Moderator: Good evening ladies and gentlemen, thank you for standing by. Welcome to the GE Shipping Earnings Call on declaration of the financial result for the quarter ended 31st December 2014. At this moment all participants in a 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 hand over the conference to Ms. Anjali Kumar, Head of Corporate Communications at the Great Eastern Shipping Company Limited to start the proceedings. Over to you Ms. Kumar.

Mr. Shivakumar: Hi, this is Shivakumar here, good afternoon and welcome everybody to the conference call to discuss the results for the nine months and quarter ending on 31st December 2014. All of you would have seen our results and the press release that goes along with the results, so I am not going to go into the numbers at the outset. We will discuss what has been happening over the last quarter or so. The story of the quarter of course is crude oil and what has happened to crude oil over the last two to three months. Oil has dropped between September and January probably by about 50% and that has had a big impact on the markets and on the kind of outlook that one is seeing for the markets and the kind of uncertainty which is being seen and let us look at the impact on each of our businesses. On the crude tanker business, it has been positive in the sense there is now a contango structure for oil prices and the premium for each month is in excess of one dollar which makes it feasible to buy and hold oil and sell it forward and make money by storing it on a ship and that has resulted in extra demand for crude tankers especially VLCCs and therefore rates have been quite high. The other impact of low oil price is probably in stocking up by consumer companies and nations and we have seen strong crude tanker markets for the last couple of months and sustained strong markets which indicate that there is a lot of movement of crude oil.

With regard to product tankers, product tankers also have been strong. I suspect that there will be some demand improvement on account of low oil prices especially in uses like personal transportation, etc. where you can see the impact at the pump price of gasoline or diesel and therefore product tankers also have been strong over the last month or two. On the other side we have the dry bulk market which again is not affected by oil prices but is going through a terrible time. In fact the Baltic Dry Index is now at an all time low below 600, it was 569 yesterday and it has not seen this number ever since the beginning of the Baltic Dry Index being reported. So Capesizes are running below $ 5,000 a day, I think Panamaxes and Supramaxes are very close to that number as well. Coming to offshore the one segment which is now seeing quite a bit of uncertainty as a result of the oil price is the offshore oil services segment. A lot of the majors and the oil exploration production companies are scaling back their plans to explore for oil and maybe produce more oil at these prices and the reduction in E&P budgets cannot be good for oil service company but we wait to see how that develops. With regard to values of assets, crude tankers and product tankers have gone up slightly over the quarter.

Dry bulk ships have dropped by at least 10% during the quarter. In offshore, we have not seen many deals being done. However, the assets values have dropped between 5-10% for offshore assets and this is reflected in our net asset value. The net asset value on a standalone basis in end

September was Rs. 321 a share, that is up to Rs. 333 per share. Mainly on account of the exchange impact we were at 61-75 in end September and now we are at 63, in end December. So that is mainly the exchange impact because overall the fleet value did not go up. In offshore, the fleet value went down very substantially, however exchange and earnings resulted in not a very high drop in the values, therefore the consolidated NAV went down only by Rs. 1 from Rs. 558 to Rs. 557 per share. Coming to the next quarter that is Q4, we expect that there will be two dry docks in shipping, and in offshore either one or two depending on the timing of when the vessel gets released. So that is all I have to say for the opening comments. I welcome questions from all of you.

Moderator: Certainly sir. Ladies and gentlemen we will now begin the question answer session, if you have a question please press * and 1 on your push button phone and await your turn to ask the question when 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 any question requesting you to please press * and 1. We have a first question from Mr. Himanshu from MT Investments, Mr. Himanshu please proceed.

Mr. Himanshu: Hello sir, good afternoon.

Mr. Shivakumar: Good afternoon Himanshu.

Mr. Himanshu: My first question is on dry bulk, we gave pretty high deliveries this year in 2015 and 2016 and with rates being where they are for last five, six months are we seeing more cancellations, how is the outlook on scrapping, have we started seeing some more scrapping which was very low in 2014 from peak of 2012, so what is happening in that, both in new orders getting cancelled or scrapping, is there any movement or we are seeing the same thing?

Mr. Shivakumar: Yes, that is a good question Himanshu. It is something that we are following very keenly as well, the scrapping number. Last year we saw scrapping of about 15.5-16 million dead weight on dry bulk. This year in the first month already we have seen excess of 2 million dead weight getting scraped, so that is one sign that scrapping is going to pick up and we have seen this. In 2012 we saw scrapping of 32 million dead weight when the markets were very weak. So it is quite logical that we will have higher scrapping this year than there was last year. With regard to cancellations, a lot of it does not come out but some of the companies have publicly converted, announced conversion of dry bulk orders to tanker orders. So Capesizes have been converted to LR1 tankers or LR2 tankers. So that happens, so where they can do it they will do it and I suppose the yards will cooperate with them in doing that but it is few and far between, it is not a huge number but I am sure that there will be lots of people who are trying to do that to convert the orders at least.

Mr. Himanshu: Do we have an option or we are also thinking on those lines?

Mr. Shivakumar: No, we are not thinking on those lines at all here.

Mr. Himanshu: Okay, my next question was we have seen very sharp fall in prices of dry bulk ships in secondhand category especially so how are we approaching the market because will we like to be aggressive here now or we would like to be cautious because we have already five consignments on order? So how are you approaching the market, can you just give some insight and what is your outlook for next two, three years?

Mr. Shivakumar: Yes, the five ships that we have in order are ordered at very reasonable prices, so we do not have too much stress about them, obviously it is not going to be easy to run those ships in a market like this but that is not necessarily going to influence our thinking because we are not overstretched. If we had been overstretched as a result of buying those five ships then we would have had a big constraint based on those. We are not overstretched and we will approach the next project that we see which is a dry bulk ship, let us say a secondhand dry bulk ship which is really cheap but we will approach it on its own merits and irrespective of how many ships we have in the order book. So if we get a really cheap ship we are okay to buy that cheap ships.

Mr. Himanshu: And again would we like to restrict ourselves to Supramax category only or you would like to go above also?

Mr. Shivakumar: No, we are fine with any segment, any of the size categories depending on where we see value.

Mr. Himanshu: Okay, my next question is on the crude carriers - we have seen very, very strong numbers and we are seeing some phenomenal numbers, how much can we attribute to the seasonal impact and crude prices even falling, should we resume or should we hope that the worst is behind for the next two, three years because the order book is very low, what is your assessment on that market, the very strong prices that we are seeing in the crude carrier segment?

Mr. Shivakumar: No, we are not – it is not a seasonal thing really, it is not because of any great seasonal impact that we are seeing crude tankers doing so well and we have seen winters come and go where there was not any strength in the crude tanker market. There is a lot of the additional demand which is going in for stocking up and potentially some for storage as well which has resulted in great demand.

Ms. Anjali Kumar: One of the other things that is also happening is that because volumes are not coming down there are absolutely no volume cuts, so every barrel of oil that is coming out has to get transported and that can only be good for shipping. Though it has a reverse impact on the price, but for shipping it has a positive impact.

Mr. Himanshu: And again the asset prices, the way the crude prices or the way the asset prices are moving we are finding them it is nearly 80-85% of new building prices, do you think this trend will continue, the secondhand prices do they have room to go up, can it result in higher new building orders, substantial new orders with the way the price is moving?

Mr. Shivakumar: Yes, it can happen, we have already seen people trying to convert some offshore orders because these are placed at the big Korean yard sites where they have drillship orders trying to convert them into Suezmaxes or VLCCs. So that happens, people will try to order crude, because everybody tries to get into the segment which is doing well.

Ms. Anjali: I think it is also a matter of time, the strength in the market has not been for too long now, so we have to wait and see for at least a couple of quarters, at least two quarters of a strength in market sustaining and I guess that is when you will start seeing more of ordering happening.

Mr. Himanshu: Okay, I will be in queue for other questions.

Ms. Anjali: Sure.

Moderator: Thank you for your question Mr. Himanshu. We have the next question from Mr. Ashish Jain from Morgan Stanley, Mr. Ashish please proceed.

Mr. Ashish: Hi, good evening sir. Can you say the NAV number on standalone basis, I missed that actually.

Mr. Shivakumar: Good evening Ashish, the standalone NAV is Rs. 333 a share.

Mr. Ashish: And this is all because of crude prices.

Mr. Shivakumar: No, actually on the overall portfolio we are flat in prices, the fleet itself is flat in value, the impact has come because of the currency and the earnings. So just on a fleet value it is the same, however what adds to the NAV, is the cash profit. So PAT plus depreciation adds to the profit plus the currency revaluation.

Mr. Ashish: Just on capex, can you just outline what is the total capex we have both between offshore and shipping today and the timing of…

Mr. Shivakumar: Yes, in shipping we have two bulk carriers being delivered this year and three bulk carriers and one product…

Mr. Ashish: Sir, I am talking about amount.

Mr. Shivakumar: Oh the amount is total of 160 million dollars and in offshore it is about a 195 million and in offshore it is going to be delivered this month.

Mr. Ashish: How much is the payment pending against the 195 million dollar on offshore?

Mr. Shivakumar: 70 million is pending.

Mr. Ashish: And on shipping out of 180 how much have you paid already?

Mr. Shivakumar: We would have paid about between 25 and 30, yes we would have paid about 30, so we have a little over 150 million pending.

Mr. Ashish: Okay and how much in fiscal 16?

Mr. Shivakumar: In fiscal 16 three vessels are being delivered, so about half of the order book is coming in FY 16.

Mr. Ashish: Secondly on the offshore side how much was the hit because your dry docking this quarter?

Mr. Shivakumar: Okay, that will be – yes, it will probably be if you take including the income etc., that is probably at least 10-12 million dollars.

Mr. Ashish: Dry docking cost.

Mr. Shivakumar: Yes, not just the dry docking cost, including the revenue loss, etc..

Mr. Ashish: Okay, got it. Chitra is now basically being deployed for one year I guess.

Mr. Shivakumar: That is correct.

Mr. Ashish: It is already on works now?

Mr. Shivakumar: It is on contract from 31st of December.

Mr. Ashish: Can you also tell me the status of the other three rigs, Chetana, Chaya and Charu.

Mr. Shivakumar: Charu will be delivered in the next couple of weeks. The Chetana and the Chaya are on long term contract. Chetana is on contract up to January 2017 and Chaya is on contract till Feb 18.

Mr. Ashish: And Charu is already contracted I guess.

Mr. Shivakumar: Charu is contracted and when she goes on to contract she will continue till March 20.

Mr. Ashish: Thank you sir, I will come back in queue.

Mr. Shivakumar: Okay.

Moderator: Thank you Mr. Ashish for your question, we have a next question from Mr. Bhavin Gandhi from BNK Securities, Mr. Bhavin please proceed.

Mr. Bhavin: Just on the offshore part, I see the revenue drop of about 19 odd crores and I see other expenses going up by almost 36 crores, so I could not quite reconcile with the downtime on the rig and with the numbers, so if you can explain that.

Mr. Shivakumar: Yes, revenue will drop to say on downtime, so that is one and because we had that dry dock expense you will have higher cost.

Mr. Bhavin: But I thought we would be capitalizing and amortizing it…

Mr. Shivakumar: No, no, no, dry dock gets expensed out in the quarter of spending unless it is a capital item. So if it is an equipment, for instance if we have to buy some equipment to put it for a particular contract then that equipment gets amortized over the period of the contract or over the life of the equipment depending on whether it is a long life equipment, otherwise all these dry dock and survey expenses are expensed out in the quarter in which the dry dock is done.

Mr. Bhavin: So if I look at the spare and stores expenses which has gone up by almost that 36 odd crores will go down in the subsequent quarter.

Mr. Shivakumar: Yes, yes, so the dry dock will be a little bit of a spike which should come off, that is correct.

Mr. Bhavin: And second thing is sir we had almost about all our Suezmaxes in the spot market and half of our Aframaxes in the spot market. We have seen a sequential decline in the crude TC wise, so if you could say in that and will we see an improvement?

Ms. Kumar: Sequential meaning between Q2 and Q3?

Mr. Bhavin: Yes.

Mr. Shivakumar: Okay, so strength has happened towards the end in December and since all these voyages complete in January to March quarter, most of that impact will come now. In fact, Q2 was slightly unusually strong I think because of the voyage pattern - so we had voyage which had a long laden leg and hence we got a higher TCY, but then she had to balance back, so you got a lower TCY in the next quarter.

Mr. Bhavin: Okay, so the new voyage got completed at the end of this quarter.

Mr. Shivakumar: It was completed in Q3, so that brought down the average for Q3 and pulled up the average for Q2 but that was only on one of the ships, I am just giving you an example of these things but basically the strength has been seen December onwards and therefore you will see that impact more in this quarter.

Mr. Bhavin: Sure and sir the fourth rig would start operations from Q1 of next year or it will start immediately from the current month itself?

Mr. Shivakumar: No, she has to be mobilized from the UAE, so we are hoping sometime in March.

Mr. Bhavin: I think that is about it, I will come back in the queue.

Mr. Shivakumar: Thank you Bhavin.

Mr. Bhavin: Thank you.

Moderator: Thank you for your question Mr. Bhavin. We have a next question from Mr. Suman, individual investor, please proceed.

Mr. Suman: Hi everyone. My first question is about our cash position, how much cash we have right now on this?

Mr. Shivakumar: Yes, we have about 3,300 odd crores of cash as of December 31st. We sold and delivered ships and now our cash is a little bit higher.

Mr. Suman: And how much of that is in USD?

Mr. Shivakumar: In the entire group we have about 300 million US dollars. So we are talking about 50-55% in dollars.

Mr. Suman: My next question is about the jack-up rig market, I read some news reports that the prices for new contracts are on the 100,000 per rig, I mean per day for the 350 ft jack-up rig. I know that changes a lot between rigs but the general price level, you anticipate a further drop or do you think it has gone as low as it can in the immediate future?

Mr. Shivakumar: Yes, that is an interesting question. One addition I would like to make, it is not just that the price varies based on the spec but even for an equivalent and same rig, this number can vary based on which area it is. So for instance a contract in – just to give you an example, South-East Asia may need to be 30,000 dollars higher than a contract in India in order to get the same EBITDA number let us say, because cost may be higher in one region over another region. I have not seen a 100,000 dollar number yet, the number that you quoted, at least not for a modern rig but certainly there will be a drop off in pricing – I think the last contract we saw done, we used to see contracts in first half of 14, in South East Asia contracts being done at about a 150,000-160,000 dollars for modern jack-up rigs. That is probably down to 135-140 already, so that could drop further, I do not know how much it will drop but that is the extent of pricing change we have seen. So you could well see the next pricing happening after a month or two and 20,000 dollars lower than that because we have had varying tenders, it is not a pricing which is happening every day. This is not like the tanker spot market where you can see what the pricing is. So you will only know when the next tender opens, what the rate in say a Petronas contract is but there is probably going to be pressure which is going to push rates lower from here.

Mr. Suman: And what is - for Greatship's fleet of rigs, what would be the approximate breakeven in our price?

Mr. Shivakumar: You are talking of book breakeven?

Mr. Suman: Book plus interest costs.

Mr. Shivakumar: Yes, so when we talk about book breakeven we are covering operating expenses, interest and depreciation. So we are probably about 65-70,000 dollars a day.

Mr. Suman: Have we seen any reduction in the new build prices for jack-up rigs there?

Mr. Shivakumar: No, no reduction, no. We have not seen any contracts placed, I think it will be a very brave investor who goes out and places a contract for a new rig at this time. I mentioned to an earlier caller that people are converting drillship contracts into VLCCs and Suezmaxes. So it is going the other way actually. There is nobody ordering any offshore as such currently, at least not rigs.

Mr. Suman: Okay. Just moving to the shipping side we have seen like you mentioned another 10% drop in dry bulk secondhand prices. How does the current price levels compare to two years ago?

Mr. Shivakumar: It is probably around the same plus, minus a million dollars, it is probably around the same number for a similar age ship.

Mr. Suman: So are we looking to be aggressive in that space?

Mr. Shivakumar: Yes, we will – not aggressive, but we would like to invest. So we are seeing if we find some good assets. We are always there to buy good assets, so we will keep our options open, we are not going out in a hurry to buy because we do not see any quick bounce back in these asset values with the market expected to be quite weak for this year at least. So we are not in a hurry to buy but we will certainly look at opportunities.

Mr. Suman: One last question from me. At the current market price of these shipping spares, it is trading at about 65% of book value and maybe seven to eight times earning and if you actually consider the cash that we are holding it is probably closer to about five times earnings for the operating side of the business. So these relatively very undervalued prices, don't you think that it will be a good time to start a buy-back scheme to put some of that cash back into our own business.

Mr. Shivakumar: That is an interesting thought which I am not going to discuss and that is exactly the same comment I made to you at the last conference call.

Mr. Suman: Yes, but it has gotten little more attractive in my opinion.

Mr. Shivakumar: Yes, of course but it is something for the Board really to discuss and decide on but yes there is a lot of value here.

Mr. Suman: Just dwelling a little more on that, if we are looking at the cash that we have, in my opinion the best way to invest that cash would be in our own fleet which is something that we know well and which is trading at significant discounts to the market. So is that something the Board is discussing?

Mr. Shivakumar: That is the principle on which we did our last buy-back and if and when they get around to discussing it I am sure it will be a factor but you also have to look at other things like what kind of investment, what kind of size you want to do, those kinds of things. So yes that was the major factor which we considered at the time that we launched the last buy-back.

Mr. Suman: Thanks, that is it from me.

Mr. Shivakumar: Thank you very much.

Moderator: Thank you for your question Mr. Suman. We have a next question from Mr. Ashish Jain from Morgan Stanley, Mr. Ashish please proceed.

Mr. Ashish: Sir, my question is on the offshore side, if I look at the revenues for this quarter we have done roughly 420 crores of revenues with one of our offshore assets actually not contributing to the revenues. Now for the fourth quarter we basically have revenue visibility of 400 crores. So why is that number when most of our assets we are showing is kind of covered with 90 to 100% range. So why is the revenue outlook so bleak versus Q3 for offshore?

Mr. Shivakumar: We actually have less than 100% cover on a couple of assets.

Mr. Ashish: I think 90%.

Mr. Shivakumar: Yes, that is right because last time we had a 100% utilization on our assets, so we did not have any downtime at all except for the rig which underwent five yearly survey. We had a 100% utilization on those assets, on all our assets. Now we have supply assets which have come off contract and some of them are being mobilized from one place to another and therefore will not have revenue for that period. One of them has priced down, one of them has not yet been re-priced. So, that is where we have a drop.

Mr. Ashish: Sir, on the offshore can you just indicate a vessel category wise how are we placed in spot market versus a chartering kind of scenario?

Mr. Shivakumar: Yes, we only have one vessel really which needs to be re-priced, which is an anchor handler, currently we only have one vessel which is not on contract or not committed to a contract. We will have one more anchor handler coming off contract sometime in March or April.

Mr. Ashish: Okay, what about the other vessels?

Mr. Shivakumar: The other vessels are all on contract, we have lot of re-pricing coming up in this year. So we have eight or nine re-pricing which will come up in this year and then we will have to see, so we will have to see what opportunities come up for those assets, what tenders are there, what business is there and this is across the fleet. So this is all the way from small anchor handlers to the MPSSVs fleet and the ROV support vessels.

Mr. Ashish: And sir current rates are all obviously lower than what they are currently operating on, I guess on this eight, nine that you are talking about.

Mr. Shivakumar: That is correct, yes. Yes, in some parts of the market I think they cannot go lower specifically talking about the Indian market and I think I mentioned this in an earlier call, I think rates have sort of hit bottom and I do not expect them to go much lower from here.

Mr. Ashish: On the support vessels side.

Mr. Shivakumar: On the supply vessels, yes. I do not think they will go much lower from here because they dropped off a year or two ago but international markets are dropping quite rapidly because people are now stressed because oil service providers are stressed, they are looking for utilization and therefore international rates are dropping off.

Mr. Ashish: So that will have a effect on India as well I guess, maybe with a lag but…

Mr. Shivakumar: My only point is that the Indian market has already dropped, I do not see too much scope for it. See, if the overseas markets were far more profitable than the Indian market in terms of the day rates and so they had more room to fall and they are using that room. In India they do not have that much room to fall off.

Mr. Ashish: But Indian rates are still lower than the global rates?

Mr. Shivakumar: Effectively now I think they are about where the global rates are.

Mr. Ashish: Okay and how are your ships are deployed on the offshore side, I guess large part of it is in India but can you just quantify on the offshore side?

Mr. Shivakumar: Yes, let us look at what is outside India, so we have two in Brazil, two in the Atlantic non-Brazil, so one in the Falklands and one in the Baltic. So that is four on that side and we have two in the Middle East. So we have six vessels which are employed outside India where one vessel which is awaiting a contract, so that is the one which has come off contract in Africa, she is looking for a contract, so seven outside.

Mr. Ashish: That is anchor handler you said.

Mr. Shivakumar: That is correct, there are seven outside India and the remaining as such will work in India. So that is 15, so we have 22 now with the delivery of this PSV today. So 15 as such will be in India. There is one which is in the Middle East waiting to come to India, so they are connected to India. So 15 in India, seven outside.

Mr. Ashish: Sir, I think I asked this question but if you can just – the rates today are at least 10-15% lower than what these assets are currently operating on, the eighth, ninth that is coming off contract in fiscal 16.

Mr. Shivakumar: No, the ones which are coming off contract in ONGC I do not think they are lower but in the small anchor handler segment I do not think they will be down 10% from the numbers that they are operating at currently but in the PSVs yes the pricing could be a little lower.

Mr. Ashish: Sir just lastly on the bulkers and crude can you just tell me what is the spot and chartered breakdown for us?

Mr. Shivakumar: Bulk carriers, with only one exception, are all operating on the spot market. Crude tankers out of eight six are effectively operating on the spot market and product tankers we have 13 of them including the gas carrier and of them I think not more than three are operating time charters.

Mr. Ashish: Great sir, thank you so much sir.

Mr. Shivakumar: Yes, on the PSVs again in even the West which have some room to fall, not the PSVs in India. The PSVs in India again have probably hit the bottom already and not much room to fall from here. The PSVs in West Africa, the North Sea again has hit bottom already and it has gone below the floor also but the ones in West Africa which were running very nice and profitable numbers, they have dropped substantially from where they were six months ago.

Mr. Ashish: Okay got it, thank you so much sir.

Mr. Shivakumar: Thank you Ashish.

Moderator: Thank you for your question Mr. Ashish, we have a next question from Mr. Pratik Poddar from ICICI Prudential ANC, Mr. Pratik please proceed.

Mr. Pratik: Just one question, due to change in vintage can that have an effect on your maths?

Mr. Shivakumar: Not really, okay that has an impact– normally the brokers start providing for that in October itself, so it hits us in the September end valuation and not in the Jan valuation and in offshore it does not make a difference really. In shipping it makes a big difference - the year of built and actually as you age by, they take one year depreciation. In offshore, it does not make a difference at all.

Mr. Pratik: So just one question on the offshore side, you mentioned asset prices have dropped by 15%.

Mr. Shivakumar: Not 15%, the asset prices have dropped by between 5-10%, so the supply vessels have probably dropped by about 10%. The rig is probably closer to 5-7% and this is the assets values. So again with the caveat that that we have not seen any deals being done, so this is what the brokers are putting as value of our ships, of our assets.

Mr. Pratik: Okay understood. Sir, just one last question, you mentioned about dry bulk rates, they are at the lifetime low, is that a correct understanding?

Mr. Shivakumar: That is correct, so ever since the index started being published, god knows some 20 years ago, this is the lowest number which is being seen. I think some 20 years ago they started publishing the Baltic dry index. The last time we hit lifetime low was in 2012, I think the low it hit then was 640 something, we are now at 569.

Mr. Pratik: Fair enough sir, thank you so much for answering my questions and best of luck.

Mr. Shivakumar: Thank you Pratik.

Moderator: Thank you for your question Mr. Pratik. Participants for any further questions requesting you to please press * and 1 now. We have a next question from Mr. Bhavin Gandhi from BNK Securities, Mr. Bhavin please proceed.

Mr. Bhavin: Sir, given the market outlook and the asset prices can you give us any pecking order of the investments that you would like to make for offshore and shipping?

Mr. Shivakumar: See, I want to position ourselves as a value investor and therefore I will tell you the one which has dropped the most, the dry bulk. But sometimes you need a lot of guts to do that value investing thing. So dry bulk is the one that has dropped the most and presumably that will be first in the pecking order but it all depends on the quality of the ship and the price which we are getting in the ship. So this taking order could easily change this evening or tomorrow morning but in the overall spectrum of where asset values are the ones which are looking most tempting in the sense that distance from high and distance from low, it is dry bulk which is looking the best of the lot on a risk reward ratio and product tankers are looking second and crude tankers because they have gone up some 30% or 35% in the last one year not looking so good. However crude tankers will probably outperform over the next year or so because the earnings are pretty strong, you can put away on time charter at very decent numbers. So it is hard to put a pecking order but the cheapest ones around are dry bulk ships.

Mr. Bhavin: Sure and you are not looking at all on the offshore side.

Mr. Shivakumar: Offshore we just bought one supply vessel and we took delivery today, so we got a decent deal on that, we put here on a contract. Yes, you will find some opportunities here and there but offshore you cannot make a market call the way you can do for dry bulk, product tankers, etc. because you cannot lock in that profit by slipping out that asset. So that is the fundamental difference, basically you can buy one and put that vessel on contract and de-risk a bit.

Mr. Bhavin: Just one more thing, sir when does one year end from the last buy-back?

Mr. Shivakumar: The last buy-back closed on the 1st of March or 28th of February, because that was a weekend, so probably 28th February.

Mr. Bhavin: Okay, thank you.

Mr. Shivakumar: Thank you Bhavin.

Moderator: Thank you for your question Mr. Bhavin. We have a next question from Mr. Himanshu from M3 Investments, Mr. Himanshu please proceed.

Mr. Himanshu: On the offshore, this PSV we bought recently, was it at a distress sell or there was some order and hence we bought the thing…

Mr. Shivakumar: No, we did not order that vessel, we did not order it and it was a good deal but I do not think the seller showed any signs of distress but we got a good deal out of it. There are vessels available, so you can – if you have a requirement you can find vessels which are available.

Mr. Himanshu: And again it is a larger vessel than what we had already – means generally around 3,000…

Mr. Shivakumar: That is right, we just got a good vessel and that bigger size gives us some flexibility and we got it at a decent price, again we managed to tie it up along with contract, with a three-year contract which had a great deal of value because to buy these ships on a spec basis, the biggest problem with offshore is that you need to get utilization. So we managed to tie it up with a contract and that was a big advantage in the decision to buy the ship.

Mr. Himanshu: The next question is on – we have been reading reports where companies are trying to re-negotiate orders like Pemex company was trying to re-negotiate some contracts for rigs and all. How are you seeing the markets, are we finding customers trying to re-negotiate in the market on long term contracts which have been – what is your assessment on the market, you are finding more and more people trying to come back.

Mr. Shivakumar: We have read these reports about Pemex but we do not have any experience of it ourselves since we do not have any contracts with Pemex. Yes, it is possible that people might be trying to get some price reductions but we have not seen that ourselves. We have seen some reports about Saudi Aramco as well but again these are all just rumors which are going around and you will not know unless you are involved in them actually because these do not get normally reported. May be some of the American oil services company may report if they have some re-negotiations but we have not seen this ourselves. Customers obviously talk to you and say that we are under pressure, etc. but generally if you have a good customer they will honor their contracts and so we have not faced any issues so far.

Mr. Himanshu: What is the outlook on deliveries like PSV and AHTSVs because there used to be a huge order book on that side also, both vessels there used to be, what is your outlook?

Mr. Shivakumar: Yes, first let us go to the demand side. I think the E&P spend offshore is probably going to drop by 15%, between 10-20% this year which is obviously not good for the market. On the flip side you will get postponement of deliveries, hopefully cancellations as well, again these are done very quietly, so you do not get to know always and you also have a lot of these old assets which hopefully will get scraped in this weak market. So we hope something like that will happen, there are still a lot of 1980s build assets which should go especially on the drilling side, some of them on the offshore supply vessel side as well and we hope some of those will go because they just do not have utilization or they just do not get contracts. So it is good to have a bad market once in a while so that people do not take it for granted that it is just a one way street and you just keep making money all the time and it shakes out the weak players who should not be in the business. So if there is a weak market for a couple of years it is fine, I think it will make the markets better in the long term.

Mr. Himanshu: Okay thanks from my side.

Mr. Shivakumar: Thank you very much Himanshu.

Moderator: Thank you for your question Mr. Himanshu. We have a next question from Mr. Rohan Shah from Alpha Enterprise. Mr. Rohan, please proceed.

Mr. Rohan: Sir I had a quick question, would you see a tapering in crude volumes and consequently rates after the stocking is done by your government or companies?

Mr. Shivakumar: Yes, you could see that it could well happen. If there is stocking there is obviously just drawing from future demand, right? So you could well see that. On the other hand if it is filling of strategic petroleum reserves as happened reportedly in January last year in China then it might just be a blip and then it comes back to a normal level after that.

Mr. Rohan: So would you be able to lock in higher rates before that correction happens?

Mr. Shivakumar: Yes, you can. The opportunity is always there to lock in because there is a time charter market which is pretty active and if you can go to rigs you can lock in depending on your view on the market. So that can be done always.

Mr. Rohan: Is that something that you are doing right now?

Mr. Shivakumar: Yes, we are always looking at these opportunities because you have a view on the market on what you will earn in the spot market and if somebody offers you a decent number for that which you can lock in to, we are always open to considering that. We are not actively going out to do anything major, so it is not like we are going to put out our entire fleet on time charter because the rates are high but one deal here and there - as part of the risk management and hedging against weak markets - we do from time to time. So that is always there.

Mr. Rohan: Sir, what would be the – in fact we are hearing about rig closures in the US starting, so what would be the impact if that exacerbated and there would be more rig closures, would that then start hitting volumes, I mean would that really affect you or…

Mr. Shivakumar: Yes, we do not know how it will affect us, that is an interesting point and we keep thinking about it and discussing it. So the rig count has been coming down, I think that is the number you are referring to, the Baker Hughes rig count and that has been coming down consistently now and pretty sharply over the last couple of months. It is going to put pressure on US shale production growth at least, so it looks like if prices remain here and the rig count remains as it is and continues to drop you will find that at least there is no crude oil production growth in the years.

Mr. Rohan: Would that have a positive impact on ton miles with more movement from the Middle East or is that net-net negative?

Mr. Shivakumar: Again tough to call, because normally shale oil is substituted with West African crude oil, so it is not a huge ton mile, so that is one thing, that is one impact on the crude tanker market and if you start having an actual drop in production then you could have much higher crude oil movement which is good for the crude tanker market presumably. On the flip side you have, if there is less shale, cheap shale oil being produced the refineries in the US are not as competitive and therefore the product trade may drop off a little bit which is not good for the product tanker market and then you have LPG which is also being produced by these shale wells and that has been driving the LPG market in the last year to two years and if that comes down then the LPG market then does not look so good. So there is lot of this impact, it is tough to call this but it is going to be an interesting time to see how this plays out. Broadly with the rig count falling you would expect that shale production stops growing, at the very least it might come down in which case you might get a bounce-back in crude oil prices, which I think a lot of now oil analysts are forecasting, so they are forecasting a bounce-back to maybe 70-75 by end of this year and anyway the forward prices are somewhere around that, probably in the mid to high 60s already for the brent for the end of this year and so you could well see those numbers and then you get back into the cycle, at $75 maybe shale comes back. So it is going to be a very volatile on and off kind of market.

Mr. Rohan: I have a similar question in terms of dry bulk. I believe there is some iron ore significant supply coming in Brazil, so would that cause a substitution by China for the cheaper domestic iron ore?

Mr. Shivakumar: A lot of the substitution unfortunately has already taken place in China in the last year, so we saw last year Chinese steel production grow by only 30-40 million tons but Chinese imports grow by 120 million tons which you do not need a 120 million tons for 40 million tons of additional production. So there is a lot of substitution there. What we hear and what we read in reports is that most of the substitution that was to be done has already taken place, the rest of the mines are being supported by whatever local considerations there are, so local governments, local communities supporting those mines because of the jobs they create and so there is not much scope for future substitution. So finally it is going to come down to demand and who can be more competitive, finally if it is the Brazilian we hope that they are able to sell their iron ore more competitively than the Australians because Brazilian iron ore to China is the best possible thing to happen to dry bulk shipping.

Mr. Rohan: Okay great, that is it from my side, thanks.

Mr. Shivakumar: Thank you very much.

Moderator: Thank you for your question Mr. Rohan. We have a next question from Mr. Suman Bhat as an individual investor, Mr. Suman please proceed.

Mr. Suman: Hi again, just want to go back to the dry bulk segment. Are there a lot of deals being done at the current assets price level?

Mr. Shivakumar: Yes, there are always deals being done in the shipping S and P market. Deals, we have seen, are for slightly older ships but occasionally you see five to ten year old ships being traded as well. So there is always a lot of ships traded at any time in the shipping S and P market, that is the good part about it, you can always get a price.

Mr. Suman: Right, so the owners are not really holding back for better rates or something like that.

Mr. Shivakumar: Sometimes they like to hold back but they cannot afford to. So we always have people with different motivations and different stresses, right? So you will always find buyers, sellers in every single market.

Mr. Suman: Okay, thank you and I have been a big fan of this shipping management and I think you guys are doing a great job, hope to see more of the same in the future, thanks.

Mr. Shivakumar: Thank you very much Mr. Bhat.

Moderator: Thank you for your question Mr. Suman. We have a next question from Mr. Ashish Jain from Morgan Stanley, Mr. Ashish please proceed.

Mr. Ashish: Sir, I had a quick question. On the crude tanker side do you think asset prices can go up further from here or they are already factoring in the recent trends in the freight rate markets?

Mr. Shivakumar: Yes, I just saw a report today, I do not know if it was your guys who put up the report but somebody put out a report saying crude tanker prices can go up another 20% from here which is a shocking number really. So it has already gone up 30% and another 20% from that would be a really spectacular rise but really who knows? So, let us see, I really cannot – I would not place a bet on it going up much from here really.

Mr. Ashish: Just one question, we have already five Kamsarmax on the dry bulk side, was there any particular strategy behind that , were we targeting a certain kind of business because historically we have not owned that vessel. So I just wanted to understand if there is a particular reason behind that.

Mr. Shivakumar: No, we have historically and historically I am talking about 15 years ago. We have typically run the smaller sizes which is the Handysize and Handymaxes we used to run with very few Panamaxes in our fleet but the cargo sizes have been moving up. So the Indian trade which used to be mainly Handysize, so we used to run 27,000 tonners in 2003-2004 and all the way up to 2008 on the Indian Coast but today there is probably no market for a 27,000 tonner, that market has moved up to a 52,000-55,000 tonner and these are moving up all the time and some of those trades are actually Panamax and Kamsarmax trades. So everybody is looking at these economies of scale and trying to move their sizes up. In fact a lot of the Indian trade is Capesize trade. So it is just part of that progression. The Kamsarmax is a good proxy for the Capesize without having the excessive volatility of the cape size, so that is how we treat it.

Mr. Ashish: Okay got it sir, thank you so much sir.

Mr. Shivakumar: Thank you Ashish.

Moderator: Thank you for your question Mr. Ashish. Mr. Shivakumar, there are no questions sir.

Mr. Shivakumar: Okay.

Ms. Anjali: Thank you very much. As usual we will be putting up the transcript in a couple of days on our website and please feel free to call us or mail us for any future queries, good day to you all.

Moderator: Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Tata Docomo Conferencing Services. You may please disconnect your lines now. Thank you and have a pleasant evening.