileage? Sorry, sorry, you mean

Operator
that? Sorry to interrupt. But you're sounding very distant. Can you come closer towards your microphone and talk?

Rajesh Agarwal - Analyst, Moneyore
Okay, sir. Do you feel the mileage will come down in next six months, one year? The shipping mileage.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
You mean the ton-mile demand, the trade patterns?

Rajesh Agarwal - Analyst, Moneyore
Yes.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
It's anybody's guess what happens. See, the latest impact has come not from a change in mileage, but it has come from the inefficiency of doing the shuttle service through the Strait of Hormuz. So the mileages remain the same except that you're doing 2 load and 2 discharge versus 1 load and 1 discharge, and you have a waiting time in between. So it's anybody's guess what happens to this Iran situation really. So, you know, it is really tough to focus what will happen tomorrow also there.

Rajesh Agarwal - Analyst, Moneyore
And sir, when will our volume growth will come? Not the pricing growth, volume growth, number of human capacity.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah, it'll come when ship prices come down to our levels. The tanker prices are not at our levels, so we are not investing currently. When they come down to our levels, we will be happy to do this.

Rajesh Agarwal - Analyst, Moneyore
So in next one year, nothing, no capacity will come, additional capacity?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
It depends on the-- if the market gives us opportunities, we are happy to buy. We are ready to buy every day. So if the market gives us the price that we're looking for, the ship that we're looking for at the price that we're looking for, we will execute.

Rajesh Agarwal - Analyst, Moneyore
But it will be a secondhand ship, it won't be a fresh ship, order ship, no?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yes, if you order a ship, you'll only get it 3 to 4 years from now. So I do-- what we're looking for currently is, uh, you know, when we're looking at prices, when I'm talking about getting the prices, lower prices, I'm talking about secondhand ships.

Rajesh Agarwal - Analyst, Moneyore
Okay, and so what is your experience in the order, the shipping orders? You feel it is on the higher side or the lower side?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
So the order book is quite high. It's picked up quite a bit in the last, uh, 2 years or so for the, especially for the crude tankers. And you can see this graph where it was less than 10% in 2024 and now at 28%. Uh, if our product tankers, it picked up earlier But it's still at 22%. Uh, it is a fairly high order book. It should be seen in the context of the aging fleet, and there are a lot of old tankers which need to be replaced. A lot of this will be replacement demand for those ships.

Rajesh Agarwal - Analyst, Moneyore
Okay, and but the scrapping is on the higher side, so then the net ship addition may be lower. No, sir,

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
no, the scrapping is very low. Scraping has been very low in the last.

Rajesh Agarwal - Analyst, Moneyore
Scrapage will increase, sir, going forward.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
It will increase only when the market comes down. In this market, it does not make sense to scrap any ships.

Rajesh Agarwal - Analyst, Moneyore
Okay, understood. So overall, the net ship addition in next one year will be higher or lower? That is what global.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
It depends on the market, but as it stands today, it looks like there will be positive fleet growth in FY27.

Rajesh Agarwal - Analyst, Moneyore
27. Okay, thank you, thank

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
you, sir. Sorry, calendar '27, not FY '27.

Rajesh Agarwal - Analyst, Moneyore
Okay, thank you, thank you, sir.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited

Thank you, thank

Operator
you. Next, next follow-up question is from the land of Amit Khetan from Laburnum Capital. Please go ahead.

Amit Khetan - Analyst, Laburnum Capital
Uh, hi, thanks for the follow-up. Uh, hi, can you hear me?

Operator
Yeah, I can hear you loud and clear.

Amit Khetan - Analyst, Laburnum Capital
So yeah, yeah, so just on the offshore segment, right, if I look at the numbers for the last 2 quarters, the operating EBITDA is probably on a run rate of INR1,000 crores per annum. Is that a sustainable number for the near to medium term given most of these rig contracts are typically for 3 years? So is that number sustainable for the next maybe 2 years or so?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Um, in general, yes, I would say. However, uh, however, we have, uh, one caveat there, which is that you have-- we have a couple of rigs which are coming off contracts and have to be prepared for their new 3-year contracts. This typically involves 2 things which affect the P&L. One is significant downtime of between 60 and 90 days for each turnaround. So that's 60 to 90 days of not earning. It also involves significant expenditure. Uh, therefore, in the immediate term, this is a negative, while obviously it's good to get these 3-year contracts if you can make a profit on them, etc.

But in the immediate term, these are going to be drag, a drag on the P&L.

Amit Khetan - Analyst, Laburnum Capital
Got it. So the next couple of quarters could be weak, but after that it should be fine.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
That is correct. So you get this pain out of the way and then after that you settle into hopefully a steady state kind of earning.

Amit Khetan - Analyst, Laburnum Capital
Got it. And directionally, could you give a sense of the new, the 2 new rig contracts that we got in terms of pricing? How much higher or lower they were compared to the previous contract on them?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
So one of them was coming off from a short-term contract, so not really comparable. The other has-- the pricing has reduced significantly. So from the previous contract, it was down by about $25,000-$30,000.

Amit Khetan - Analyst, Laburnum Capital
Okay, okay. All right. Thank you.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Thank you.

Operator
Thank you. Next question is from the line of Ishwari Sarogi from a self-investor. Please go ahead.

Ishwari Saraogi - Analyst, Individual Investor
Hello. Hello yes

Operator
Ishwari yeah

Ishwari Saraogi - Analyst, Individual Investor
can you hear

Operator
me yes

Ishwari Saraogi - Analyst, Individual Investor
yeah good evening sir

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
good evening my

Ishwari Saraogi - Analyst, Individual Investor
question is that the company has delivered a strong performance over the last 2 quarters and initiatives Sachez Ishwari, sorry to interrupt

Operator
but you are sounding very distant, can you speak little louder, please

Ishwari Saraogi - Analyst, Individual Investor
is better. Okay, my question is that the company has delivered a strong performance over the last 2 quarters. Okay, and initiatives such as share buyback have also positive steps towards enhancing the shareholder value. However, despite this encouraging developments, the stock prices has not responded meaningfully in last 2 quarters, if I see.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah,

Ishwari Saraogi - Analyst, Individual Investor
so what is the management's outlook for Q3 and Q4? And more importantly, what are the key growth drivers or strategic initiatives that could act as a meaningful catalyst for unlocking the shareholder value and driving a rerating for the stock?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited

So I'll take the last part first. Uh, our strategy is to wait for the right opportunities to deploy capital for expansion. We believe that best returns for shareholders will be made by investing at the right levels. We do not see those levels currently, and we are willing to wait. We have been through these cycles before, uh, and we have seen these, and therefore Our approach is to wait for the right time and the right price to invest at, and we believe over the long term that will deliver value for the shareholders.

Uh, so our model is fairly straightforward that way. You buy when prices are fairly cheap and you hold for the long term. You will make a, a good return for the shareholders. Uh, now yes, we have had a couple of good quarters. In fact, we have had a couple of good years. The last 2 quarters have been exceptional. Uh, we don't know what the markets will do. Uh, we are exposed to the spot market significantly, and therefore if the market goes up, we have-- we will benefit from it, from the market movement.

And that's the approach that we are taking here. Now, uh, I won't comment on, uh, you know, market valuations of our stock, etc., because you are the experts on that. Uh, we only know the shipping business.

Ishwari Saraogi - Analyst, Individual Investor
Okay, what about the outlook of Q3 and Q4? Any strong catalyst?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
There's no catalyst, internal catalyst. We have purchased a couple of ships, uh, extra, but it is not enough to change, uh, anything significant in the P&L. And external catalysts, there are many, many of them. It's-- the whole market is being driven by geopolitics, and it's anybody's guess what happens on that geopolitical front even tomorrow. We don't know what can happen tomorrow also on the various wars that are going on.

Ishwari Saraogi - Analyst, Individual Investor
Thank you, sir. That's all.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Thank you.

Operator
Thank you. Next question is from the line of Vijay Kumar Subramanian from Trustline Holdings. Please go ahead.

Vijay Kumar Subramanian - Analyst, Trustline Holdings
Thank you. Thank you. My questions are answered by the previous participants, but I should congratulate you for articulating it well. And the management walks the talk in terms of value investing philosophy, and it's sticking to that what they told us. Excellent. Thank you.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Thank you for your

kind words.

Operator
Thank you. Next follow-up question is from the land of Himanshu Padhyay from Stratford Investments. Please go ahead.

Himanshu Upadhyay - Analyst, SteadFort Investments
Yeah, hi. My one question was on the LPG side. Okay. Uh, we have seen a pretty humongous increase in the rates on the spot side. Okay.

Yeah,

where the spot rates currently also very high. Okay.

Yes. How

have that 3-year term charter rates moved in last, uh, 6 to 9 months? Because that is the place where we generally play on in the market. So some thoughts on that. And, uh, this Uh, LPG carrier what we purchased. So we purchased and then we bid for a contract and then we won the contract. So that is the status means? No,

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
no, no, no, no, no. Uh, so, so the ship came with a contract. She had a contract attached. So when we negotiated this, the purchase of the ship, we also, uh, were in-- had discussions with the existing charterer and the charter continues under our ownership.

Himanshu Upadhyay - Analyst, SteadFort Investments
Okay, and any more LPG means contract to renew in next 3 to 6 months? And yeah, generally how the period charters have moved in last 6 months for the 3-year or a 2-year contract where we generally are in the LPG carrier segment?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
So the contract that I saw which was a 1-year contract in India I heard rumors of a $100,000 a day contract for 1 year for an Indian business. Uh, not 100% sure if it got done. This was about 2 weeks ago, uh, but I think I-- which seems plausible because that's where the market level is. I don't know where the 2 to 3 year rate is because we haven't seen any transactions. Typically the Indian market is 1 to 2 years. And this was a 1-year deal. So that's where the rates are for a 1-year transaction, about $100,000 a day.

Himanshu Upadhyay - Analyst, SteadFort Investments
And do we have any renegotiations in next 3 to 6 months or everything has been done?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
The only repricing we have is for an MGC which is coming off contract probably in January or so. Uh, so in the next couple of months, but not a VLGC. So that's an MGC. The pricing I was mentioning was for a VLGC. We haven't seen any recent MGC pricings,

Himanshu Upadhyay - Analyst, SteadFort Investments
and this should probably be $40,000

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
to $50,000 a day at least. I think that's where the market would be. We, as I said, we haven't seen any pricings recently, so there's a guess.

Himanshu Upadhyay - Analyst, SteadFort Investments
And this LPG carrier, what we have chartered out, okay, is it again in Indian seas or outside India seas? It's outside India.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
It's an international oil company. Sorry, we have one, uh, LPG ship which comes off charter in about 6 months' time. So one coming out in March-April and one coming out in May.

Himanshu Upadhyay - Analyst, SteadFort Investments
Okay, VLGCs. I'm talking

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
about VLGCs. Yeah,

Himanshu Upadhyay - Analyst, SteadFort Investments
okay. And in offshore, how many would be in India and how many would be outside India, the boats?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
We have 4 boats currently outside India, remaining 15 are in India.

Himanshu Upadhyay - Analyst, SteadFort Investments
Okay, okay. Yeah, thanks from my side.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Thank you, Himanshu.

Operator
Thank you. Next question is from the line of Devesh Javar, individual investor. Please go ahead.

Devesh Jhawar - Analyst, Individual Investor
Yeah, am I audible?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yes, can hear

Devesh Jhawar - Analyst, Individual Investor
you. Yeah, congratulations, sir. Like earlier shareholders remarked, you always believed on the value investing principles in the shipping business as well. My question is not regarding GE Shipping's business. But as you have a lot of knowledge and a lot of experience from last 40 years in shipping, so I just want to understand that has this war and the situation, like the geopolitical situation we are

facing since 2024, has this changed the stance for order book? Like for example, this Iran war, every Southeast Asian country felt the heat.

Because of non-availability of these tankers and fuel,

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
yeah,

Devesh Jhawar - Analyst, Individual Investor
other commodities, non-availability of fuel, really,

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
yeah, yeah.

Devesh Jhawar - Analyst, Individual Investor
So like everyone was strained at some point. So in a normal course of events, the world always moves towards efficiencies. Like countries prefer, like the oil companies prefer the lowest rate the charter is offering. But, uh, for-- after conditions like this, do you think that this could change and there could be some redundancies in terms of crude tankers? Like some nations would say, like, we need to have a reserve of tankers as well for our crude in terms of-- in turn, like someday in case of an emergency or a war-like situation like we had right now.

So do you think the order book as a percentage of fleet can remain elevated for the considering next 5 years or a decade?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah, so I think your point is very valid, uh, and I mentioned earlier that people might be thinking, uh, where they used to think just in time to just in case, which-- so you have to provide for the risk of not being able to uh, you know, not having your supply chain sorted out. So the one thing that can happen is people start building inventories. So importing countries start building oil, more oil inventories, so strategic reserves. Uh, they could also look at buying ships of their own so that they control the supply chain.

I mentioned earlier, we have seen the exporting, uh, oil exporting companies. So whether it's the Iraqi oil company or ADNOC or Aramco, uh, all of them have been buying crude tankers, some of them even buying LPG ships, uh, so that they are able to control the supply chain and push the oil through the Strait of Hormuz. So all of this will happen, and all of these I absolutely agree with you that all of these could change the behavior of the investor, uh, in different ways, of people or the participants in the shipping business in different ways.

We don't know how. I don't know if it'll go so far as to build too many ships, because you can always buy ships in the secondhand market. That's what the, uh, the Middle Eastern oil companies have done. They've just bought ships in the secondhand market. Uh, so you could buy it in the secondhand market. It doesn't necessarily mean that you have to build the ships. So, but absolutely right, these are going to be interesting times as to how people react to what we've seen in the last 8 to 9 months.

Devesh Jhawar - Analyst, Individual Investor
And sir, like, uh, you have been studying and you also pointed out in this call that, uh, NAV is, uh, NAV is linked to cash flow. So do you think, uh, like, have you seen in recent past, like, NAV is not falling if the rates are falling still? Like, for as of now, in, in this current quarter, the rates have fallen, but has the NAV also moved in the same proportion? Is the correlation still going on or is it broken somewhat?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah, so good question. We haven't seen pricing points, uh, in the last 2 to 3 weeks when the crude tanker market freight rates have fallen. However, in the past we have seen that while the first-- in 2008 we had a very strong market between 2004 and '08 for tankers, and while that first drop in prices happened very quickly because we also had a financial crisis at the time that's the time we had the global financial crisis, uh, the-- it took some time for ship prices really to come to very cheap levels.

So while earnings went down quite fast, the ship prices did not drop at the same pace. So it took some time because the market retains hope And so maybe it took with a lag of, uh, maybe a year that the prices of ships actually dropped after the freight rates fell. Again, I must clarify, while freight rates have fallen a lot in the last 2 weeks, they are still at very, very high levels for crude tankers. They are higher than they were last year, uh, at this time. They're much higher than they were last year at this this time.

Devesh Jhawar - Analyst, Individual Investor
Thanks, sir. That's all from my side.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Thank you.

Operator
Thank you. Next question is from the line of Arjun Kumar from 101. Please go ahead, Arjun. May I request you to unmute your line and proceed with your question, please? Due to no response, we move on to the next participant. Next follow-up question is from Naina Harsh, individual investor. Please go ahead. Harsh, if you can hear us, can you please unmute your line and proceed with your question? Due to no response, we move on to the next participant. Next question is from the line of Aryamanthaparya, individual investor.

Please go ahead.

Aryaman Taparia - Analyst, Individual Investor
Hi, can you hear me?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yes, I can hear you loud and clear. Please go ahead.

Aryaman Taparia - Analyst, Individual Investor
Yes, so my question was, uh, for example, the Suezmax rates that spiked a lot recently, we weren't

able to capture most of it since we were operating in different routes. So just wanted to understand any benchmarks that we can track for the different segments, because the headline numbers say something else and the routes we operate in or something else. So just where you can guide us, we can track rates.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Just to clarify, we were able to capture the spikes in a couple of our spot fixtures. Uh, it's just that we don't capture the spikes given in the market averages because the market averages include routes that we don't, uh, that we don't participate in for various reasons. Mainly risk. So unfortunately, this is the route which gets reported. Uh, the Baltic Exchange reports for different routes, uh, reports freight rates for different routes. Uh, so if you have access to that, you could look at that.

And I think they also have an account on X, so you could see if that is available. But the standard database of spot rates Includes all of the routes, unfortunately.

Aryaman Taparia - Analyst, Individual Investor
Okay, thank you. That's all from my side. All the best.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Thank you.

Operator
Thank you. Next question is from line of Arjun Kumar from 101. Please go ahead.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Hello.

Operator
Go ahead, sir. You're audible. Arjun.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Hello.

Arjun Kumar - Analyst, One-O-One
hello am I audible?

Operator
yes your audible.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
we can hear you.

Arjun Kumar - Analyst, One-O-One
Yeah. Sir, you mentioned just in the previous last question that the crude prices, the freight has been

fallen. How can you see in the last in the next year this prices and what will be the impact on the EPS on this for the company?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
So we'd And therefore we don't forecast what our earnings could be and we don't give guidance because it is not possible for us unless we are able to forecast the spot market accurately. As I mentioned to, you know, to one of the earlier questions, uh, this-- all of this market rates, uh, action over the last couple of years and especially over the last 6 to 9 months has been caused by geopolitical disruption. You know, this last thing where suddenly you find rates doubling for tankers, or more than doubling for tankers in the spot market, is because of the war which is happening now in the Middle East where the Strait of Hormuz, you know, is sort of closed and has made things very inefficient.

Now the question is, what is going to happen there? And nobody knows what's going to happen there, and therefore it's impossible to forecast where rates could go. Even if it is next week, it's very difficult to forecast whether rates will be down or up. So we don't even try to forecast these things. So

Arjun Kumar - Analyst, One-O-One
just, just that I'm going through your annual balance sheet. There you are showing that Spot freight rate has been doubled from FY25 to FY26.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah.

Arjun Kumar - Analyst, One-O-One
So yes, so can I get-- so can I conclude or ballpark that the freight will come back to at the-- what was at FY24 or FY23 after this war has been eased?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yes. The thing is that it's a fairly complicated, uh, set of things which are interacting and resulting in the freight rate. So I just, I'll just not oversimplify it. Broadly, yes, they should come down if the war gets over. The first reaction should be for freight rates to come down because they went up for the war.

Arjun Kumar - Analyst, One-O-One
So can it be ballpark that your revenue will fall and the EPS will also be half from this, uh, what is you are reporting right now?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Again, you know, this is, you know, these are forecasts which are impossible to do, and that's why we don't do these forecasts, because we don't know what is the income play of-- sorry,

Arjun Kumar - Analyst, One-O-One
so what will be the revenue guidance for the next 2 years going your flight?

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
No, as I said before, we don't do revenue guidance because we don't know what rates our ships will earn. 70% plus of our capacity, close to 80% of our capacity, is open to the spot market. The ship which is today earning $60,000 may next month be earning either $30,000 or $80,000 a day depending on where the spot market is. And that's why we don't give revenue guidance.

Arjun Kumar - Analyst, One-O-One
Yeah, just one last question. What is the breakeven price for your fleet's ship that you said that price is $80,000? Just one, one, anyone.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Yeah, sure. No, and I'll give you a blended breakeven rate for an entire fleet, uh, so which is one number. So the number should be around the $13,000 per day mark. At $13,000 a day across our fleet, we will be around breakeven.

Arjun Kumar - Analyst, One-O-One
Thank you, sir.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Thank you.

Operator
Thank you very much. As there are no further questions, I now hand the conference over to the management for closing comments.

G. Shivakumar - Executive Director & Group Chief Financial Officer, The Great Eastern Shipping Company Limited
Thank you everyone. Thank you for your active participation. As always, it was a pleasure. We will be posting both the recording and the transcript of this shortly. And again, thank you and have a very good festive season.

Operator
[Operator Closing Remarks]