

Q4 and FY16 Conference Call conducted on 5th May, 2016

Good evening ladies and gentlemen, thank you for standing by. Welcome to GE Shipping Earnings Call on declaration of its financial results for the quarter and year ended March 31st, 2016. At this moment all participants are on Listen Only mode, later we will conduct the question & answer session. At that time, if you have a question, please press * and 1. I, now handover the conference to Ms. Anjali Kumar, head of corporate communication at the Great Eastern Shipping Company limited to start the proceedings. Over to you Ms. Kumar.

Ms. Anjali Kumar: Good evening ladies and gentlemen, thank you so much for logging on to our call. At the outset, let me apologize for this delay. The board meeting just finished about 15 minutes ago and we had to comply with all the exchange requirements before we could start this call and hence this delay. Thank you so much for bearing with us. I will now handover the call to our CFO Mr. Shivakumar to start the proceedings.

Mr. Shivakumar: Hi, good afternoon everybody and thank you for joining us this afternoon for a discussion of our last quarter's results, our markets in the last quarter and how we see the market panning out over the next few quarters. You may not have had much time to go through the results but in any case, our main discussion is about the market, so let's talk about what's been happening. So tanker markets are still strong, though they had a slow start at the beginning of 2016. Crude tankers have been strong while product has been a little more subdued. On the data side, US crude imports have gone up almost half a million barrels per day over Q1 of last year and 400 kbpd over Q4. Chinese imports are up by 800 thousand barrels a day, year on year 400 thousand barrels per day on a sequential basis. This has resulted in strong crude tanker markets. Gas carriers have been much weaker as US exports have not grown as much as expected. And certainly not enough to absorb the huge capacity which is coming to the market, which is estimated to be about 8 percent additional capacity just in the first quarter of the year. The Dry Bulk Market of course has been hitting the headlines in the early part of the year. I think it hit the low in February, the BDI hit a low of 290 points in February and by end April it hit a high of 715 points which is a nice bounce. But now it is at 662, it's come down a little bit in last one week.

Basically, the low prices we believe has potentially resulted in more iron ore imports. One more cause could be that there is a little bit of stimulus happening in China. So industrial activity was very strong in March, so there is a huge difference between the data for March and for Jan and Feb. So, steel production big jump in March, cement production big jump in March, power generation and therefore coal consumption again showing a big jump in March over Jan and Feb. Also we have seen 40-50 percent increase in the price of iron ore and steel, so some excitement there as well. Possibly all of this leading to some improvement in the Dry Bulk Market, though we don't believe that it will last for a very long time. Even with this kind of improvement the

rates are not profitable yet, but it is at least off from the lows, which was much below operating expenses for say a Capesize Bulk Carrier or a Panamax Bulk Carrier. With regard to oil demand, world oil demand growth as we had expected seem to be slowing down. In the first quarter it looks like it was about 1.2 million barrels a day and if you recall 2015 over 2014 was 1.8 million barrels a day.

So slowing down of oil demand, this was expected anyway as the price effect wears off. So that excitement would result in slightly lower oil demand growth. But the stock build still continues because there is a lot of surplus crude oil in the world. Stock build estimate is at about 1 million barrels a day for the first the quarter of this year, which is again slightly slower than it was in 2015. Through the year we must have seen somewhere around 1.3 million barrels a day plus minus 100 kbpd for the year. With regard to fleet growth, the crude tanker fleet grew by about 1.2 percent in the quarter which is quite strong considering what has been happening over the last 3 years or so. In the last 3 years, I think the annual growth was still somewhere around 1 percent or 1.5 percent. And this time, the first quarter was about 1.2 percent. It hasn't yet brought the market down – they have been up and down but overall the average has still been pretty strong for crude tankers. The product fleet grew about 2 percent, which is about 8 percent annualized. Again, a very strong growth which was as expected. Scrapping, as it is to be expected with the strong market, has been minimal.

The order book still remains at 19 percent for crude tankers and about 20 percent for product tankers. And one of the good news is that ordering was minimal during the quarter. It was also minimal for Dry Bulk, except for one giant order of 30 very large ore carriers of 400 thousand deadweight each which will sail between Brazil and China. Basically it's like a shuttle service carrying iron ore from Brazil to China. There were no other orders placed and on Dry Bulk. The scrapping has been running at a very high rate. So in the first 4 months we have seen about 17 million dwt of scrapping and based on that run rate we should be annualizing at about 50 million deadweight. However, this scrapping activity traditionally slows down in the monsoon period because most of the market is concentrated in and around the Indian subcontinent. And the other effect of the recent bounce in the market could be that you have a slower rate of scrapping as the owner gets a little more excited and that is something that we don't want happening. We want more scrapping to happen, so that you can get a foundation for a sustainable recovery. The orderbook for Dry Bulk remains at about 15 percent.

As far as what we have done in the quarter or since we last spoke, we contracted for the purchase of one Very Large Gas Carrier, a 20-year old ship of which we will take delivery within the next month or so. We have contracted to buy 2 resale Kamsarmaxes and we have cancelled the existing contract for one Kamsarmax. Also we have sold our oldest crude tanker, Jag Laxmi, which is 1999-built Aframax Tanker and one of our ROVSVs, the Great Ship Ragini. Both these will be delivered in the first half of FY17.

And now coming to the Net Asset Value, the standalone Net Asset Value has gone down from 367 or 368 to 337 rupees per share. Asset values have come off significantly, so there has been about a 10 percent drop in the value of tankers with the little plus minus depending on the age and type of ship and about 20 percent drop in the value of bulk carriers during the quarter. This of course has brought down our fleet value and therefore our net asset value. Of course, it is also affected by the dividend which was paid in the month of March.

Coming to the offshore market again we are not in a position to give the consolidated net asset value because the market continues to be broken and there are no transactions being done especially on the drilling side and therefore it's very difficult to put a price. So the prices estimates that we are getting from brokers are basically a range, say between X and X Plus 50 million dollars. The price is somewhere between those 2 numbers and that doesn't make sense to us... it doesn't make sense to us to calculate a net asset value on that basis and therefore we are not declaring a consolidated net asset value in this quarter. Coming to the offshore market, the E&P spending estimates for 2016 now project a 25 percent cut in E&P spending this year as well. Last year we had about a 25 percent cut so that's basically going to be down to 55 to 60 percent of what we were in 2014 in terms of E&P Spending. Utilization levels are terrible and we mentioned it last time as well. So, rigs utilization is at around 60 percent, when I talk of utilization, I am not talking of our fleet, I am talking about the global utilization, so out of the total number of rigs in the world, how many are working currently. So that estimate is about 60 percent for rigs while for supply vessels, the estimate would probably be at 50 percent or so. So, we continue looking for business for our idle vessels and our top priority is to get contract coverage. The balance sheet continues to be very strong, our net debt standalone is at around 110 to 120 million dollars and the consolidated is under 400 million dollars. So that brings us to the end of the normal information that we communicate every quarter and we are happy to take questions now.

Moderator: Certainly Sir. Ladies and gentlemen we will now begin the question and answer session. If you have a question then please press * and 1 on your phone and then wait for your turn to ask questions as guided by the facilitator. If your question has been answered before your turn and you wish to withdraw your request you may do so by pressing 1 on your phone. Ladies and gentlemen to ask a question please press * and 1 on your phone.

Moderator: We have a question from Mr. Sajeet Kapoor from Kapoor's Company. Mr. Sajeet please go ahead.

Mr. Sajeet Kapoor: Yes good evening.

Mr. Shivakumar: Good evening.

Mr. Sajeet Kapoor: So like your initial commentary part, what is now your outlook for the sector as a whole and for Dry Bulk segment in particular.

Mr. Shivakumar: Oh, you are asking specifically for Dry Bulk?

Mr. Sajeet Kapoor: Yes but you continue sir. I missed Dry Bulk.

Mr. Shivakumar: See, dry bulk, what we think is that the lows that we hit in February, those were probably a little too extreme. We don't see the dry bulk market picking up very significantly. So it might be around current levels or a little lower. So we should be at around OPEX for some time and we don't think that it will show much strength. So a sustainable recovery will probably take at least 18-24 months to come through because there is a lot of overhang of excess supply of ships. And that could be as much as 10 to 15 percent overhang and that needs to be absorbed before we can get any strength in the market. So we are not expecting Dry Bulk market to recover in a hurry. So, we have seen this bounce in the month of April which is due to some activities with regard to import of iron ore, etc. in China but it will need to grow by big nos. for us to get back to a profitable number in Dry Bulk.

Mr. Sajeet Kapoor: And what portion of our revenue contributes from the Dry Bulk segment itself sir?

Mr. Shivakumar: Okay, currently because the revenues are so low, the portion of revenue will be less than 10 percent. But as the proportion of the number of ships that we own, it is about 25 percent or within 25 and 30 percent of our fleet. And we are getting 4 more Dry Bulk vessels before the end of this financial year.

Mr. Sajeet Kapoor: And if you could split the mix between the other segments. Dry Bulk is 25... it is less than 10 percent and others...

Mr. Shivakumar: In revenue no...we don't necessarily do a split on revenues but the rest is all tankers anyway.

Mr. Sajeet Kapoor: Rest is all tankers. And the tanker parts are continuing their strength...

Mr. Shivakumar: Yes, they are continuing their strength, we don't expect it to last, you know there is lot of supply coming in. So we don't think this will last because the supply will start to weigh on tankers. And...so we expect slightly lower numbers than last year. Last year was a very profitable year for tankers of all kinds. We expect that they will be less profitable but we still

expect that they will continue to be profitable. So it will move lower but still stay at a reasonable level.

Mr. Sajeet Kapoor: Sir, move lower means which bracket are you speaking, from where... the rates will be down in percent of the...

Mr. Shivakumar: Its tough to put at number.

Mr. Sajeet Kapoor: Right. So, 2 percent change in the demand supply balance can result in the 50 percent change in rates.

Mr. Shivakumar: Okay, so it is not exactly that way... for instance last year between 2014 and 2015, crude tanker rates went up by 50 to 60 percent. But it's not because the supply demand balance changed by more than 3 percent.

Mr. Sajeet Kapoor: Correct. Now, what is that additional fleet you are expecting sir, that is going to change?

Mr. Shivakumar: Sorry meaning?

Mr. Sajeet Kapoor: What is the additional fleet you are expecting to hit? What percentage of new fleet will be adding this year?

Mr. Shivakumar: You mean ours or the market.

Mr. Sajeet Kapoor: No, you were telling that the market will be getting new fleet...?

Mr. Shivakumar: Yes, yes...so we expect that tanker fleet will grow by 5 to 6 percent in this year.

Mr. Sajeet Kapoor: So that will be a dramatic change, if the crude prices will remain to this level. We can expect much lower rates...

Mr. Shivakumar: Yes, it's nothing to do with the prices really. To absorb 5 percent you need 5 percent trade growth and we don't see where that trade growth is coming from.

Mr. Sajeet Kapoor: Okay. My question was pertaining to Sagarmala Project

Mr. Shivakumar: Yes.

Mr. Sajeet Kapoor: What is your figure from that and how much...how soon will you see things happening on ground? Figures are mindboggling, 8lacs crores and something of...

Mr. Shivakumar: That is more on the port development sector which is not really our business. So it's tough for us to give a view on those projects. We just happened to use the ports because our customers asked us to, but we don't know how much time it takes to develop one, etc.

Mr. Sajeet Kapoor: But shipping industry will get stimulated services, ports development and this inland navigation and all those stuffs.

Mr. Shivakumar: Yes...

Mr. Sajeet Kapoor: But this is not business sir or not...

Mr. Shivakumar: Sorry... yes, if there is more trade, it's good for shipping, it's good for Indian shipping but I really don't know when all those will come through. So all those projects... we just don't know when all these will come through.

Mr. Sajeet Kapoor: Okay.

Mr. Shivakumar: And you know that it also depends on the trade which is going there, so the commodity has to move, etc., etc. So there is lot of variables there. So it's difficult to make a call and the customers need to use the port and all those things. So broadly it is good.

Mr. Sajeet Kapoor: Yes, broadly is good. So one of your subsidiaries has sold one PSV to Shipping Corporation...

Mr. Shivakumar: Hmm...

Mr. Sajeet Kapoor: In this quarter I think so. Sir, what have been the realizations on that front and any specifications? And how much have we realized and that reason for the sale?

Mr. Shivakumar: So we don't comment on any numbers or any individual transactions. We sold it because we took a view on the market and decided to cut our exposure to that business. So, there was a logic for selling. Beyond that we don't get into any numbers on the sale price, etc.

Mr. Sajeet Kapoor: Okay. And we have taken an impairment also for this quarter?

Mr. Shivakumar: That is correct. That's because where the markets are...so we have to test all our assets for impairment. So we have looked at those assets where the market value is less than the book value, we have looked at what we can earn on those assets and based on that and the views of the auditors and the board, we have taken impairment on five of our vessels.

Mr. Sajeet Kapoor: Sir all are pertaining to this Dry Bulk segment only or...?

Mr. Shivakumar: Not dry Bulk, they are all offshore oil field services business. All offshore supply vessels...

Mr. Sajeet Kapoor: And that is the PSV particularly.

Mr. Shivakumar: That's correct, PSV and ROVSVs.

Mr. Sajeet Kapoor: Okay. You have taken this pertaining to this oil price decline or the market conditions sir.

Mr. Shivakumar: On the market condition of the offshore oilfield services market because rates have dropped, asset values have dropped.

Mr. Sajeet Kapoor: Right. So I will come to the queue and then we check. Thank you sir.

Mr. Shivakumar: Okay, thank you very much.

Moderator: Thank you sir. We have next question from Mr. Ronak Gandhi from BNP Paribas Mr. Ronak please go ahead.

Mr. Ronak Gandhi: Yes, good evening sir.

Mr. Shivakumar: Good evening.

Mr. Ronak Gandhi: Sir two questions from my side. The board today announced the raising a 1,400 or 1500 crores of NCDs.

Mr. Shivakumar: Yes.

Mr. Ronak Gandhi: So what is the strategy behind that sir?

Mr. Shivakumar: Basically we think that there will be opportunities to buy assets and we are creating the capability to buy those assets by having the ability to go and borrow money, long

term money. These are long term assets, we thought it may be good to have long term funding for the long term asset.

Mr. Ronak Gandhi: Okay sir. Are you looking specifically at the tanker market or even the Dry Bulk is also there?

Mr. Shivakumar: All of them, all of them wherever asset prices are cheap. So we are there to buy. So recently we bought a gas carrier and bulk carrier. Tomorrow it maybe a crude tanker, depending on their prices.

Mr. Ronak Gandhi: Prices are to correct further sir, especially in the tanker and product market given the orderbook in hand?

Mr. Shivakumar: Yes, we would expect prices to correct further. We have seen already 10 percent correction in crude tankers in the last 3 months. So we would expect their prices will drop further. With the market outlook that we have, which is that the rates will drop, then logically asset value should follow suit.

Mr. Ronak Gandhi: Okay. And sir secondly what are the current day rates for your offshore vessels, support vessels currently and how far have they come down?

Mr. Shivakumar: We don't give numbers on the day rates but on recent contracts, we can give market pricing. Pricing has been down between 20 percent and 50 percent in the last 2 years

Mr. Ronak Gandhi: Okay. Sir one last question on your contracted purchase of the gas carrier, which you are expecting in the first quarter, have you tied it up in term charter or is it deployed in the spot market initially?

Mr. Shivakumar: That we haven't yet tied up. Depending on the rates, we are looking for business, if we will get good rates we will tie up, otherwise we will operate on the spot market. There is a vibrant spot market, India is a big importer.

Mr. Ronak Gandhi: Okay. Thank you sir and all the best.

Moderator: Thank you sir. We have a next question from Mr. Bhavin Gandhi from B&K Securities. Mr. Bhavin, please go ahead.

Mr. Bhavin Gandhi: Thanks sir. Hi sir.

Mr. Shivakumar: Hi.

Mr. Bhavin Gandhi: Sir the first thing I just wanted to check, is about the impairment that we have taken on the standalone. So do we have a reasonable amount of confidence in the market price that we assumed there because we have not declared our consolidated NAV?

Mr. Shivakumar: Standalone you are talking about?

Mr. Bhavin Gandhi: No, no... we have taken the impairment on the offshore books. So we have obviously assumed some market price there. So what is the confidence that you have around that market price?

Mr. Shivakumar: Yes, in the vessel its not too bad. Vessels, we get a reasonable valuation. But the problem is in the rigs and the rigs constitute 70% of our block. So vessels valuations are reasonable and they are within a reasonable range.

Mr. Bhavin Gandhi: So with this impairment, would you reckon that the fleet value would be reflecting market value, at least on the OSV side?

Mr. Shivakumar: The current market value should be close but in some cases we also do based on NPV, right. So there are some assumptions that are going into it, so market value is the floor. So you might be valuing it higher than market also. And market value can move easily also, of course.

Mr. Bhavin Gandhi: Sure. And sir last time when we had called you, you know your guesstimate was closer to 20 percent decline in asset values. Has that number changed according to you based on recent developments or is it more or less in that range only?

Mr. Shivakumar: From a year ago we would think 30 to 40 percent in vessels, and again, it's too much of a guess. And for older vessels more than that.

Mr. Bhavin Gandhi: Sure. And sir we would have, you know a lot of re-pricing happening this year. So can you give some color on what is the amount of re-pricing, I mean how many vessels would be re-priced during the course of the year?

Mr. Shivakumar: We have 11 vessels which will re-price during this year, before end of 2016.

Mr. Bhavin Gandhi: Okay. And sir on the hedging reserve that we had, what is the status, 900 odd crores of debit balance, when is it likely to flow to the P&L?

We will have to see on the accounting and there is lot of complicated accounting going on around it. So we will have to see in the next couple of quarters we hope to have some clarity on it.

Mr. Bhavin Gandhi: Okay, but will it happen in 17...or bulk of it was happening earlier in 18, right...

Mr. Shivakumar: It is a period of time, it's between 2018 and 2023. The maturity is between 2018 and 2023, FY18 and FY23.

Mr. Bhavin Gandhi: All right. Got it sir, I will come back in the queue sir. Thank you.

Mr. Shivakumar: Okay, thank you.

Moderator: Thank you sir, we have a next question from Mr. Rajesh Kattar from RK Solutions. Mr. Rajesh, please go ahead.

Mr. Rajesh Kattar: I have with 3 questions, one of the line item in your consolidated profit and loss is like provision for loss on cancelled contract, some 32.74crores. So can you give more details on that like which contract is this and what is this provision for?

Mr. Shivakumar: Yes, this is an earlier contract which was a ship building contract and this is the provision for that cancellation where we have cancelled the contract.

Mr. Rajesh Kattar: So, like what was the value of that contract?

Mr. Shivakumar: No, I won't get into the value because we don't get into these numbers. If you remember around 10 days ago we had a press release on the cancellation of some contracts, so it is related to that event. It is an event after the balance sheet but it is been recognized in March.

Mr. Rajesh Kattar: Okay. And in one of the answers to previous question you said that you are adding 4 more vessels in the Dry Bulk segment where as in your outlook for revenues from this segment is not so good. What is the rationale behind adding the vessels and in case the vessels are not utilized, what is the cost the company incurs on these vessels?

Mr. Shivakumar: Yes, so we try to be contrarian buyers, because you also get asset values which are tempting only when the market is looking very bad, right.

So it is much like most markets where you should buy when there is doom and gloom, so we think it's a good opportunity to buy, we may not make money within next 6 months or even 18 months but at some point we believe that we will make a good return on the ship. By the way 2 out of those 4 were ordered 2 years before, 2 and a half years before. So it's only 2 that we have committed now.

Mr. Rajesh Kattar: Okay. And what is the cost of maintenance?

Mr. Shivakumar: Sorry, I forgot to answer the second part of your question. There is no idling of these assets, so Dry Bulk vessels are not idling currently, you can make operating cost or maybe little better than operating cost also when you are running on the spot market. So it's not that you will be bleeding on an EBITDA basis on these.

Mr. Rajesh Kattar: Okay. And who are your biggest competitors in India? I mean as of now whom do you foresee the biggest competitors?

Mr. Shivakumar: We don't look at ourselves as an Indian shipping company, we operate globally. So it's not that we are restricted to Indian market. So if we are fixing a crude tanker which has to load cargo in the Middle East, anybody in the world who has a ship at that time in the Middle East can compete with us. So it could be a Greek, it could be a Norwegian, Singaporean, American... any of them can compete with us as completely global or Indian of course. And we are completely global, so there is no real Indian competition here, it's a global market. So we don't get a special rate because we are Indians, we are just getting the same rates as a global market.

Mr. Rajesh Kattar: Okay. I have just 2 more questions, one question is that, is company planning anything with respect to rewarding a shareholder as the company's book value is significantly higher than the current market price?

Mr. Shivakumar: I can't comment on that, as it is something that the board has to decide on.

Mr. Rajesh Kattar: Okay. And one last question is sir, it is probably a little bit of sensitive question. Today we saw the price action in the market wherein the script fell dramatically a 5 percent or 6 percent towards the closing hours. Is there a chance that the results were known to some people like, (inaudible)

Mr. Shivakumar: Mr. Rajesh, you are audible now, please go ahead.

Mr. Rajesh Kattar: Yes. Hello.

Mr. Shivakumar: Yes, just missed the last bit.

Mr. Rajesh Kattar: Yes, so basically I was saying that the price action today in the market was probably reflecting back, you know probably some information, I mean I don't know whether somebody has the knowledge on the results...

Mr. Shivakumar: I am not going to comment on that. I don't think you are seriously expecting me to comment on that. We have all the checks in place.

Mr. Rajesh Kattar: Okay. Thank you sir.

Mr. Shivakumar: Thank you.

Moderator: Thank you sir. We have a next question from Mr. Ramdas Rao from IHS Fairplay. Mr. Ramdas, please go ahead.

Mr. Ramdas Rao: Yes, good evening sir.

Mr. Shivakumar: Good evening.

Mr. Ramdas Rao: This is basically regarding...again the S&P agreement that you have concluded over the last few months. And you did mention that it is because mainly you are taking advantage of low asset prices but there is also a part of your fleet rationalization, taking younger ships or replacement tonnage. Could you slightly elaborate on that please?

Mr. Shivakumar: Okay, thank you for your question. It's not so much getting younger tonnage, we are fairly opportunistic about it. Yes we would like to maintain a good quality modern fleet but we are looking for value wherever it comes, so if a 10-year old ship presents better value than a new building ship, we will buy a 10 year old ship, so we are doing purchases based on the perceived value of that vessel and how it compares to other investment opportunities that we may have. So we don't have a specific plan that we want to modernize or you know build a fleet of so many ships and such and such category, etc. So it's basically price. Based on the price we think, if it's a tempting price, we buy.

Mr. Ramdas Rao: Hmm...So the price is about tempting now.

Mr. Shivakumar: The price is quite tempting especially considering that you know we had one vessel and then we converted that to 2 vessels. So the prices are good. The Dry Bulk asset values are now lower than they were any time in the last 25 years. We have not been in these prices in last 25 years. So which is certainly a tempting price because even if you... this is without

adjusting for inflation. So it is certainly tempting, we believe the market will come back sometimes.

Mr. Ramdas Rao: Okay. Thank you sir. Thank you.

Mr. Shivakumar: Thank you very much.

Moderator: Thank you sir. We have a next question from Mr. Suryavanshi from Phillip Capital. Mr. Vikram, please go ahead.

Mr. Suryavanshi: Yes. Hi, good evening sir.

Mr. Shivakumar: Good evening Vikram.

Mr. Suryavanshi: Yes, most of the questions have been answered. I just want clarity on other income which was high around like 99 crores in standalone, around 90 crores in consol. So, is there any one time or...?

Mr. Shivakumar: No, this is just the treasury income income which was booked, so sometimes you choose to book. These are capital appreciation right in mutual funds, so sometimes you book it and sometimes you don't book it, so that's it. These were done on the booking basis. It's not done on accrual.

Mr. Suryavanshi: What is overall scrapping in Dry Bulk last year?

Mr. Shivakumar: Last year scrapping was about 30 million deadweight, it is under 30 I think.

Mr. Suryavanshi: And you said that around 17 has been scrapped in 4 months.

Mr. Shivakumar: Yes 4 months, that is right. Last time also we started off very strongly and then after that it is just petered out in July, August. The market also suddenly spiked.

Mr. Suryavanshi: Okay. And Jackup utilization rate you said are around like 60 percent...? Is it feasible?

Mr. Shivakumar: Correct. This is overall rigs.

Mr. Suryavanshi: Overall rigs. And how much would be in Jackup?

Mr. Shivakumar: It should be around the same. Floaters of course have suffered a lot but it should be about the same, maybe marginally above that. Maybe it's marginally better, say at 65 percent.

Mr. Suryavanshi: Okay, okay. I think... thank you sir.

Mr. Shivakumar: Thank you.

Moderator: Thank you sir. We have a next question from Mr. Abdul Karim from HDFC Securities. Mr. Abdul, please go ahead.

Mr. Abdul Karim: Thanks for taking my question.

Mr. Shivakumar: Hi.

Mr. Abdul Karim: Earlier one of my friends had asked a question... already you have available cash and cash equivalent of rupees I think 3500 crores.

Mr. Shivakumar: Yes.

Mr. Abdul Karim: And you are planning to issue the debenture of rupees 1500...

Mr. Shivakumar: Yes.

Mr. Abdul Karim: Please make me clear, why you... you have a sufficient cash and you are making a plan of debenture issue?

Mr. Shivakumar: Yes. Okay, first of all it is 2900 crores, the remaining is in...so Great Eastern Standalone is 2800 and something crores, but more importantly this is an enabling resolution because it has to go to the shareholders. It is in case we get the opportunity to expand a lot and we believe that we need more buyer power, and then we will issue these debentures.

Mr. Abdul Karim: Okay.

Mr. Shivakumar: So it's not a commitment to issue but getting the capability to issue, if required.

Mr. Abdul Karim: And also... are you considering the GIL IPO?

Mr. Shivakumar: No, we are not considering an IPO.

Mr. Abdul Karim: And my second question is ... you are planning to sell the Aframax Crude Carrier Jag Laxmi in first quarter in FY17.

Mr. Shivakumar: Yes.

Mr. Abdul Karim: And also your subsidiary company has contracted to sell Great Ship Ragini. Could you elaborate on what is the expected loss on these transactions?

Mr. Shivakumar: Yes, we don't give numbers on the profit or losses that we are making on sale. Of course they will come through in the results at some point. So we don't give those numbers. We don't discuss individual transaction in the results.

Mr. Abdul Karim: Okay. And could you give the consolidated book value and consolidated net asset value?

Mr. Shivakumar: Yes consolidated net asset value as I mentioned earlier we are not giving. The consolidated book value is 550 rupees per share. So anyway we are not in a position to give because we are not able to get proper valuation for the rigs.

Mr. Abdul Karim: Okay. Thank you.

Mr. Shivakumar: Thank you.

Moderator: Thank you sir. We have a next question from Mr. Himanshu Upadhyay from DHFL. Mr. Himanshu, please go ahead.

Mr. Himanshu Upadhyay: Yes. Hello, good afternoon.

Mr. Shivakumar: Yes. Hi, Himanshu.

Mr. Himanshu Upadhyay: Yes, hi. So I had one question on the Dry Bulk side. So we had one Dry Bulk ship which we were going to get over next financial year, now this contract we have cancelled and we are taking 2 ships in this financial year. So the loss that we are seeing in P&L as loss on contract on the standalone, is this because of this ship which was to be taken next financial year. And we have canceled and taken this year...

Mr. Shivakumar: Correct. That is correct.

Mr. Himanshu Upadhyay: And, just when we have a very negative view on this market. Why we want to take a ship in FY 16-17? Why not FY18 itself which is going to come? We will take that ship or we will try to get more ships at that time period because just when we are expecting that 18-24 months would be bad or the Dry Bulk will not get you a return based on the capital employed. So why not to take ships in FY18 rather than FY17? What is your thought process on that?

Mr. Shivakumar: Correct. It's an interesting question, one which we consider internally also very often. What happens in these markets, and this happens in the stock markets as well, that the price runs up ahead of earnings. By the time the earnings have gone up, it's too late to buy. So you need to buy when earnings are very low and before that turnaround has happened. When everything is looking dark, you need to buy. It will be nice to time it to say that the earnings are going to go up in June 2017 for example. Therefore we should buy in April/ May 2017. But since we don't have a crystal ball, it's really tough to do that and therefore we are saying that we will start buying.

Mr. Himanshu Upadhyay: Okay. One question again...so let us assume that I am buying a resale candidate. And I am getting a ship in 2018 delivery, let us say from a shipyard only. But if I am getting a resale today...So would it be a significant discount let say 10-15 percent or what would be the... just the slope in the curve of the price is just I am trying to understand.

Mr. Shivakumar: Yes, okay. Yes I think we mentioned in our press release that the transaction is value accretive, I know that it wasn't a very clear statement because we have confidentiality on this transaction. So we can't give much more detail than this, but there is a big difference between price of a resale and a price that we paid, so that's all I would say. There is a significant difference.

Mr. Himanshu Upadhyay: Okay. That was what I was trying to understand. And, is the structure similar in other markets in other Dry Bulk segment? So let us say a for a cape size or Supramax, we seeing that resale prices are low. We found some instances of this type in a CY 2013 also when resale prices were lower by 5-10 percent only in comparison to ships which were going to delivered in CY 2014-15. So are we seeing such instances more often in Dry Bulk today?

Mr. Shivakumar: Yes..so an Ultramax or a Supramax, maybe priced somewhere between 11 and 13 million dollars lets say. Probably if you go for a Newbuilding of that type, it will cost you 20-22 million dollars. It depends on who is facing more stress and is willing to discount... If the yard is facing more stress, he will be more willing to discount. But in this case, it is the owner who is facing more stress because he is bleeding now itself on the cost of that ship or his bank is pushing him to sell to release some cash and therefore the second hand values have dropped

much-much faster than the price of the new building ship. Also, second hand values fall much faster, they also rise much faster. So new building ships show less variation than second hand prices.

Mr. Himanshu Upadhyay: Okay. And I had one question on VLGC that we have. I think if I go to 2 calls previously...we were negative on the VLGC because a lot of ordering had happened and 40-50 percent of fleet was on order in the large VLGC segment. What is the sense and what is the scenario that we are seeing? Because again the spot rates have fallen at some point of time they were 100,000 dollars a day and then 60,000 and currently we are seeing around 20000-25000 dollars.

Mr. Shivakumar: That is correct.

Mr. Himanshu Upadhyay: Sir, what is our view and have the prices corrected significantly in the VLGC segment? What view are you taking on the market?

Mr. Shivakumar: Yes prices have corrected by probably 25 to 30 percent in the last one year.

Mr. Himanshu Upadhyay: Okay. And across all the ages or only 20 years old ship?

Okay, see the problem is that the entire market of VLGC is 175 ships, okay. And maybe within 5 and 10 ships get transacted in a year. So you don't get a pricing reference point for different ages. But we have mentioned for a 20 years old ship because we know what prices it gets sold for, that probably down somewhere between 25 and 30 percent.

Mr. Himanshu Upadhyay: Okay. What would be your chartering strategy especially on the tanker segment.?

Mr. Shivakumar: We are fixing a few. 1-3 years Charter we are fine with, depends on the rates that we get and it depends on what is available in the market finally. So if the charters have to do only 2 years, then we were there to do only 2 years. But we are fine with anyone between 1 and 3 years, we are absolutely fine to do, depending on the views that we take on the market. So we have done a few charters in the last 4-5 months, we did 2 crude tankers, we did our gas carrier fixing out, we did one product tanker... we did 2 product tankers fixtures. So we have been fixing a few ships, just to lock-in some revenues.

Mr. Himanshu Upadhyay: So, on the...let say crude side, how much fleet would be locked-in for 2 years? And on the product, how much of our fleet would be locked-in for more than one year let us just say?

One the crude side, 2 out of our 7 vessels are locked in. Product side, I don't have a number. I think out of our 12 ship 5 ships must be locked in for a year or so.

Mr. Himanshu Upadhyay: Okay. And let say the way market is happening. What would be the sequence of assets or the preference of assets lets say from earning perspective and demand perspective. What would be the likely allocation?

Mr. Shivakumar: Again it depends on the price really. So for instance the order book is again the same for the crude, product and dry bulk - between 15 and 20 percent and for gas carriers some 30 or 35 percent currently. But finally it comes down to how much is the demand likely to grow in terms of ton miles and what price are you getting? Is that pricing in too aggressively a drop in rates? So those kinds of things. So we don't have a picking order. Again you know you pointed out correctly that we did not sound very positive on gas carriers few months ago. But the fact is we got a price at which we said this makes sense to us and so we went and bought it. So it's not set in stone that I don't like a particular type of ship because that market is gone. Everything is good at a price, so long as the outlook is priced in to the value of the ship we are fine with buying that ship.

Mr. Himanshu Upadhyay: Okay. And on Jackups, we had significant deliveries in CY16 and CY17...So how many Jackups have been delivered in CY16 year till now?

Mr. Shivakumar: CY15 you mean?

Mr. Himanshu Upadhyay: Yes both CY15 and CY16, last 4 months, how much would be the increase?

Mr. Shivakumar: Last 4 months, I don't know maybe 2 or 3 would have been delivered. Everything is getting delayed or they are just not being delivered. So they are entering into deals for getting delayed or they are just getting delayed by themselves. In CY15, we started the year expecting some 60 Jackups rigs to be delivered. I think somewhere between 15 and 20 rigs got delivered. So it's tough to put any number and especially in this market, nobody is in the condition to take delivery of a Jackup rigs. Most of the people who ordered were speculators, so they are not in any financial condition to take that delivery of these rigs. Plus financing is probably not available on these and then because so many of these are constructed on first time yards, they will probably not be delivered in a hurry. It will take time to construct.

Mr. Himanshu Upadhyay: Okay. So what was the expected delivery.. order book was around 120? Should we assume that around 50 to 60 would be the best case scenario which will get delivered in next 1 or 2 years? The best case scenario...

Mr. Shivakumar: That would be a very high case, yes.

Mr. Himanshu Upadhyay: Okay. And on the boat side, where again, the order book was high...What is your sense? Means what would be the current order book and how much would be the delivery?

Mr. Shivakumar: I think we have about 400 vessels scheduled for delivery. In the boats it's a little more opaque to get data because there are so many small yards especially in China which are building these boats. But the order book seems to be around 400 vessels. It is just again... even if they are delivered, they are probably just standing there because unless their owner manages to have some niche trades where he is able to get some contracts because there is very little new business. So they are probably just getting delivered and standing at the yard itself or standing at some anchorage somewhere, they are just stacked.

Mr. Himanshu Upadhyay: Okay. And that 15 percent order book you said in Dry Bulk, should we expect a significantly lesser number of ships to come up.

Mr. Shivakumar: Yes certainly.

Mr. Himanshu Upadhyay: So what would be your rough cut estimate of what would get delivered in this year and next year based on your understanding or what you are looking at?

Mr. Shivakumar: Yes, we would expect somewhere around 55 million deadweight of delivery this year, somewhere between 50 and 60 let say. So out of about a 120 million deadweight, probably 30 to 40 percent will not deliver. Again we had this 12 million deadweight of VLOC which have been ordered, those will probably deliver unfortunately.

Mr. Himanshu Upadhyay: Okay. But will it be really negative even for the smaller sizes also, I mean the Supramax and Kamsarmax where we operate? How big an impact will that have on us?

Mr. Shivakumar: There will be the smaller yards which are building those, so it's tough to put an exact number on these things, so we will just have a guess, somewhere between 30 and 40 percent.

Mr. Himanshu Upadhyay: The way the shipyards are, I mean in a crisis, would we be interested in new orders?

Mr. Shivakumar: Himanshu again this is function of the price and I think there must be a lot of other people waiting to ask questions, so we can give way to that.

Mr. Himanshu Upadhyay: Yes, okay then. Thank you.

Mr. Shivakumar: You can of course... you are welcome to come and meet us anytime.

Mr. Himanshu Upadhyay: Yes, yes sure. Okay.

Mr. Shivakumar: Okay, thank you.

Moderator: Thank you sir, so we have a next question from Sarvajeet Bodas from Equity Master. Sarvajeet, please go ahead.

Sarvajeet Bodas: Hello sir.

Mr. Shivakumar: Yes. Hi.

Sarvajeet Bodas: My question is from the offshore side. Currently we have 4 vessels awaiting charter and around 6 to 7 vessels maybe coming off Charter in coming months like May and June.

Mr. Shivakumar: Sorry, say again what was that number?

Sarvajeet Bodas: Around 6-7 vessels will be coming off charter in coming months, so in that case have you seen any contract renewal or contract extension of existing charters?

Mr. Shivakumar: Yes there have been some renewals, new business has been awarded, so we have got contracts for some vessels which are coming off contract in the next 2 months. So some little business is being awarded, but we still have quite a few vessels which need to find employment between now and December this year. So within the next 7-8 months we need to find some employment.

Sarvajeet Bodas: Okay, and second question is sir, we have seen lately in Middle East, refineries capacities are coming up...

Mr. Shivakumar: Yes.

Sarvajeet Bodas: So if that happens in going forward, what will that impact crude tanker segment?

Mr. Shivakumar: Yes in theory it should and it should help the product tanker segment. But this has been happening for the last year and the crude tankers are still doing quite well somehow. So

in theory yes they should. It should be more product exports and less crude exports but so far it hasn't really affected.

Sarvajeet Bodas: Okay. And sir before the sanction in Iran, there were round 25 VLCC storing the fuel oil or crude oil. So after the sanctions have been lifted, are those vessels are into picture now?

Mr. Shivakumar: Most of them are storing something called condensates which a lot of refineries cannot use and apparently they are building a refinery in Iran itself which can use these condensates. So once that happens they will discharge into that refinery and then get free.

Sarvajeet Bodas: Okay. And sir on the Dry Bulk side where rates are very low, is it feasible to lay up the vessels for some time before the rate gets come back to normal levels? Is it a feasible option?

Mr. Shivakumar: Yes it is very much feasible option. It costs some money and you will have to also see how much it will cost you to reactivate the asset. People are doing it in other markets, so in container vessels this is happened in the past and it is probably still happening also. So you can do but there is lot of electronics in these things, so you have to see how to maintain it and ensure that you can bring it back into operation.

Sarvajeet Bodas: Okay sir, thank you so much.

Mr. Shivakumar: Thank you.

Moderator: Thank you sir. We have a next question from Mr. Ankit Panchmatia from ICICI Securities. Mr. Ankit, please go ahead.

Mr. Ankit Panchmatia: Hi, sir good evening and thanks for taking my question. Sir, this is regarding the offshore profitability. Actually keeping in mind that the revenue days which we are being covered for the remaining part of the year, do we expect similar kind of profitability going ahead?

Mr. Shivakumar: No the rates have come off, so certainly the profit margins are going to get squeezed a little bit. For every new fixing the profit margins will be lower. Because the prices are dropping off quite substantially.

Mr. Ankit Panchmatia: Okay. What would be the for offshore vessels?

Mr. Shivakumar: Okay, okay we have a number. I don't have the number right now but let me just check it out...

Mr. Ankit Panchmatia: Okay. And sir, if I see the consumption of spare parts and repair charges for the quarter has been a bit high. So any specific reasons...?

Mr. Shivakumar: No, that happens, sometimes it happens on a lumpy basis. Some stuff that you buy or maybe you go into to a dry dock or something. So there is no real trend in that.

Mr. Ankit Panchmatia: Hmm... okay. And sir what sort of scrapping for the year are we expecting because again as you said that approximately some 55 deadweight will be added this year, so what scrapping can we expect for the year?

Mr. Shivakumar: We would expect at least 40 million deadweight to get scrapped..hopefully 50. Again it depends on what happens to the market. Suddenly the market spikes and you get to say 12,000 dollars for a capesize and people may be less enthusiastic about scrapping. But this is an estimate as of now.

Mr. Ankit Panchmatia: Okay, that's all from my side. Thank you.

Mr. Shivakumar: Thank you.

Moderator: Thank you sir. We have a next question for Mr. Jinit Mehta from B&K Securities. Mr. Jinit.

Mr. Jinit Mehta: Thank you. Hi sir.

Mr. Shivakumar: Hi, good evening.

Mr. Jinit Mehta: Good evening sir. Sir, we were hearing a lot on the coastal coal movement. So sir, are we looking at this opportunity given the current scenario? So have you seen any interest on this?

Mr. Shivakumar: Sir, we have been doing it for quite some time. We are active participant in the trade, so quite a few of our ships operate in and around India. So we do quite a bit of a coastal coal movement.

Mr. Jinit Mehta: Sir, how much would be our exposure towards this? Sir, have you seen any fillip in the coastal coal movement over the last year?

Mr. Shivakumar: There has been, it's not a huge number. There has been some growth but it's not a huge number and again we don't have ships dedicated to do only this because they do this as a part. So they go wherever the rate is good and depending on the market view.

Mr. Jinit Mehta: Right. And sir typically what would be our exposure I mean on an average in case you have a ballpark?

Mr. Shivakumar: So let me put this way, 5 of our vessels have generally traded in and around India. And these vessels participate in a coastal coal movement. Okay, but they are not fully utilized in the coastal coal movement. So they do this as in one leg of coastal coal and then they do another voyage.

Mr. Jinit Mehta: Understood, understood. And the second question sir, on the NCD thing we are not looking at anything in offshore right for the 1500 crores, so that is ruled out.

Mr. Shivakumar: In offshore?

Mr. Jinit Mehta: Yes.

Mr. Shivakumar: No, no, this is all in Great Eastern shipping, intention is not...

Mr. Jinit Mehta: No, no in the sense, are we looking to buy any offshore assets?

Mr. Shivakumar: At this time, no.

Mr. Jinit Mehta: Okay, that is it. Thank you so much sir.

Mr. Shivakumar: Thank you.

Moderator: Thank you sir. We have a next question from Mr. Abhishek Agarwal from Fortune Enterprise. Mr. Abhishek, please go ahead.

Mr. Abhishek Agarwal: Good evening sir.

Mr Shivakumar: Good evening.

Mr. Abhishek Agarwal: First of all, let me congratulate you on your result.

Mr Shivakumar: Yes.

Mr. Abhishek Agarwal: It is like great result to put on in an environment like this. My question is just for my understanding sake, I just want to understand that if you have to scale between 1 to 10 where 10 is the best and 1 is the worst, where would you place the current environment and also our company into the same?

Mr Shivakumar: Okay. So the different-different businesses that we are in are doing differently. So crude tankers are doing wonderfully, dry bulk is doing really badly. So it's very different but if 10 is the market of 2007-08 which was the peak, crude tankers are probably at 7 and Dry Bulk is at -5.

Mr. Abhishek Agarwal: Great. And the second part – if we just have to take the way forward, and I don't want to know the next immediate quarter or something but if you just take it to the next 3 to 5 years, is it possible to have any kind of numbers. Today when we are standing at 3800 crores top line basis a 1000 crores PAT, how do you see the way forward with our current strategy from a 3-5 years perspective?

Mr Shivakumar: The market is so volatile that I cannot even tell you what will be the next month top line. I can't tell you anyway but I don't even know what it will be. So the market is just too volatile, so we try not to make these projections at all. Even internally we try not to make these projections because we just don't know.

Mr. Abhishek Agarwal: That means that we would be completely going with the market flow, I mean suppose things change...

Mr Shivakumar: No, we try to smoothen it out... sorry I must clarify. So we consciously try to smoothen out this volatility in the results by doing time charters and trying to get fixed revenue, etc. But frankly even with that we can't fix 100 percent of our fleet on time charter, right. So there will be 50 percent element of volatility anyway.

Mr. Abhishek Agarwal: Hmm...So, sir you may not give a number but at least for people like us, you know it is difficult if a company itself is not able to forecast then how would we analyst do? I always feel that the company is always superior than anybody else. And a typical management like yours who has delivered such a number, I am pretty sure that you may have some numbers or some percentage in mind for a very long term perspective. I understand the volatility part completely but just a sense you know.

Mr Shivakumar: Sir, let me tell you, if we had this ability then we would not be sitting here with 9 Bulk Carriers in this terrible market, right. We would have just sold everything 3 years ago and bought lots of crude tankers. If we had the ability to forecast... thank you for the complement for saying we have the ability to forecast this and all that. But unfortunately we

don't. So that's way, I am not try to dodge, I just don't have a number. I think to give any number for even next year is extremely difficult for us. We did not expect our tanker market to be so strong last year, that much what I can tell you. We expected it to be strong but it just surprised us by a big margin. So that is for one year, you know looking at one year forward, maybe 2 quarters forward you know we were not able to forecast. So it's a tough market to forecast, you will find a lot of analysts, a lot of people who are shipping analyst internationally, and they also find it very difficult to get it within 10 percent any time. Sometimes they have the margin of 30 to 40 percent.

Mr. Abhishek Agarwal: Okay fine sir, thank you.

Mr Shivakumar: Thank you very much.

Moderator: Thank you sir. We have a next question from Mr. John Mathai from Bloomberg. Mr. John, please go ahead.

Hi, good evening sir.

Hi, good evening.

Mr. John Mathai: I just wanted to check with you, the fleet especially in the Dry Bulk seems to be geared towards the larger vessels, the Kamsarmaxes and the Supramaxes. Have you looked internally at the smaller ships, the handy sizes especially even the fact that the projection seems to be that the minor bulk is going to grow more than major bulk?

Mr Shivakumar: Okay, interesting. We used to...actually we don't see ourselves as the larger sizes but I see what you mean about the handy sizes. So we are in sort of the mid size, the Supramax, panamax and Kamsarmax vessels. We were in handy sizes till 2009, I think we sold our last handy size by 2010. We used to have 27 to 30,000 tonners, we also had some 35-36000 tonners if I remember it right. And there used to be a very good market for it around the Indian coast as well but lot of cargoes have just migrated to the larger sizes. They moved to the 45000 tonners and then they moved to the 50000 plus ton ships. So that trade actually has come down substantially from where we can see in India. So yes minor bulk will grow etc. They keep growing but it's really a black box. It's tough to forecast that. You need to have real, very deep expertise on those minor bulks and we don't think that we have that kind of expertise. And it hasn't been shown that those are, especially more profitable than the other segments. Besides that's a completely different market really in terms of what drives those rates.

Mr. John Mathai: And is that migrated to the bigger vessels? What about Ultramax? Is there a market there in India?

Mr Shivakumar: Probably yes. But the tendency is go towards the bigger vessels because of the economies of scale. Yes, the Ultramaxs are a good size, so people are migrating from the 53 to 55 thousand tonners to the 61-64000 tonners. So that is happening, so there will be competition from the Ultramaxs for the Supramaxes, but again the Ultramaxs are also taking away business from the old Panamaxs which are the 73 to 75 thousand tonners. So in the grain trade where you have a 55K tonne parcels, the Ultramaxs are actually taking over some of the Panamax trade. So, yes these things will keep happening but we are running our, you know 52-53 thousand tonners and also 57000 tonners. And there is a decent market for those as far as we have seen. But yes Ultramaxs are a little bit threat for these.

Mr. John: Okay. Now possibly the reason why these smaller vessels prosper is because there are draft limitation in various ports. Is that an issue that is still there in India or is it being resolved?

Mr. Shiv Kumar: It is there in some ports but they do anchorage discharge in that case. So that happens from time to time where there is a draft restriction. There is anchorage discharge where you lighter into to barges, so that's been happening for quite some time. So this used to happen in fact, they used to bring Panamaxs and lighter into to barges in a port which couldn't even take a Handymaxs. So that happens, people find a way around this because the ocean freight is the most, is the biggest part of the cost and not the last, little bit of barging. That's not that expensive.

Mr. John: Alright, thanks. The other question I have is this cancelation of the order. Now possibly that ship was due to be delivered in 2018, so obviously it would just be a hull and no machinery would have been installed. How do the yards react when you cancel an order? Is there a scope for renegotiation? Do they come back you know given the state they are in now?

Mr. Shiv Kumar: No, the negotiation is done and we are in agreement with the yard. We haven't walked out from it unilaterally. It is an agreement signed by the yard, so it's not like we said that we are walking out of this contract. It's a negotiated transaction.

Mr. John: Okay fair enough.

Mr. Shiv Kumar: Because we are very concerned about our reputation, we don't do any of those things.

Mr. John: Okay. Can I just check with you, given the scrapping demand seems to be pretty high in Indian subcontinent, what is the dynamic and when you would you scrap a ship? And I see that you don't mind the older ships but do the charters demand younger ships when they transport their commodities? Or do they just not care about it?

Mr. Shiv Kumar: Little bit is due to commercial demand or charter's demand but I there is one specific trigger point or trigger event for a scrapping decision. Once in 2 and a half years you have to do a survey on your ship which is called a Dry Dock. So let say you have a 20 year old dry bulk carrier, let say a Capesize Bulk Carrier and in order to pass that Dry Dock survey, you need to spend 3 million dollars. And if the market outlook is not very bright then you will seriously think about whether you should spend that 3 million dollars or not especially if you are also suffering on your other vessels. And then you start weighing and let say that Cape Size is worth 6 million dollars in Scrap. So, then you say either I take 6 million dollars and just take that cash off the table, scrap that ship or put in this 3 million dollars additional and continue running the ship. For that you need to be very confident that you will recover those 3 million dollars over the next 2 and a half years of life that the ship has. So that is when you have to make the decision. So the critical decision point is when you have to do a Dry Dock of your ship.

Mr. John: So you do a Dry Dock at 10 years, the first one...?

Mr. Shiv Kumar: Yes, we have to Dry Dock atleast twice in every 5 years period. So 15, 17.5, 20...so that is when you really have to seriously think about it when you have not that much life left on the ship and you say that what I am going to spend? Will I recover it in next 2 and a half years?

Mr. John: Fair enough. I believe the rates in the Indian Sub-continent are pretty high.

Mr. Shiv Kumar: Rates have gone up in the last couple... maybe a month or two because steel prices have gone up, so rates are about 300 dollars per ton. So, for a cape size you probably get somewhere around 6 million dollars for the standard cases which is not a bad amount of money.

Mr. John: Okay.

Mr. Shiv Kumar: So the market is thriving. So it's liquid you can always sell a ship for scrap.

Mr. John: Okay, thank you.

Mr. Shiv Kumar: Thank you very much.

Moderator: Thank you sir. We have a next question from Mr. Prateek Poddar from ICICI Prudential. Mr. Prateek, please go ahead.

Mr. Prateek Poddar: Sorry, all my questions have been answered. Thank you.

Mr. Shiv Kumar: Thank you Prateek.

Moderator: Thank you sir. We have a question from Mr. Ashish Jain from Morgan Stanley. Mr. Ashish please go ahead.

Mr. Ashish: Hi, sir good evening.

Mr. Shiv Kumar: Hi Ashish.

Mr. Ashish: Sir, I have just one question. In the earlier calls you said that around 11 vessels will come for repricing this year. Can you give a the breakdown of that?

Mr. Shiv Kumar: Most of them are PSV's with one Anchor Handler. The PSV, ROVSV, MPSSV and one large Anchor Handler will come up for re-pricing. We have to find employment for them within the next 8 months. So, either they are already idle or coming off contract...

Mr. Ashish: Okay. And as of now none of these are contracted.

Mr. Shiv Kumar: No, no they are all in contract. So there are only 2 vessels out of these...

Mr. Ashish: No, I mean the next contract.

Mr. Shiv Kumar: No, because we are still looking for it. So where vessels have come idle and we got employment, I am not counting those. These are vessels where we need to find some employment for them within the next 8 months. So this might be already free or will be free in December.

Mr. Ashish: Okay. And sir how many would be vessels which you already have got a contract?

Mr. Shiv Kumar: Yes, yes... so out of these 2 out of these 11 vessels are currently idling. The remaining 9 are currently working.

Mr. Ashish: Okay, got it. And secondly what is the committed CAPEX this point of time for us?

Mr. Shiv Kumar: It is about 125 million dollars, approximately 120-130 million dollars.

Mr. Ashish: For the 4 Kamsarmaxes.

Mr. Shiv Kumar: No, this is including second hand gas carriers.

Mr. Ashish: Okay, VLGC also. Okay.

Mr. Shiv Kumar: Yes.

Mr. Ashish: And just one thing just for my understanding. So you have taken a write off of roughly 5 million dollars on the Kamsarmax contract which was canceled. So let's say you had a contract for certain number and you would have paid 50 percent of that.

Mr. Shiv Kumar: Yes.

Mr. Ashish: So this 5 million dollar write off is versus that 0.5x that you have already paid out to the yard I guess.

Mr. Shiv Kumar: Whatever we paid to the yard, yes. But this is a little bit complicated.

Mr. Ashish: Okay.

Mr. Shiv Kumar: So, okay...it is basically against the payment that we made, so we have to take a write off on that.

Mr. Ashish: And sir... so my question is... when you say that in the earlier press release that the transaction is value accretive...

Mr. Shiv Kumar: Yes.

Mr. Ashish: So accretion...you are referring to the 5 million dollars or even versus the earlier asset value that would have contracted...?

Mr. Shiv Kumar: Yes, everything is taken into account.

Mr. Ashish: Okay, got it.

Mr. Shiv Kumar: Including the original ship to new ships...yes.

Ms Anjali Kumar: Ashish let me explain this to you. So the reason we say it is value accretive because... one of course we have taken a loss but you also must note that we have cancelled the ship which was ordered 3 years ago. As against that we have got 2 new ships at today's prices. So that's the difference. Today's prices are you know where they are.

Mr. Ashish: Yes, perfect I got it. Thank you so much. Thanks sir.

Mr. Shiv Kumar: Thank you.

Moderator: Thank you sir. We have a next question from Mr. Manish Kumar from HSBC. Mr. Manish, please go ahead.

Mr. Manish Kumar: Sir, good evening.

Mr. Shiv Kumar: Good evening.

Mr. Manish Kumar: One question. If I understand it correctly, you did talk about impact of almost like a pull in the month of March due to growth in almost all commodities, both in India and China which probably required more and more vessels too. Are you seeing that continue in the month of May or the part of the week that is gone by or have you seen a change from the month of March in both India and Chinese Bulk Market?

Mr. Shiv Kumar: Yes. Actually my comment was only for China, so we don't have data for India. And India is not such a big player any way in Dry Bulk, so it was more about China.

Mr. Manish Kumar: Okay.

Mr. Shiv Kumar: China again we don't have data even for April. Data is merely for March, so we will see April's data. So it comes with the lag..somewhere around the 10th of the following month, that is why we are talking only about March data.

Mr. Manish Kumar: Okay. To the extent you have seen in it in the Vessel Market. Does that indicate that...?

Mr. Shiv Kumar: Yes. The market is pretty strong, so the Capesize went from 3000 dollars to say 9000 dollars.

Mr. Manish Kumar: Okay.

Mr. Shiv Kumar: Okay, of course it came back down to some 6800 dollars currently.

Mr. Manish Kumar: Okay. So there is a little bit of moderation but I think the underlying momentum seems to be there?

Mr. Shiv Kumar: Yes, I don't expect it to last too long unless there is some huge stimulus going on. We would not expect it to last too long.

Mr. Manish Kumar: Sure, thank you so much.

Mr. Shiv Kumar: Thank you.

Moderator: Thank you sir, we have a question from Mr. Sajit Kapoor from Kapoor company. Mr. Sajit, please go ahead.

Mr. Kapoor: Hello.

Mr. Shiv Kumar: Yes, hi.

Mr. Kapoor: Yes, thank you sir. Sir you were talking about this barges part... are you owning any fleet of the barges also?

Mr. Shiv Kumar: No, we don't own any fleet of Barges.

Mr. Kapoor: Okay. Because due to these economic conditions, there are people who are in distress sale. Does it make sense even to own them?

Mr. Shiv Kumar: No, that is a very different part of the market. That is not the market that we really interested in.

Mr. Kapoor: Okay sir. And secondly my last question pertains to this great offshore part. The company is now referred to the SDR. So now since you were telling that you always look at bargain buying. Do you think if this being offered at the good terms, we can once again get back what was separated from us few years ago?

Mr. Shiv Kumar: I don't want to comment on that. We are not really looking at expanding an offshore.

Mr. Kapoor: In the offshore part. Okay sir, thank you.

Mr. Shiv Kumar: Thank you.

Moderator: Thank you sir. Ladies and gentlemen for any further questions please press * and 1 on your phone. We have a question from Ashish Jain from Morgna Stanley. Mr. Ashish please go ahead.

Mr Ashish Jain: Sir just one question, you know in... this is the first time wherein you are basically saying that there is a certain category which is not looking at all. Here we never made

such a statement in the past. So does it mean that you are structurally bearish on offshore at least for the foreseeable future?

Mr. Shiv Kumar: No, what angle was currently....So...

Ms Anjali Kumar: Now in business everything is very-very volatile, so things can change fast as well. So this is the current state...

Mr Ashish Jain: I know, I know but there is a reason why I am asking because there is a first time you know...[Laughter]

Mr. Shiv Kumar: Yes this is currently...the operative world is currently yes. So yes the immediate future doesn't look very bright.

Mr Ashish Jain: No, the reason I asked it also because last concall you were were sounding bit more positive on crude as well... If I remember right...

Mr. Shiv Kumar: Crude oil?? Oil price has gone up and it's up 50 percent since January.

Mr Ashish Jain: No, no, I mean the offshore trade, the last concall was not so bearish...So you know I am coming from that point of view.

Mr. Shiv Kumar: Yes. Okay, okay.

Mr Ashish Jain: That is it sir. Perfect, thank you so much.

Mr. Shiv Kumar: Thank you.

Moderator: Thank you sir. Ladies and gentlemen for any further questions please press * and 1 on your phone. Ladies and gentlemen to ask a question please press * and 1 on your phone. I think we can conclude now.

Ms Anjali Kumar: Thank you everybody for joining in for the call and please feel free to call up or write to us for any further clarifications. Thank you all.

Moderator: Thank you ma'am.