THE GREAT EASTERN
SHIPPING COMPANY LIMITED
CIN: L35110MH1948PLC006472

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Our Ref.: S/2021/JMT

September 30, 2021

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Bandra Kurla Complex, Bandra

Mumbai – 400 051

Sub: Written transcript of Analyst/ Investor meet conducted on September 24, 2021

Dear Sir / Madam,

Further to our letter dated September 28, 2021, please find enclosed written transcript of the Analyst/ Investor meet held on September 24, 2021.

We request you to kindly take the same on record.

Thanking You,
Yours faithfully,
For **The Great Eastern Shipping Co. Ltd.**

Jayesh M. Trivedi
President (Secl. & Legal) & Company Secretary

PHILLIP CAPITAL – INVESTORS MEET – 24th September, 2021

PCI: Brahmaputra Meeting Room: Yes, Let's start.

G. Shivakumar: Yeah sure. We have everybody here so we can start off.

PCI: Brahmaputra Meeting Room: Yeah sure, so good afternoon everyone, and thank you for being on conference call with the management of the GE shipping. We have with us Mr. G. Shivakumar - Executive Director and CFO of GE shipping. Thank you very much for taking time out. As we start with the initial comments from you, and then we move to the question and answer session.

G. Shivakumar: yeah.

PCI: Brahmaputra Meeting Room: Is that okay?

G. Shivakumar: Yeah absolutely, Thank you. Good afternoon everyone and welcome to this meeting. And thank you for showing interest. Before we start I just want to give some very broad comments on what's happening in various sectors that we are in. The bad news first is on the tanker business, which constitutes about 60% of our fleet. Product tankers and Crude tankers, both are doing very poorly in the spot market for the last 12 months or so we had that brief spike in April-May 2020, when there was a huge surplus of oil and therefore ships got pulled into storage, etc. After that, though oil demand has recovered, it has not even come back to the levels of 2019 while the fleet has grown since then, and therefore there is an oversupply of ships with a result that both crude tankers and production tankers are making very for low earnings. They are above operating expenses or around operating expenses, but still not enough to recover interest and depreciation on the spot market. Most of our ships are on the spot market. In fact, we only have one ship which is on time charter. So, we are heavily exposed to spot in the tankers market. Coming to the better than part, the LPG market continues to be quite strong. We are not currently exposed to the spot market directly, we have five LPG ships, all of which are on time charters either for one year or two years. All of which are on time charter with profitable numbers. We have one coming off Charter in the next couple of months, and there are inquiries for it, we will probably find a business for the ship, because the market is pretty decent. Coming to dry bulk, which is causing quite a lot of excitement in recent months. The drybulk market is at its highest level in more than 10 years. Which means that ships across the board in the spot market are earning in excess of 30,000 and in the case of Capesizes, they are earning 50,000 or so. Out of 14 bulk carriers, 11 ships are exposed to the spot market. We have one ship which is coming off Charter in the next month and a half. We have one ship which is coming off charter around March 2022. And we have one ship which is locked in up to end of next year at lower rates. So currently we have a significant number of ships exposed to spot market and we are enjoying that exposure while all 11 ships are earning in excess of $30,000/day. So that's on the shipping fleet.

In the offshore side, we have three rigs currently on contract, except one which came off contract in April – May 2021. She has now received next three years contract. We have received the letter of award for the next three years. And she will be ready to go into the contract within the next four weeks or so. Coming to offshore support vessels, we had five vessels off contracts of which, four now, have received the new contract and will go on contracts. We are not yet seeing signs of a recovery in offshore day rates. Even though, rates are higher than lows of 2017-18, but still nowhere near where it used to be in 2015. So as the oil market and crude oil prices improve, it is expected that this market will recover over the next couple of years

On the tanker side, the order book continues to be low. For product tankers orderbook is between 5 and 7%, which is lowest we have seen in at least 25 years, which gives us hope, with regard to future supply and hopefully the market should improve. On crude tankers also the order book is quite low. It's about 10-11%. it's built up a little bit, but it's still a pretty low number. We expect quite a bit of scrapping to happen. We've already seen scrapping picking up though not very high numbers. But there will be removals as there are regulations coming in, which may incentivize some removals. These very poor rates and high steel scrap prices should incentivize removals. On the demand side, at some point we see demand coming back to pre-coivd levels and going beyond that also. And once that happens, then we will see a very rapid tightening of the tanker demand-supply balance and, hopefully, then we should have much stronger tanker rates as well. So that's what we are looking forward. Our Net Asset Value was in excess of 550 rupees a share on consolidated basis and we are trading at a significant discount. So that's my opening comments. I'm very happy to take questions. I'm sure we may not have covered a lot of the questions, that you have. But happy to take any questions.

PCI: Brahmaputra Meeting Room: Sure, and thank you very much for your opening comments. We how first question from Namit Arora, IndGrowth Capital.

Namit Arora, IndGrowth Capital: Thank you for the opportunity, and thank you for very detailed opening comments and very candid perspective on the business. So my question is around your thoughts on ways to narrow this discount in the sense that, in spite of governance, prudence, discipline, good capital allocation, discount is significant. Try and at least start a journey, where you know the market takes cognizance and you know this discount gets narrowed because it seems like it's not. Really, given your full attention discipline, governance it's just not reflective that you're in the market, so your thoughts on that. Thank you.

G. Shivakumar: Yeah thanks, good question and it's something that we grapple with time, because this, as you pointed out, has been going on for quite some time, that we have a significant discount to our intrinsic value. By nature, our business is of capital allocation, we look to do that, to the best of our ability. We have capital, we put it to work with buying ships that can give us the best possible returns. And that's what we look to do. The market and how the market reacts, unfortunately, is not within our control, or even within our sphere of influence. So the way we approach is this, we say we will do the best job we can for our shareholders in terms of investing the shareholders money well in our business. And hopefully that will, at some point reflect in the valuations that are given to the company by the investors now, what do you do when you don't get that valuation okay. There is, you could do, and you know, there is a option of, say, a buyback which we have done in the past, which has given on occasion good value because you're buying at a significant discount. In today's situation, there is a very significant leakage on account of buybacks. I don't know if you're aware, there is a 20% plus tax, which is applicable on buybacks which is a very significant change. When we are thinking of it as a capital allocation possibility, we have to take that into account, because it is a reality. So today we are sitting on cash, we have surplus cash because this business has thrown out surplus cash in the last 18 months or so. And we are looking to deploy that cash. When we are looking to deploy it, we do look at this also as an option. However, as you know because of the leakage that is there, it is not looking like a very attractive option. It is a possibility for us to do it, but only at the right price, just as we will only buy ships at the right price. All other capital allocation will also be done only at the right time, so that's what we do in the meantime, we will keep doing our business. We do take our business decisions to the best of our ability, in the interest of shareholders and hope that you know, at some point to start reflecting in the valuations that we receive from the market.

Namit Arora, IndGrowth Capital: Thank you for your very candid and detailed perspective and all the best, thank you, sir.

G. Shivakumar: Thank you.

Namit Arora, IndGrowth Capital: Thank you, Sir.

PCI: Brahmaputra Meeting Room: Participants you can raise your hand to ask your question, or you can also alternatively put any question in appearing chat box. Meantime your thoughts on under investment, because the way we all seen a container market was like a way for so many years you're not performing well and there was very low unsustainable rate for a long time in a container and then suddenly we have seen the rates climb up substantially. Similarly, we have seen one of the longest cycle in history for shipping in both markets. So how do you see that can pan out going on in terms of decoding with the kind of under investment, what we have seen optional on the very unsustainable rates support very long period historically for other segments.

G. Shivakumar: Yeah i'm a little afraid to talk about that because we've been talking about it for at least two to three years on the under investment and how it has to lead at some point to a recovery. It happened, we saw it happen in drybulk, we saw it happening through tankers in 2013-14, when you had very poor fleet growth, and suddenly you had a small event which resulted in a sudden spike in rates, it did not last long. It lasted for maybe three months because it was not a fundamental change in the demand-supply bands. But these are the things that actually drive the earnings so, for instance, we saw just two to three months of high earnings on tankers in first quarter FY21. It just boosted our profits to a massive extent and that's all you need really in this business, you need those two three months, and then your full year gets taken care of. There has been a huge amount of under investment in option over the last five years atleast. The huge under investment in new oil production capacity, which is likely to result at some point in a scarcity of oil. We see the oil majors under a big pressure from their shareholders on the ESG front asked to stop investing in new production of oil and gas. We saw Shell having some difficulty, we saw Exxon having some difficulty, I think we saw in Shell's case, the Amsterdam Supreme Court given order against Shell, saying that you have to do something about showing what you're going to do about the environment and, therefore, to make less investments in oil capacity. So these are the kind of things which are happening, which potentially could result in a tightening of the oil demand-supply balances. If that happens, then you could have significantly higher oil prices, which will incentivize more oil exploration/production. Yes, in the long term, with all the adoption of electric vehicles and other sources, you know non hydro non carbon emitting sources of power will have a reduction in the requirement but that's going to happen over a longer period of time. And, in the meantime capacity supply is getting cut in the shorter term and demand is getting cut over the longer term and that's where you have maybe a mismatch where you suddenly have a spike in prices of hydrocarbons, which means sudden demand for more of your assets. And therefore, a potential for recovery in the offseason. Again, this is not something that you can really trade into because the offshore market is not as tradable as the shipping market. In shipping, if you see a cycle turn you can quickly buy some ships, you can sell some ships, based on your view. In offshore, you can't really do that. Our stance is that we're just going to hold on to a position, we will have repricing at regular intervals, next year we have repricing of a rig, the year after that we have another repricing. So we will keep doing that, and you know with a low cash breakeven that will help us to then become a cash producing company. So yes, the fundamentals are lining up pretty well across the board for the businesses. Incremental supply of assets into the market is very low by historical standards, we believe that there will be significant demand growth. And therefore, you will have a fundamental tightening of supply-demand balances and, therefore, you will have much better rates. In the meantime, what have we have done in shipping is that we have done a lot of Capex in the last five years. We invested about $500 million in this period in ships, both new and second and but mainly secondhand. As it stands today, we have made an unlevered IRR in excess of 15% on all the ships that we have on that portfolio. I don't want to say we have cracked the model, but I think we can do our business in a way, such that we are able to provide very decent returns on capital. Going forward, and all the investments that we make, we have to be patient and therefore we are prepared to sit on cash rather than be in a hurry to invest it at any price. And so we are positioned for a market recovery in the sense that we have a large part of our fleet exposed to the spot market. And when the market recovery happens, then we will enjoy those earnings, hopefully, the recovery will happen soon and we will enjoy those earnings on a large feet. In the meantime, if you have a drop in asset prices or if the market continues to be poor, we are in a position to buy because our leverage is pretty low. We leveraged up a lot in this period, from 2016 to 2020. We went up to 0.5-0.55x net debt to equity, we are now down to 0.15x. We have a lot of room to buy ships and we will be there to execute transactions. So we look forward to opportunities on these, we have a large capacity to take advantage of a market, and we have spare cash to deploy if the market goes down.

vishal biraia (aviva life): Oh well, thank you for your insights. If you see the current portfolio in the coming few years, how do you see the proportion of spot versus time charter contracts and the incremental contracts that will happen, I mean how different would be the pricing compared to the spot.

G. Shivakumar: Okay so over the last five plus years we have typically had about at least about 70 to 75% on the spot market at all times, the way we measure it, and when I say 70 to 75%. On a rolling 12 month basis each ship has 365 days in 12 months from today, out of these 365 multiplied by 45 ships, how many of your days are locked in. Typically, we've been at not more than 20 to 25% locked-in in this period over the last five years, at any point. If we get very strong pricing, we are okay to go up to 30 to 40% also. We will keep about 50% of our fleet open for two reasons, some of the ships are quite old. So if you've got a 16 or 17 year old product tanker for instance, it's very difficult to fix on time charter and therefore it's better to operate on the spot market. Also, we actively play the asset cycle and you can't trade a ship if it's on a time charter, because its contracted with a customer, they will not let you sell them. And therefore we keep a significant capacity on spot. Today, we probably have about 15% of our capacity fixed which could go up in next 12 months. If we get the right pricing, as time charter rates are attractive, we would be looking for ways to lock in more capacity, because the pricing is so high, however it's still at a significant discount. Let me give you an example. Kamsarmax bulk carrier is trading in the spot market today around somewhere between $35,000 and $40,000/day. When you're talking about spot market you can do the longest voyage by carrying grain from east coast of South America to the Far East which typically takes between 90 to 110 days. Or you could do a 40 day voyage, which is say from Australia to the Middle East. So you can fix on a voyage, which is about at about $35,000 to $40,000/day or do a one year time charter on the same exact same ship. The rate that you would get is probably somewhere between $25,000 and $27,000/day. So we have to take a big discount up front in order to lock in that charter which we are not averse to doing, because you know, in very strong markets, you have to take that backwardation into effect, that's the difference between the spot market rates and the time charter rates. This is example in a market which is pretty strong. Now let's take a market which is the polar opposite, which is the crude tanker market. Suexmax crude tanker in the spot market is currently earning between $6,000 and $10,000 a day, depending on a voyage which is between 30 and 60 day or one year time charter on the ship would be $16,000 to $17,000/day, which is a significant premium to spot rate, we have fallen into this trap earlier. We'd rather do the $16,000 a day, because it's better than $7,000 or $8,000/day. But here, it helps to have a historical perspective, the historical perspective is that, in less than 10% of the last 25 years you have finished with an average of less than $16,000 a day on this type of ship operating in the spot, so the downside that you're protecting is really limited and you're forgoing a lot of upside because you could easily go to $30,000. So we are not inclined to fix in the tanker market because you're not getting a big downside protection. In any case, your odds of you earning more than that current time charter rate are pretty high and you might as well do that. And you can take a hit on cashflows because you've got the cash to help you ride the low earnings phase. In a very weak market, your time charters will be higher than your spot. In a very strong market, the time charter rates will be lower than your spot. So in drybulk, if you're fixed on time charter, you will get lower than the spot. In tankers, if you fix on time charter, you will get higher than your spot.

vishal biraia (aviva life): Right, so this was very helpful, thank you.

G. Shivakumar: In these cases, we would be more inclined to do the dry bulk time charter than the tanker time charter in case I was not clear. Because on historical basis it's a high number and that's what we're looking at. We just look at it on a historical basis.

vishal biraia (aviva life): Thank you.

G. Shivakumar: Thank you.

PCI: Brahmaputra Meeting Room: So, can you comment on asset prices and why have we not invested as the industry is giving low yield. Usually, this time investment opportunities are better. What is the impact of commodity price on your investment decisions?

G. Shivakumar: Spot market rates have been terrible over the last 12 months. You would have had much weaker asset prices, and we would have thought that asset prices would have come to the levels at which we would like to invest in tankers, however, this time has been a little different. For a couple of reasons. One is possibly that people made a lot of money in the previous 12 months because the tanker markets were pretty strong and therefore there is no distress selling. Interest costs are low, as well, so you don't have a big cash out go on a daily basis, but more important as a factor seems to be that and we can see this because prices went up between January and June, despite the freight markets being so poor, ship prices went up because steel prices have gone up and steel prices have pulled up ship values at both ends, meaning the most modern ships and the old ones. Let's take for instance, a five year old ship and let's take as an example a Suezmax crude tanker. In case of Suezmax crude tanker new building, if you ordered in January this year, it would have probably cost you somewhere around $55-$56 million. The same ship if you went out to order now would cost you somewhere around $66-$67 million. We're talking about 20% increase in price. This price increase has happened, one because of the price of steel increasing, but also because shipyards have become more busy building container ships, LNG ships, car carriers, and this is a very strange thing, where you see the consequences of completely unrelated things. More car carriers are being ordered today because there will be more electric vehicles. The average electric vehicle is likely to be heavier than the average internal combustion engine vehicle and again, some of you may be more experts on this than me, and this is something that I came across in the last couple of days. You need a different configuration and the capacity of car carrier for electric vehicle. Every ship earlier carrying 5000 cars, if it's carrying electric vehicles, that capacity comes down by X percent because the car is simply more heavy. And that changes the carrying capacity of the ship. And therefore, more of them have to be ordered. When more of those ships are ordered it takes up the slot which was going to be used for construction of a crude tanker or bulk carrier or a product. That's where you are having scarcity in ship shipyard capacity, and therefore the shipyards are not keen to give it away cheaply and therefore they're raising their pricing power. So when the new building goes from $55 to $66 million, then a person who had a five year old, who was pricing it at $45 million or $48 million now says New building ship is $66 million, if you want my ship, then you have to pay me $55 million. So that price is getting pushed up because you know the comparable ship has gone up in value. At the other end, a 20 year old ship is likely to get scrapped. A tanker typically has 23-24,000 tons of steel. Early this year, the price of scrapping was $400 per ldt. So typically in one of these ships, you would get $9 million of scrap value. Now what has happened, China is dis incentivizing blast furnace production and saying you have to go to electric arc, which means for the input you're going to use less iron ore and coking coal and you're going to use more of scraps steel as an input into the steel production. And therefore, the demand for scraps steel has gone up. As a result of that the price of scrap has gone from $400 per month to $600 per ton. The scrap value is now 13 plus million dollars of that tanker which I mentioned. So the person who had 17 year old ship was thinking of selling it for say $13-$14 million now says that this ship has three years life left. And then it's worth $30 million. So now i'm going to price it $18 million, and not for $14 million dollars, and therefore the prices have gone up for battles. And that's where across the spectrum you've seen prices going up because of what has happened to steel price and shipyard capacity. So the downside of that is, people like us, who are waiting to buy ships and who are being disciplined in the price points of buying ships are not able to invest, because the prices now are 10% higher of 15% higher than what we would be willing to pay. But we are okay with that and we are willing to sit on cash. So the other thing we did, and you know this is the other question that comes to our mind, and we are always looking at, you know how can we do this better. Let’s say i'm only going to buy a ship if the price is less than $30 million as per the stringent condition. What if I say my price limit is not $30 but $35 million, I will have to keep cash for less time so money will be invested in the business for more time and i'll make more money. We back tested this over the last 10 years and we found that though you sit on cash for more time, by virtue of having a most stringent price limit, the overall return that you make, because you are able to invest cheaper and you will always get opportunities to invest is to the tune of 4% in the IRR and we are talking of between 12-13% IRR and an 8-9% IRR. So that's the difference in having the discipline and not having the discipline. So we are also looking within ourselves to see which model works better. To see if we can do better, you know basically our thing is, as a portfolio manager of ships, is there a way, we can do this better for better returns and to do the capital allocation better between holding cash and holding ships.

PCI: Brahmaputra Meeting Room: We have a question from Mr Janice you can unmute yourself and go ahead with your question.

janish shah: Yeah hi. Thank you so for giving this detailed explanations of the market, it is really useful, I just have one question on the offshore side. You very well explained the situation on the shipping side and the different market, but this is oil and gas market where. I think everybody is thinking twice before putting in money. Even the oil and gas producers, are not sure, whether they will end up making money or not. There are so many factors which are influencing the decision points, as a service provider in the sector, how are you looking at the situation. Not only from one to your perspective but let's say if you were to look into capital allocation in this business, how do you see next, seven, eight years, or in terms of allocating the capital, and also the returns, which you are expecting.

G. Shivakumar: Thanks a lot. Yeah so one is, we started investing in the offshore business or in this subsidiary 15 years ago. One thing that we have learned in this business is it is very different from the shipping business itself in the sense that it goes through its cycles and the big disadvantage is that you cannot play the cycle. In shipping, you can actually take a call and say that i'm expecting this market to go down or i'm expecting this market to go up and you can do a big investment or divestment based on that. In offshore you don't have the liquidity to do any of that so you have to go through the cycles, so in that sense, yes it's very different from shipping. In terms of capital allocation, we have put in, and so the last investment we did the offshore business was a little over 10 years ago. I think in early 2011 we put in the last investment into the offshore business ever since they have been self sustaining. They've also got not too much leverage. They have about $190 million of bank debt, they have about $100 million in cash equivalent. So they're Okay, they can manage by themselves. So we are not expecting to have to put in more cash into that business. When we think of capital allocation, we are only thinking of capital allocation towards shipping, so that's one thing which I want to clarify. Coming to your fundamental question on what is the outlook for oil now. Let's model, what can happen to us you're absolutely right oil companies are being pushed to not invest in the hydrocarbon, and I mentioned that in my opening remarks as well. One reason is that there is the ESG concern among their stakeholders The second is they themselves may have a worry that I invest in capacity I do drilling today I do exploration today. The field will actually come into operation 5-7 years from now, and who knows what will be the demand for oil, whether there is a demand for oil. I would have invested and I will not get a return on that money at all so that's what is the concern for them. A lot of these oil companies are going to cut back on their investments going forward and especially these super majors who are listed in like Shell, Exxon and Chevron. These situations are going to have challenges. While investing in new capacity, because of their regulator, stakeholders, etc, the supply of oil is likely to plateau or come down from those super majors. what is going to happen to the demand? We already peaked in demand for oil or is that peak one to five years away, that is a question, then. What is going to lead to that drop in demand for let's say gasoline or diesel, yes, electric vehicles are going to come, maybe they will be 5% of all new cars sold in this year, maybe they'll be 10% of all new cars sold this year, but you still have a significant internal combustion engine vehicles which are out there, and which will need to move assuming that the economy is running as normal, the demand will still be there. It is possible that the supply of oil drops off lower than the demand for oil, in which case you get a significant tightness. Now you get that tightening you get say $100 Okay, which doesn't seem too far off. You're already in the high 70s. Then your next question would be, what's the use of having $100 oil if Shell, BP, Chevron, Exxon are not going to invest. But that oil which has been produced already sitting in your oil inventories, at least in the developed countries are below the levels that they were in 2017. So your spare capacity of stock crude oil stocks are already below where they were three to four years ago. So you don't have too much of buffer which is beta, of course. China has built up some strategic reserves but it's still at level which was in 2019. So somebody has to produce this oil if the demand is there for that, if the production is not there, then the price can just keep going up till such time, you find that you know that classic economics thing where your supply and demand curves can intersect, you have to find that price. And the other people has only one purpose in life, that objective of the company is to produce oil and gas for india's requirements they have to look for and produce oil and gas. They can't say that now i'm not going to produce oil and gas, i'm going to go into electricity generation through wind, it can be a small part of the business. That activity has to go on. The national oil companies will probably take advantage of this, you know of this price of oil, and they will increase their efforts to find more oil and gas, and that means more demand for offshore oil and gas assets is just one scenario that i'm painting. Because it appears to me that the supply of oil is could possibly drop off faster than the demand for oil, as it is, the spare capacity of OPEC is down to probably 3 million barrels. which is why they're pushing up the production every month by 400,000 barrels a day, but the spare capacity is not that much, which means that the tightness is not too far away in the demand, supply balance.

janish shah: That was a fairly elaborative explanation just wanted to have another point but looking at this, I mean, I understand that these are the type situation, but how is the service providers. Like the operators are going to take the call maybe you have you would have decided, you would not be investing. But, in general, do you have sense like how the markets are going to be here because they are also synchronized with the decision of the investments of oil companies in that.

G. Shivakumar: That's correct. So what is the other thing which is happening is that availability, so if your question is, are people now investing in new capacity of rates and oil services or you know offshore vessels, no, they are not. People are looking for other uses for some vessels that they have or their buildings, they are wind turbine servicing vessel, there is no new capacity coming and obviously the market has been very bad for more than five years now, no new orders have gone into them here for new rates. Rigs have been scrapped, over the last five years we have seen more than hundred jackup rigs get removed from the market. So there is very little new capacity, which is really getting created on the flip side you have a lot of rigs which have been what we call cold stacked. You have 60 rigs which have been cold stacked for more than three years, which means that they are unlikely to come back into the market. Unless the market is exceptionally strong, so today's day rates are probably somewhere in the $30,000 to $50,000 per day range unless you can get rates of say $100,000 a day it doesn't make sense to spend the money because you had to spend $20-$25 million, so the capacity is very, very restricted, and therefore it won't take much additional demand for the pricing to go up significantly. But nobody is investing in the business. See everybody has lost hope and the vision, because so many people have just lost money. We put money into that business we haven't lost money, but we've come down significantly from where we were in terms of the amount of value that was in that business in 2015 at the peak. It's come down significantly from there because asset values have collapsed by 50-70% since then. But no new investments are going across the world into the offshore drilling business because capital availability has also become a problem in lot of these countries who are lending to buy a rig. A lot of banks will just not do that, because the Bank also is now answerable what are you doing about the environment. Couple of days ago I saw that some banks are going to stop lending to coal fired power plants, these are the kinds of things which are happening, which are also restricting capital availability for the business.

janish shah: Okay, thank you very much.

PCI: Brahmaputra Meeting Room: If you can highlight about this scrubber investments and implementation.

G. Shivakumar: Yeah so scrubber story is sort of over now. Our last scrubber has been installed on our ship in the month of July so that's now been two months since we installed. We invested in total $14 to $20 million in that for installing those troubles. I think we'll end up with a fairly disappointing result on those targeted 10 to 15% IRR on those. I don't think we will achieve that, we will recover capital certainly and will probably make a positive return, but I don't think we're going to make the target return on that investment. So we are taking that down as one of our failures and moving on. So the scrubber story is sort of over. The transition happened quite seamlessly. We had a disruption in the month of January 2020 when the changeover happened. There was a lot of fuel available, we thought that will be a scarcity of fuel. But because Kuwait came in and, in any case, you had so much surplus oil that scarcity was never the case. Next big event to look forward to is in 2023 where you have new regulations on environment and emissions. It's to do with the emissions of the ships. Some ships may become difficult to run under those circumstances, unless you spend a little bit of money. So there may be a little bit of a challenge for some very inefficient ships, unless you spend a little bit of money and spending money as $100-$200,000 doing some minor tweaks on the engines. But it's again going to put pressure on some of the older ships and presumably some ships may have to be removed or scrapped. Talking of scrapping, the scrapping potential is pretty high that's another thing which is giving us some confidence. Over the last five years we've seen less than 10% scrapping crude tankers, product tankers, bulk carriers all of them, and therefore lot of scrapping potential has built up, we should see much more scrapping happening in the next year or two, which again, combined with very low new ships or the orderbook should help to tighten the market.

PCI: Brahmaputra Meeting Room: Can you elaborate on decarbonization in shipping. How the new regulation is evolving and how are we looking at it for long term?

G. Shivakumar: yeah that's also been a good, positive factor, so if you want to order a ship today and these are emission norms which are going to come in from 2030, that you have to reduce your emissions by

40% and there is a real worry that you order a conventional ship which has a lower consumption. That still have emissions because you're using fuel oil, your carbon emissions are still there. People are saying that you should use LNG and there are LNG fuel technology is already available, though, it's a much more expensive. People are talking of ammonia, people are talking methanol. Those are the options, people are talking of, they are not practical today because the technology has not yet developed for Newbuildings. Now, if you have to order a ship today it's going to deliver in 2023 or 2024, it has to run for 20 years after that, so you have to run up to 2040 and you have to think of that ship as running after 2040. If there is a regulation regulatory cliff coming in 2030 then, how do you think of it when you're assessing the risk of this ship having regulatory obsolescence because you know, then suddenly they say that you need to have all LNG ships and there is a technology stack change which happens in 2023 and you start having all LNG power ships or methanol or ammonia power ships. So that's also keeping shipowners from ordering new ships and that's also keeping the order book under control. So there is a lot of these environmental regulation which is coming, which is just leading to a lot of uncertainty. It's positive unless you have to go out and raise capital. It's a positive because it just means that there is less capital enthusiastic about investing in the business, in new assets and therefore assets are likely to become cheaper, which enables us to invest at the same time, the trade flows remain the same. That is not changing based on this decarbonisation because you have a car which runs on petrol or diesel, you have to continue to run that. And therefore, the trade flows remain the same, and therefore demand for ships remains the same, but the fleet does not grow and then you have a tightening of the market. So that's what we are hoping for with only the environmental regulations. As a shipping company, we have to comply with these regulations. But all of it is just disrupting life, as usual, which just causes inefficiencies in the whole system and when the system becomes more inefficient. You know the market becomes tighter.

PCI: Brahmaputra Meeting Room: Understood, Sir, I think there are no more questions so we'll close it, and thank you very much for taking time out and interacting with the stakeholders and investors, and it is always pleasure listening to you and understand the reviews, thank you very much.

G. Shivakumar: Thank you.

Namit Arora, IndGrowth Capital: Thanks a lot you're welcome I really appreciate your time.

G. Shivakumar: Thank you.

PCI: Brahmaputra Meeting Room: Thank you all for being on the conference.