Moderator: Good morning ladies and gentlemen. Thank you for standing by. Welcome to the Great Eastern Shipping Earnings Call on declaration of its financial results for the quarter ended June 30th 2015. At this moment all participants are in the Listen Only mode. Later we will conduct a question – answer session, at that time if you have a question please press * and 1. I will now hand over the conference to Mr. G. Shivakumar, the Executive Director and Group CFO at the Great Eastern Shipping Company Limited to start the proceedings, over to you sir.

Mr. Shivakumar: Thank you. Good morning everyone and welcome to the conference call to discuss results for the first quarter of financial year 2015-16. Before we start just a little update on what has been happening in the last quarter. First of all dealing with the markets that have not been so good, the dry bulk market - Chinese demand for dry bulk commodities, import of dry bulk commodities has been very poor. We have seen a drop in trade into China. So, we have seen coal imports down about 55 million tons in the first half of this year versus the first half of previous year. We have seen iron ore marginally down in the first half versus first half of previous year. We have seen July flatten out and iron ore being marginally up and coal flat versus the previous year. The fleet growth in dry bulk for the first half of the year was only 1% with a lot of scrapping, I mentioned this on the previous call as well. There has been lot of scrapping happening in dry bulk and therefore fleet growth was only 1% in the first half of this year. However, we have seen a small pickup in Capesize rates in the last few weeks. They went up to a high of about $19,000-19,500 in the spot market all the way from about $4,000 as of three, four months ago and that along with the monsoon season, which is typically a slow season for scrapping in the Indian sub-continent has resulted in much lower scrapping numbers in the month of July and August to date. Therefore we have had another 3-4 million deadweight added in the last one month which has brought another 0.5% growth. We expect this may end at about 2-3% growth for this year. Again yesterday, Capesize rates have dropped down to about $14,000 per day, let us see what happens to that.

With regard to the oil field services business, another business where the outlook is not looking very good E&P spending seems to have dropped by more than even the 20% which was being forecast earlier this year. Offshore E&P spending may have dropped 25-30%, that is what it looks like. We can see it from the number of rigs that are idling & from the number of vessels that are idling. We ourselves had a vessel on the spot market for some time and the utilization was very poor. So we have a real problem on our hands with regard to E&P spend. The oil prices again dropped to the 40s, so we need to adjust to the new reality. Luckily for us we have quite a bit of contract coverage especially for the large units. The rigs have quite a few years of contract coverage. During the quarter we have landed a few new contracts and a few contract extensions, two new five-year contracts for two of our anchor handlers, one small anchor handler and one larger one. We have also landed contract extensions for two, one and one year for three different assets. So all in all we have added about 14 years of additional contract coverage to our offshore vessel fleet, which is something that we are happy about considering what I just mentioned about the utilization levels. We have about 75% utilization currently for not our assets, worldwide utilization for rig assets and it is probably worse for the deep water assets where they are now at – and there are lot of vessels being stacked and being scrapped by some of the major drilling companies. For Greatship itself we have five vessels which need to re-price up to March next year. Two of them are the high end assets, which are not India suitable. The other three assets are all India suitable and perfectly fit for business here and are currently working in India as well and there will be tenders for these kind of assets and we hope to land some of that business.

Coming to the one bright spot, which is the tanker business, we had as a result of the OPEC policy of pumping as much oil as they could, oil supply in the first half of this year grow by about 3 million barrels a day versus consumption demand which is put by most analysts at about 1.3-1.5 million barrels a day. Now that leaves a big gap which seems to have gone into storage, it could well turn out that you had higher consumption or maybe that storage itself has gone up, because if you just look at these numbers that is 1.5 million barrels a day going into storage over a 180-day period, that is 250-300 million barrels further gone into storage during the first half of 2015. It is a big number, we are seeing stocks build probably 100-150 million barrels and some of this data comes with a lag, so we will get to know maybe in the next few months what happened. On the other hand you could have real demand itself being up, not 1.4 million barrels a day but being up closer to 2 million barrels a day. So, let us see how that works out, we will know in the next few months. Refinery throughputs have been very strong especially in the second quarter with refining margins at very high levels especially or gasoline. Refinery throughputs year on year were up by about 2.4 million barrels a day, again to remind you 1.4 million barrels a day is what we are saying demand has gone up, which means when they are producing an extra million barrels per day of products which is a very high number and which has to be going somewhere or maybe it is sitting on ships though we do not see a contango on oil products we could justify storing them for commercial purposes, but it is possible that they are on ships waiting to be bought. So, the net-net result of all this is that tanker rates have been extremely strong, Q2 which is traditionally a weak quarter for tankers has been extremely strong. We have seen crude tankers perform spectacularly well in the quarter, we have seen our product tankers also do very well. Crude tankers have come off currently from the levels that we saw last quarter, but product tankers continue to be strong even as we speak.

We do not expect this to last very long though we still expect that tanker markets will be stronger than they were last year. Potentially this period is a little bit of an aberration of tightness and as supply kicks in, supply of new vessels kicks in we expect that these rates will moderate somewhat. Overall there has not been much change in the asset values on the shipping side, we have seen a small uptake in dry bulk asset values after dropping by about 40% in the previous year, they have gone up by about 10%. Tanker values are more or less the same as they were three months ago. So our net asset value has gone up to about Rs. 341 standalone and Rs. 536 on a consolidated basis. The offshore assets have dropped in value but without transactions being done, but they have been marked down in value probably by about 10% during the quarter. That is all I have as an update on the market and we would welcome your questions.

Moderator: Certainly sir. Ladies and gentlemen, we will now begin the question and 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 a question please press * and 1 on your phone. We have a first question from Mr. Bhavin Gandhi from B&K Securities. Mr. Bhavin, please go ahead.

Mr. Bhavin: Good morning sir, congratulations on these numbers, just wanted to check on a couple of things. This quarter again, first quarter seems to be exceptionally high in terms of EBITDA, so you had highlighted in the previous years as well that the fourth quarter tends to be very heavy in terms of budget, I mean the buying that you do, that is why first quarter tends to be better, is that the case this time around as well when the expenses were booked in the fourth quarter and that is why first quarter was slightly better?

Mr. Shivakumar: Yes, good morning Bhavin and thank you. Yes, that stays the same. Expenditure generally tends to be more towards the end of the year and that is why you tend to see this difference between Q4 and Q1.

Mr. Bhavin Gandhi: And sir just wanted to check on the rig portfolio, it seems that your coverage has gone up, I was expecting this coverage to be slightly lower because of the rig renewal that we have this year, so have we got an extension on the rig as well and how much if at all?

Mr. Shivakumar: Yes, so we did get an extension, yes I forgot to mention this. We did get an extension – there was an option period at the end of the firm period of one year, we have got a two-month firm extension on the rig. So that is probably the cause of what you are seeing.

Mr. Bhavin Gandhi: So this will take the renewal to January end?

Mr. Shivakumar: Feb end, so we were firm up to December end or we are firm up to Feb end.

Mr. Bhavin Gandhi: And that option is at the same price with the previous contract?

Mr. Shivakumar: I do not want to comment on the price.

Mr. Bhavin Gandhi: Okay, sure sir. Also you have mentioned about the 14-year coverage that you have got on the offshore fleet, so if you can highlight how the pricing would be, I mean generally how the pricing would be, would it be much lower than what the previous pricing was or as you highlighted…

Mr. Shivakumar: Yes, it is probably on average about 10% lower than the previous prices for similar assets, similar business.

Mr. Bhavin Gandhi: Okay, sure sir and yes, I think that is about it, I will come back in between.

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

Mr. Ramdas: Good morning, thank you very much for the update. I have a few questions here and first one relates to basically, so you would attribute your net profit increase to the improvement in tanker rates, that is one and then the other thing is we all of us are now discussing about the impact of the China currency devaluation, so how much impact you think this will have on international trade and consequently on shipping and thirdly of course you have outlined the markets for offshore as well and the dry bulk and the tankers in the near term, so do you think – you said that that will remain as per expectations and so do you think in line of that, would you reduce your exposure to bulk trades and focus more on tanker acquisition and if you could give an update on your new building plans, that would be nice. Thank you very much.

Mr. Shivakumar: Yes, thank you very much for your questions. First, your question was on tanker…

Mr. Ramdas: Yes, first question was basically on whether your net profit increase you can attribute it primarily to the improvement in tanker rates?

Mr. Shivakumar: Yes, that is absolutely correct. Most of the outperformance has come as a result of the tanker rate improvement, so that is one, because the oil field services business is mostly already fixed, so there is not much outperformance that come from there really. Your second question was on the Chinese currency action and what impact that could have, it is little early days, the potential impacts are let us say on the oil business, that oil becomes more expensive for Chinese consumers in Yuan terms and therefore they reduce consumption, but we do not know how that works and this 2-3% can be easily changed by small changes in tax, etcetera, we have seen it happen here as well. The one thing that could happen is that the exports of steel go up, but then that is subject to actions from importing countries with regard to duties, etcetera. So, it is a fairly complex picture and we will have to wait for the dust to settle and to see what else other countries do to react to this before we can really know what can be the impact. The third question was on reducing the exposure, what we are doing about our exposure to dry bulk. Yes, you may have seen that we sold one of our new building assets couple of days ago. That is one of the things that we are doing and yes, we have a little bit of a concern about the exposure that we have. We believe that currently the tanker market is looking better than the dry bulk market. We probably will need to do something about the reallocation of our capital where it can be better used especially if we think that this dry bulk problem is going to persist for a significant period of time and there is a concern about coal, where the use of coal in China is dropping and that is an important commodity for us. For the dry bulk trade if that goes off then we will have a little bit of a problem. So, yes we are looking at our exposure all the time and seeing what we need to do with it to see how best we can utilize the capital that we have.

Mr. Ramdas: Yes, thank you very much.

Mr. Shivakumar: So you asked also about the new building order book. So we have, after this ship we will take delivery of this ship sometime end of this month and deliver it to the new buyers after that. We still have our remaining order book which is one product tanker and three bulk carriers and as it stands we will be taking delivery of those ships.

Mr. Ramdas: Despite your objective to gradually reduce your exposure to dry bulk.

Mr. Shivakumar: Yes, we will be taking – the intention is to take delivery of those ships. As it stands today there is no option but to take delivery of the ships, we have a contractual commitment and we will keep to that contractual commitment.

Mr. Ramdas: Excuse me, when are they due to be delivered?

Mr. Shivakumar: From the middle of next year right through to very early in 2017.

Mr. Ramdas: Oh, that is quite still…

Mr. Shivakumar: Yes, next financial year basically and the product tanker will be delivered in January this year, in January 2016.

Mr. Ramdas: Okay, thank you very much.

Mr. Shivakumar: Thank you very much.

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

Mr. Vikram: Hi, very good morning sir.

Mr. Shivakumar: Good morning Vikram.

Mr. Vikram: I just need your comment on this asset price movement in offshore side and second is can you just repeat NAV.

Mr. Shivakumar: Yes, asset price movement in offshore side is really tough to call considering that there have been no transactions for similar assets for a long time, basically where market is extremely illiquid, illiquid in normal markets also and currently it is extremely illiquid, but we think as an estimate and this is based on what brokers tell us that they probably dropped about 10% in the last quarter and that is what we have priced into our net asset value for offshore supply vessels.

Mr. Vikram: And can you repeat sir NAV number?

Mr. Shivakumar: Yes, NAV number standalone is 341 and consolidated is 536.

Mr. Vikram: Okay and what is our assessment in terms of the absolute amount of scrapping we can expect basically in dry bulk side and tanker side?

Mr. Shivakumar: Dry bulk we have already had about 20 million deadweight scrapped in this year, maybe 21 and we will probably end this year at 30ish, we were hoping 40 but with this little spike in the market less people are going to be less inclined to scrap. We had gone down to scrapping 15-17 year old Capesizes and now that is not going to happen, but we think that we will still see 30 million deadweight of scrapping, hopefully it will be closer to 35 which is going to at least help the dry bulk market slightly. In tankers there is really no reason to scrap because they are earning lots of money, if you run them you should just keep running, we have just seen a 21-year old Suezmax tanker which in the market of three years ago might have been a scrap candidate being sold for further trading at twice the scrap value. So there is no reason to do any scrapping in tankers, if you can run the ship you should run the ship because you are making very decent money.

Mr. Vikram: In offshore side how much would be your revenue broadly from India?

Mr. Shivakumar: We are probably 70-75% from India , maybe 80 now with the four rigs working in India. So, large part of our revenue and 14 of our vessels, 13 or 14 of our vessels and all four rigs are working in India. So it is probably close to 80 now.

Mr. Vikram: Yes, that is it from my side, thank you sir.

Mr. Shivakumar: Thank you.

Moderator: Thank you sir. We have a next question from Pankaj Tanna, individual investor. Mr. Pankaj, please go ahead.

Mr. Pankaj: Good morning sir.

Mr. Shivakumar: Good morning.

Mr. Pankaj: I have three questions, two pertaining to offshore. What is our contract coverage for our four rigs, I mean the period in terms of years. We have four rigs, so what is the contract coverage for these four rigs in terms of rig years?

Mr. Shivakumar: Okay, that is between nine and ten years.

Mr. Pankaj: And with the drop in prices of assets, is our company considering entering the UDW sector, this Deep Water Drilling rigs sector in which ONGC is probably one of the only candidates taking in vessels for a period.

Mr. Shivakumar: Yes, you seem to be quite well informed on the oil field services market, yes ONGC is out with the tender for five floaters. They are not ultra deep water, they are made to deep water assets, so they do not want the 10,000 foot water depth type of rigs, but yes a lot of – if we can tie up something with a contract - it is fine. The problem with buying an old asset, lot of people have done this in the past, some of them have done well, some have come to grief that you buy an old asset which is close to scrap value, 15, 20, 30 million dollars and then you do a refurbishment and you get a contract. The problem is the technical risk associated with that, because when you open up the rig and do the refurbishment sometimes what you estimated at 50 goes up to 150 million dollars. So, we will be very cautious when looking at opportunities like that. Yes, our home market is offering us some opportunities, but we are not going to be rushing in there to take those contracts.

Mr. Pankaj: Okay, so I was not really referring to old equipment, I was talking in terms of the new 7.5-10,000 footers…

Mr. Shivakumar: Yes, those prices I think have not yet dropped to the extent that could justify what we think could be the rates awarded here.

Mr. Pankaj: And my next question is pertaining to your tankers, so what would be your coverage in terms of percentage, long term shipping for your tankers, if you could put some ballpark figure of your contract coverage for your tankers in terms of period and spot, how many are being spot and how many are on…

Mr. Shivakumar: Let us just take the next rolling 12 months, we are probably about 20% covered in tankers and we are happy with that because the spot market is so much stronger than the time charter market.

Mr. Pankaj: Just one last question, what will be the differential on a Suezmax or on an Aframax on a period vis-à-vis say a 24-month charter as against spot.

Mr. Shivakumar: So let me just put that – so because spot rates are very different from what they were say a month ago for a Suezmax. Today it is probably 25,000 bucks and a month ago it was probably 40,000 to 45,000. So, let us just look at last quarter's average. Last quarter's average was probably somewhere in the low 40s. The time charter rate, again there is a big bid offer spread, because ship owners expectations are substantially higher than what charters are willing to pay, but probably you could do a two-year deal in the 30, 31 type of range for a Suezmax tanker.

Mr. Pankaj: So just playing the devil's advocate, I mean having a two-year at $30,000 rate under your belt vis-à-vis a spot at just 40 sometimes and spot is at 20, you would not – a long term commitment for the larger part of our fleet be more…

Mr. Shivakumar: Yes, that is a very interesting question and it is something that we have an internal discussion about all the time. The one thing that you need to consider and that we always consider, it is nice to have that coverage. One is that when you do 40,000 bucks, of course you can work it out and you do 40,000 in a quarter or you do 40,000 in two quarters your breakeven on the remaining quarters comes down substantially, that is one thing, but that is just arithmetic and anybody can do that. The second thing is that we also like to time the sale and purchase market. So, when you put it on a time charter, when you put a ship on time charter you give up the option to sell, because it is nearly impossible to sell when you have a time charter on a ship. So that is the other thing that we consider. The third thing which is a factor outside really this decision, slightly outside this decision is that we have a lot of capital which is sitting and waiting to be invested meaning as a company we ourselves and we have not invested much in the last few years. With the result that we are probably – if you look at the amount of risk that we can take or the risk that we should take we are probably less than that, which is not an optimal situation. So, since we have not taken much risk on the balance sheet we believe that we should take more risk on the P&L account and considering our general outlook on the tanker market, we believe it is fine to keep these ships operating spot and we think that we will probably make more money. In any case we think we will make more money operating the ship spot based on our market view. The fixing on charter, yes it gives us some breathing space, but we think that it will not – at the end of the two years we think that we would probably make more money running them spot.

Mr. Pankaj: Okay fine, I mean it is something that you know better than anybody else. So we are just hedge our bets only 20% at the peak of the market. In a good market generally one would hedge it more

Mr. Shivakumar: Yes, this is a question that we ask ourselves very often.

Mr. Pankaj: And how much do you play – sorry, I think I will stop and we will let somebody else…

Mr. Shivakumar: No, you can ask questions, I think we have got the time, it is probably interesting for the other people listening it also, so go ahead.

Mr. Pankaj: On the Baltic you have got these trades that they do on forward shipping for tankers, does our company get involved in these derivative trades or we do we do any such transactions?

Mr. Shivakumar: In tankers actually the trades are very few and far between. The tanker market, the FFA market is not very liquid and you get into all kinds of basis risk when you do an FFA trade on a tanker, because their routes are standard routes and you may not be trading on those routes itself and some of the routes like West Africa to US, the standard Suezmax route is West Africa to US and West

Africa to US Suezmax is a route which has probably been dead for the last two to three years ever since the shale oil boom started. So, some of the routes are not necessarily indicative of what the market is and the second thing is that it is not very liquid. If you are going out to hedge ourselves we would probably rather do a time charter than do that, because then at least you are sure of the number that you are getting without the basis risk attached to an FFA.

Mr. Pankaj: When we are talking about offshore you think cabotage would help build ships and your requirements of ONGC, get a preferential treatment in case a company offers to buy something like that?

Mr. Shivakumar: Yes, it would be nice, but it does not seem to be anywhere on the horizon. Most oil companies in the world do that, so for instance Indonesia the most recent one to start that couple of years ago where they said that you have to fly an Indonesian flag to work offshore Indonesia for a supply vessel. So we have not moved in that direction, it would be nice if we could but it does not seem to be happening anytime soon. It does not even seem to be a proposal on the cards.

Mr. Pankaj: Does this asset values for your offshore rigs being fairly reasonable, won't it be the right time to approach when sale of equipment is available, I mean a 700 million dollar rig is available at 450 provided ONGC gives me a contract I would be interested.

Mr. Shivakumar: Yes, so that is right. There is some preference for Indians but not that much not to the extent that we see in other countries, but the good thing is that ONGC itself is taking assets in this kind of market which we think is a good thing for them to do and they are giving long term contracts thinking that they will be able to lock in assets at good rates at the current level.

Mr. Pankaj: Would disclosing our rig rates be confidential, the four rigs that are working for ONGC, what sort of day rates are they working at?

Mr. Shivakumar: We do not disclose the rates, we have three rigs working for ONGC and one working for a private operator in India, so we do not disclose those rates unfortunately.

Mr. Pankaj: Okay, no problem. With offshore all the rig operators disclose their rates on a month to month basis.

Mr. Shivakumar: Yes, that is right. We just do not do that.

Mr. Pankaj: Okay, anyway thanks a lot, all the best.

Mr. Shivakumar: Thank you.

Moderator: Thank you sir. We have a next question from Mr. Srivastav Venkat from UTI Asset Management. Mr. Srivastav, please go ahead.

Mr. Srivastav: Yes hi, good morning sir, congrats for a set of numbers. Sir, you said that the NAV for the tankers has more or less remained stable and has not gone up, so given the sharp rise in the rates does it make sense for us to now acquire some tankers at the current levels or still the return is still sub-optimal?

Mr. Shivakumar: Yes, good point. The tankers are probably marginally up in the quarter, but yes it is looking tempting, but there are not that many good candidates available. So, what happened is that market is in slight state of limbo, this is the asset value for a ship, but these do not necessarily happen around those values.

Mr. Srivastav: Okay, so which leads to my next question is that you will be generating good amount of cash in this current year even if the tanker cycle continues for say the next couple of quarters and your offshore is anyway pretty stable. So, what will be your capital allocation policy for the next 18 months, I mean will it be offshore or shipping or with which areas, any thoughts on that, because our cash generation will be very high for the next 18 months.

Mr. Shivakumar: I am not going to get into how much cash we will generate in the next 18 months, because that is based on what profitability we have. As I mentioned earlier we do not expect tanker rates to continue where the kind of performance we had in the first quarter. It has already come off, I mentioned earlier, the spot markets come off from where we were in the first quarter, but we expect them to remain reasonably strong and better than in the previous year, that is one thing, but yes we will be generating a reasonable amount of cash, we will be paying down debt, you know that we normally pay around about 160-170 million dollars of debt every year. So that will be paying in any case which creates, as you mentioned it creates an expansion capability. So, in terms of allocation one thing which is sort of unlikely, we have not decided and we do not have too many opportunities on the cards currently is that we do not think that we will be allocating any major funds to offshore. The problem is as I mentioned, utilization. If we can manage to tie up something with a contract we are happy to do that. We did that with one of the vessels, one vessel that we bought in the last quarter, but those unfortunately deals are tough to do and so we need a lot of stuff to fall in place before we can do that. if we can do something like that we are fine, we are not going to buy offshore assets on a spec basis, because utilization is such a problem, we do not want to buy and just stock, that is extremely unlikely. So, that is one thing on offshore and we still have this concern on what is going to happen to E&P budgets and what the market is going to do. In shipping yes, we have a lot of capacity by itself and let us see what we can manage to buy or order. Currently we are not finding anything which is very tempting, but hopefully we should manage to identify something in the next few quarters. Currently we have not found anything very tempting for purchase.

Mr. Srivastav: Just on the offshore side since this Iran market might open up, so do you see some kind of a rate improvement happening because a lot of rigs can get potentially deployed in that market?

Mr. Shivakumar: Yes, broadly on a very headline basis yes there should be additional demand for rigs because they have needed a lot of rigs in the last few years and they have not been able to get those rigs. Hopefully if that market opens up that is another demand for 10, 15, 20 jackups, we do not know the number. So, that is one thing, but again we will have to see how this sanctions thing plays out. I do not think, though the headlines have come, that the sanctions on the ground or the banks and the other market players are very comfortable with Iran exposure, at least the feedback we have got so far has been that. Let us see how that plays out, but broadly you are right, we should have a positive impact on the demand for offshore assets from Iran coming back into the market.

Mr. Srivastav: And sir, secondly you talked of a coverage of 14 years for offshore, so can you just break down in terms of various sub-assets there, for the next four, five years?

Mr. Shivakumar: Okay, the two contracts we got which are five-year contracts are on two anchor handlers. One small anchor handler and one larger anchor handler - that is two five-year contracts which is ten contract years. The other four, two are again for a small anchor handler.

Mr. Srivastav: So this excludes the rigs then.

Mr. Shivakumar: This excludes, this is just offshore supply vessel and the other two which we are talking about were both for the R class vessels which are the ROV support vessels which have got one year each of an extension. The MPSSVs which are the large high value assets will be coming off contract within the next few months. The rigs we got one extension, so we had a 12-month firm period, that has got extended by another two months.

Mr. Srivastav: And that will come up for renewal you said in Feb end.

Mr. Shivakumar: That is correct, if she comes off contract in Feb end there is a small option period but definitely by March end she has to go into another employment.

Mr. Srivastav: And sir on the dry bulk side, we have ordered for three new ships, so is there any mark to market currently that we may have to take when we take the delivery of those ships or they are more or less in line with what prices that we have ordered for?

Mr. Shivakumar: Now the asset market values are lower which is in our net asset value, so we take that also in our net asset value calculation. So the asset market values for those vessels are lower than our contract prices.

Mr. Srivastav: So that has already built in with a NAV that you talked of.

Mr. Shivakumar: Correct.

Mr. Srivastav: Okay fine, thanks a lot sir.

Mr. Shivakumar: Thank you very much.

Moderator: Thank you sir, we have a next question from Mr. Himanshu from M3 Investment. Mr. Himanshu, please go ahead.

Mr. Himanshu: Hello?

Mr. Shivakumar: Yes, good morning Himanshu.

Mr. Himanshu: Yes, good morning. Congrats on good set of numbers. I have a question on offshore side. So what we learnt or what we saw in shipping was as a strategy we wanted to have lesser number of assets in the falling market and shipping side. Will we like to have a similar expeditions for offshore support vessels and how many of the assets are currently in spot markets in offshore side?

Mr. Shivakumar: Okay, one the answer is yes we would like to have lesser number of assets going into falling market in our offshore. We managed to sell one asset, I forgot to mention this, we managed to sell one small anchor handler in the last quarter, but that was done after a great deal of – that deal took almost a year to finalize. So, as I mentioned the market is extremely illiquid, you cannot change your position, your long position in a hurry there. So you do not have too much of a choice if you want to reduce your exposure because the market is just illiquid. Second, we have no vessels operating on the spot market. We had one vessel which was in the spot market for a few months, that vessel is now being mobilized to start a five-year contract. She is going to come to India and start a five-year contract. So that is where we are on the offshore side.

Mr. Himanshu: What is the supply outlook for new offshore side, means we have seen very large cancellations and slippages in dry bulk, are we seeing similar amount of cancellations and slippages in offshore side and again in both rigs and the support vessels, so what is your view and your assessment here, can you just give a brief idea?

Mr. Shivakumar: Yes, unfortunately offshore shipping cancellations do not come to light themselves, do not come to light very easily, you just come to know afterwards that a ship did not get delivered, because a lot of companies just do not announce this. In offshore it is even less. So, you will just never come to know, the order book stays what it is, it is quite a solid order book for PSVs, not so much for anchor handlers. So at that stage we do not know how many of these are cancelled. We know a lot of vessels are – anecdotally we hear that a lot of vessels are being delivered and just sitting at the yard itself alongside. So they will tend to get delivered if they are at an advanced stage of construction, but they will just be waiting around waiting for contracts or waiting for somebody to sell that.

Mr. Himanshu: Are we seeing distress sales - yards selling and people not ready to take the assets in offshore side?

Mr. Shivakumar: Not really, we have not seen, again these are smaller yards typically which construct these and not very transparent in their reporting, so you do not hear the announcements. Again, in shipping you can have a lot of brokers who will send you a report saying this is available, that is available, but in offshore very little. So you just do not get to know.

Mr. Himanshu: Okay and one more question on the jackup rigs. We had a lot of orders to Chinese shipyard with nominal capital allocation in peak, so what is the sense we are getting, are those jackup rigs getting delivered and what is the outlook for let us say jackup rigs where our major asset allocation has been through like CY 15, 16, 17, generally what is your assessment, how much new deliveries will happen in that space?

Mr. Shivakumar: We think new deliveries will be less than we had originally feared. There was an order book at peak I think about six months ago the order book was about a 130-140 jackups. We think a large number of those will be delivered, so you may have close to a 100 being delivered, but they will be delivered late, a lot of the first time yards are delayed in delivering the rig, so they will come in late but they will come into the market. A lot of modern assets are – not lot of modern assets, quite a few modern assets are idling currently from very good operators, because there is just no work, so this is something that we have seen ourselves for one of our vessels which is coming off contract by end of this year, one of our supply vessels. The customer is very happy with our vessel, they are happy with the quality of operations, the quality of the vessel, etcetera, but we just do not have work. They said if we have work we would love to have your ship but we just do not have work because we are not going to start another new drilling program. So, that is what is happening, so even if you like the asset as an E&P operator you just do not have the work to give to the ship owner or the rig owner. So that is a problem which is there, there are quite a few rigs which are idling including a few modern ones, the older ones of course are suffering. What we would like to see is this market play out for some more time so that the older rigs get scrapped finally, the way they are happening in the floater market. We have seen at least 20-25 assets being scrapped and another 15 to 20 being stacked publicly in the sense that with announcements from the rig owners.

Mr. Himanshu: And the 100 rigs what we are expecting, so should we assume that these 100 rigs would be from – surely it was CY 15, CY 16, can we say till CY 18 the addition would be 100 rigs, because just extension or delays in deliveries, so should we see 100 delivery delays in CY…

Mr. Shivakumar: Yes, not quite 18, it will probably happen till 17 because there were not that many orders placed, from middle of last year there were not that many orders, all the orders got placed in 2013 and early 2014. So we do not think it will go all the way up to 18 but yes 16, 17 for jackup rigs, we have seen drill ships get delayed up to 2018, but not in the jackups.

Mr. Himanshu: Okay, one question was on tanker side, this new regulation for ballast water coming from January 2016, are our tankers fitted with the equipment and will we need to do dry docking in next six months?

Mr. Shivakumar: Yes, okay that is ballast water, yes there is a new regulation coming in. We do not need to do a special dry dock for that. What happens is that when you do the next dry dock after that date you have to fit in your ballast water treatment system. So it is an additional cost, few 100,000 dollars. If you want to continue trading in certain areas you have to have those fitted, but you do not have to do a special dry dock for that.

Mr. Himanshu: Okay and are our batches fitted with this facility or this equipment, so just wanted to know that.

Mr. Shivakumar: No, so the vessels are not fitted with that because it is a new convention which came in probably two years ago, so the new vessels that we have ordered in the last couple of years are fitted with ballast water treatment system, but the old assets do not have that. So they will need to be retrofitted, but it is not a problem really to retrofit, it is a cost of a few 100,000 dollars.

Mr. Himanshu: One question was on dry bulk side, so what type of fleet growth are you expecting let us say in CY 15, 16 and because we are seeing lot of slippages happening or let us say slippages or cancellations, are we seeing the order book getting extended to CY 17, just in general what sense you are getting from brokers and people?

Mr. Shivakumar: Yes, slippages are there, we have seen a couple of listed companies announce deferment of deliveries from early 2016 all the way up to 2018. Overall with all the slippages, we started off the year expecting 30-35% slippage in the year, so we will probably put the growth at somewhere between 2-3% for the year. The problem is on the demand side really because demand seems to be flat and Chinese demand is actually lower.

Mr. Himanshu: Our expectation is whatever upside what we have seen, let us say the doubling of BDI, it is not sustainable and that is why we are selling the assets, that should be our assumption what we are thinking there?

Mr. Shivakumar: See, the upside which happened to the BDI was mainly a Capesize driven one, we saw the Capesizes go up from 4,000-5,000 all the way up to 19,000 dollars, maybe 20 also. So that was not a Panamax, Kansamax driven one, so even the Panamaxes went up, the Panamax index also went up, so that is a separate matter altogether, so that is a different type of asset which drove the BDI. The concern that we have is that we may not make much of a return holding that vessel and therefore we like to get out of that and try to make a return on that money, reinvest that money somewhere else and make a return on it and again because of the outlook, we think that the one thing good which has happened because of this market is that ordering has dropped very substantially, you ordering is down to maybe a million deadweight in a quarter, in the last quarter, which is a good thing and if that sustains then hopefully you will – and also if you also have lots of scrapping maybe you lay the foundation for a market recovery sometime later on assuming that the trades stay strong. So, that is a big assumption because we have got used to the dry bulk trade growing at 4-5% per year for the last 10 plus years and sometimes at 7% also. If that changes then it puts a whole different picture on it.

Mr. Himanshu: And again increasing exposure to tanker markets, so we get through one in-charter, so would we be thinking of in-chartering more or we would be interested even in owning assets, so what is your view there?

Mr. Shivakumar: Yes, we are already interested in owning assets, but as I mentioned before on the chartering it is not an easy deal to do because as I mentioned there is a big gap between what charters expectations, so the bid and the offer from the ship owners. So, it is tough to find that price at which both will agree. So, that is the problem in doing these chartering deals these days. So, these are few and far between, we are happy with the one deal that we did, but there are not that many deals out there. We are happy to buy ships, as I mentioned earlier we think we are light on our balance sheet, we think we can expand some more, but it is all going to come down to what kind of ships and what price.

Mr. Himanshu: Okay, thank you so much and best of luck.

Mr. Shivakumar: Thank you Himanshu.

Moderator: Thank you sir, we have a next question from Mr. Pawan Nahar from Religare. Mr. Pawan, please go ahead.

Mr. Pawan: Actually thank you, I am done, sorry.

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

Mr. Ashish: Hi sir, good morning. Just want to understand on our consol NAV, how come it has gone up sequentially?

Mr. Shivakumar: If you take the profitability, so what has happened is that you had a drop in the value of the assets, however on the other side you have your PAT plus your depreciation which is coming in, you have to weigh that against your PAT and depreciation. So that makes up for what happened on the asset values in Greatship and therefore it has gone up to the similar amount as the standalone NAV went up.

Mr. Ashish: Okay, got it. Secondly, the strong comment that you have seen in shipping this time, is it safe to assume that it is partly also reflection of the strong rates in Feb and March and because you know given the way we account for and the current rates which have come off I would say quite sharply from the recent peak will kind of impact September at least in a big way versus the June quarter?

Mr. Shivakumar: No, actually rates stayed strong all the way up to sometime in July for the crude tankers and for the product tankers they are still strong, they are still at the high numbers that we saw in the last quarter. In fact in product tanker they probably got slightly negatively impacted because their incomings were probably lower than the pricings which happened in Q1.

Mr. Ashish: Sir, if I am seeing the right numbers then the peak rates at least on the crude side were still in the June month and since then they have not maybe gone back to those levels again on a full month basis.

Mr. Shivakumar: Yes, that is right. That is correct, so what happened is your June month what you mentioned about the voyages going to the next quarter, so June month pictures will come into the results of the September quarter.

Mr. Ashish: Okay, got it and sir just lastly, my key question is also around the strategy from here on, because on one side if you are not very keen to expand on dry bulk and on offshore as well and we are kind of riding these spot markets on the tanker side, historically we have had like 50% on time charter, is it not a right time to really move closer to that number at least on the tanker side and if not then I would have thought we should be really aggressively buying ships on tankers, because then we are basically taking a view that the spot market will either remain here or it will go up from here on. So, basically I just want to understand how we are thinking on this strategy.

Mr. Shivakumar: Yes, let me take your last bit first. The asset values ran up a little in advance of the charter rates. So, if you remember we had that little spike in the winter of 13-14 where suddenly asset values for let us say a ten-year old Suezmax tanker went up by 25% and it was maybe not overnight but within a space of a couple of months because we suddenly had a very strong Suezmax market earning 40-45 and I think even up to $50,000. So asset values have sort of stayed there, maybe gone up another 5-10% since then. So they are still pretty high even if you consider what we are expecting to play out over the next couple of years. So they are still a little bit high. So we always have in the back of our mind that you can easily go back to the values of 2013 and if a ship is added, lets say 15 million dollars in value since then you know that that could be given back in a couple of years' time; if it is 15, I am just giving 15 as a number. So, that 15 million dollars if you just spread it over a two-year period is 21-22,000 dollars a day and without any return on the capital and so you add in your, so 21-22 of EBITDA, so then you add in your opex etcetera, you are talking 30,000 dollars a day. So, it is not giving you that kind of return just buying, fixing and putting in a residual value, then you have to put in a residual value which is much higher. So, it is not yet making that much sense, yes asset values have not run up despite the – and the two-year charter rates for a Suezmax probably gone up by $4,000 a day between beginning of this year and now and it is not reflected in asset values really going up, but it still does not seem to make much sense when you put it on a piece of paper, because probably the asset value rates went up before the charter rates went up. So, it is always in the back of our mind that you could revert to the market of 2012-13 where asset values are that much lower.

Mr. Ashish: Sir, I take your point but my only concern there is that on asset value we have a view that at least there is some possibility it goes back to those levels. On an implicit basis we are thinking that even rates also in that case because asset value boon will not go down in isolation.

Mr. Shivakumar: So your question is - if you are not willing to buy at that level why are you holding at that level.

Mr. Ashish: Yes, precisely especially on the chartering side, not on the asset sale part…

Mr. Shivakumar: Correct, so yes I agree that is a little bit of a contradiction. It is just that since we have the position we are saying we will hold on to it. So we start off with I cannot buy the asset because it does not seem to make much sense to me and if I do not buy the asset I do not have enough risk, I am not taking enough risk, I am substantially below optimal on the amount of risk that I need to take and therefore I think let me take more risk on the charter market, yes on the spot versus time charter ratio, that is what we are doing. Again, it may or may not play out well, it has played out well so far over the last quarter, over the last four-five months, but finally you will know at the end of a year, two years because we had this very similar discussion last year when we were looking at 28-29,000 dollars as the fixing rate for a Suezmax tanker. It sort of turned out well so far, again it would have been wonderful if we had bought a ship at that time and just run a spot but again you cannot undo the past unfortunately, but we are very cognizant that buying for current yield is the worst possible thing, because you will get a wonderful current yield. If you buy today a ten-year old Suezmax tanker and you just fix out on charter in the 30,000 range, but we have done this in the past, in the good markets and we live to regret some of those decisions. So let us see, we need to find those asset values coming to slightly more reasonable levels, sometimes we will get bargains. Second thing is – okay I did not mention, we have not fixed any of our crude tankers in the recent past. In fact one has just come off contract and she has gone into the spot market, one of our Aframaxes, but we fixed a couple of our product tankers. So we fixed one LR1 for two years and we fixed one MR for one year. So we are taking a little bit of coverage where we think it is sort of justified, but again markets have gone up after we picked those assets also, but where we have got a lot of exposure we are taking a little bit of cover but the crude tankers really are the ones that give you the big upsides and downsides, so we are just playing for those.

Mr. Ashish: Sir, on the offshore side, just last question from my side, is on our rigs and MPSSVs can you just indicate where the rates today versus our contracted rates in terms of how much lower are they, the current spot market rates?

Mr. Shivakumar: The problem is you do not have a market benchmark. So I really do not have a number to give you, because there is no market benchmark that I can quote. In rigs, we probably had and again this is South-East Asia and this is based on a reported rate, we probably had a 25% drop in rates in the last 18 months on a modern jackup rig, but again we are a localized market and sometimes these rates drop earlier or later. I mentioned earlier that for 80-t Anchor Handlers in India for three-year contracts in ONGC, the rates had already dropped two to three years ago; they had already dropped by 25%, so there is not that much room for them to drop from where we are today. So those kind of things happen in individual markets, but this is just one pricing benchmark that you have where you can say that it has dropped about 25% in South-East Asia for a modern jackup rig. For the MPSSVs we just have no number at all. All we can compare is the North-East spot market, the North-East spot market is terrible, you make 5000 pounds, 4000 pounds and you make it at 60% utilization, it is not a number worth considering at all. Our ships were not on the spot market, our ship were on time charter.

Mr. Ashish: But is it possible to give some indication of where, let us say the whole of your offshore fleet based upon the scheduled renewal of contracts, how much lower are the rates…

Mr. Shivakumar: So the last re-pricing which we have done, so we did a few re-pricing in the last, I mentioned that we did some extensions, some new contracts, the last re-pricing have all been in the range of 10%, 10% down…max 15 but it is closer to 10 than 15 on average.

Mr. Ashish: Okay sir, that has been very helpful, thank you and best of luck.

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

Mr. Pratik: Yes, good afternoon sir.

Mr. Shivakumar: Hi Pratik.

Mr. Pratik: Sir, one question is you mentioned in your opening remarks that there is a 10% reduction in the asset prices for offshore segment, is it sequentially or…

Mr. Shivakumar: Sequentially, from March to June approximately 10% offshore vessels, not rigs.

Mr. Pratik: I just wanted to understand from the rigs part.

Mr. Shivakumar: Rigs, there is no change really and again, so you have these levels of liquidity, you have shipping most liquid, you have offshore vessels much less liquid and rigs least liquid. So, we are already in the realm of guesswork with regard to the offshore vessels and if you start putting a number on the rigs on what has happened it will be outright gambling.

Mr. Pratik: Understood sir, but considering the current scenario and the cuts which are happening in E&P any distressed asset sales which would optically look…

Mr. Shivakumar: That is the problem, so if we had a sale then we would use that as a benchmark, there have been no transactions and I cannot remember the last modern rig I saw sold. Okay, the next thing is you could also have, because second-hand market anyway has not been much for rigs, but let us say you had an order placed, so let us say somebody ordered a check (inaudible) (1:02:15) and there is a number there on the order value, we do not even have that number, because we have not seen any publicly announced orders in the recent year, at least not for the last few quarters.

Mr. Pratik: So I am just saying the tendering activity has gone down, so the rigs are lying idle as in…

Mr. Shivakumar: That is correct, so there are quite a few modern rigs which are idle in South-East Asia which have finished their contracts, they had one year contract, two year contracts and they are idle. So you can – in fact some of the US listed companies gave a fleet status report, you can see it on that as well that they have got a few idle rigs. So utilization is probably at 70-75% for deep water rigs and probably 75% for jackup rigs. Probably 85-90 for modern jackups, but probably it is below 70% for old jackups, but modern jackups are also struggling because there is just no demand, they probably will get first bite of the cherry if there is a business, but there is unfortunately just no business.

Mr. Pratik: Have the day rates collapsed sir?

Mr. Shivakumar: In re-pricings we have South-East Asia benchmark which is probably 25% down. There is one transaction which they are talking of being 30% plus lower than the last pricing, but we are not sure about the way they have calculated that, but it is about 25% down in the last year to 18 months.

Mr. Pratik: So when you say 25% down what was the benchmark earlier?

Mr. Shivakumar: We are talking of South-East Asia at about a 130, 135 and we are talking of about a 100,000.

Mr. Pratik: Sir, this would be modern jackup?

Mr. Shivakumar: Yes, the modern jackups, but again none of these get reported officially, so these are again from reports, unofficial reports, etcetera, but we have a tender which is going on now for modern jackups in the ONGC, so let us see what happens to that one.

Mr. Pratik: And sir, I am assuming even in this ONGC tender which is ongoing the rates would come down, I mean there is no chance that the rates would stay where they are, right?

Mr. Shivakumar: Yes, I will be surprised if rates stay where they are, if they stay at the last fixed rates, I will be very surprised.

Mr. Pratik: Sir, second question was on the capital deployment. My understanding was that we are past the heavy capex phase, so just wanted to understand you mentioned something about tweaking your capital, that was more to do with changing the fleet structure?

Mr. Shivakumar: That is correct, that is more in shipping than offshore, with offshore you do not have much choice in any case, you have set of assets, you can add to those assets, you cannot choose when to reduce those assets. So that is more on shipping that we tried to decide because you have free option of deciding on what kind of ships you would like to…

Mr. Pratik: And sir, given the strong cash generation potential which would be there this year and next year because of rigs being contracted, what do you do of the excess cash, you just send in the balance sheet, is that a fair understanding?

Mr. Shivakumar: That is correct, we paid on debt. So it creates capacity for the future, so when we get the opportunity to buy again we can re-level.

Mr. Pratik: Any asset classes where you are looking at buying?

Mr. Shivakumar: In oil field services or what?

Mr. Pratik: Both the segments sir, shipping, oil field.

Mr. Shivakumar: Oil field services not so much, dry bulk not so much, in shipping it depends on the price as we are not finding those prices currently.

Mr. Pratik: Thank you so much for answering my questions.

Mr. Shivakumar: Thank you Pratik.

Moderator: Thank you sir. We have a next question from Mr. Vikas from Franklin, Mr. Vikas please go ahead.

Mr. Vikas: Hi Shiv, Vikas here. Just one last question, most of them have been answered. What happens to the rigs which have been contracted with these yards at 10% down payment? So do they get honored, would they get cancelled, would they just stay with them and nothing happens and people forget about it?

Mr. Shivakumar: Yes, now the structure of this matters. So, if it is a subsidiary of Great Eastern Shipping and let us say it has a Great Eastern Shipping guarantee, with or without a Great Eastern Shipping guarantee. You cannot walk because if it is with a guarantee they can come after you and the ownership company has the resources to pay for it or has the assets that can be attacked. If it is an SPC which is set up by a speculator which has no parentage, which is the case in a lot of these companies, the yard has nothing and no option but to write it off as a loss and try to sell it. Unfortunately, they are in a position where they cannot sell it and the guy who has ordered it on a speculative basis can certainly not take delivery, they will not get funding. Even for an established player to get funding without a contract is difficult. Banks are really looking very closely at offshore exposures these days and they are looking for contract coverage or they are looking for strong parentage. So, the speculators are not going to be able to take delivery of this. I do not think there are established companies which are looking to buy re-sales because there is just no work to be done and you do not buy it like a commodity that you can do in shipping, you just buy it say it is cheap, I will get a 9-10% bump in price next year and till then I will just run it at opex, you just cannot do that in offshore, because the cost of stacking the rig is going to be quite a large number. So, the yard will presumably construct it if it is in an advanced stage of construction and hopefully not repeat the 10/90 structure in future.

Mr. Vikas: Of the 180 odd rates in the order book, how many would you classify as speculative?

Mr. Shivakumar: We had that number, somebody has done that analysis. There are about 130 jackups in the order book. The deep water rigs generally get ordered by established companies even if they may be somewhat stressed on the balance sheet, at least they are established, but the speculators really got into the jackup rig segment because the other thing is that the deep water rigs are constructed at the major yards and the major yards will not deal with these speculators without guarantees which they are just not able to put up. So probably 30-40 rigs out of 130 would probably be by the speculators. Some of the established companies have gone out and discussed with the yards and got postponements on the deliveries as well by a year, two years, which you can do if the construction has not yet started seriously, but speculator rigs are 30-40 and it depends on the progress of the project. If it is close to completion it is going to come and if they have not started construction on it good for them.

Mr. Vikas: And just the Korean yards, some of the major ones also, I mean in the last couple of quarters have really declared horrible numbers and also declared a lot of receivables issues, part of them would come from the offshore side, so what explains it? You are saying that most of the big guys would order on these Samsungs and the Hyundais of the world and they would not default, but still these yards are facing massive crunches, so is it just a timing issue or there would be a default event in some cases as well?

Mr. Shivakumar: Two things, it is probably a timing issue with some of the established players, they have asked for a deferral, etcetera of the delivery. So they just said that we know it is due for delivery in the next four months, but can you just make that delivery end of 2016, something like that. That is one thing, so it is a timing thing. Second is, I know that the offshore segment has got bad press for having caused a lot of losses at these major Korean yards, but it may not be really all these ultra deep water drill ships, etcetera, there are also other offshore structures that they do including the famous FLNG and some of these things are – because these are more established things, the drill ships, etcetera are the more established things and they could have made losses when they entered that business eight, ten years ago, but I do not see any reason why they are making so much losses on building a drill ship today, unless they just got the project completely wrong. It is probably other offshore structures as well where they have lost money and not just on these drill ships. So that is the two things really that I have on the Korean yards and their offshore.

Mr. Vikas: Just on the Kansamax that you sold, is it fair to assume that it would have been sold at a loss versus the contract price?

Mr. Shivakumar: That is correct.

Mr. Vikas: Okay and the profit that we have shown this quarter is related to the anchor handler?

Mr. Shivakumar: That is correct, we did not sell any ships in the quarter, so it is the anchor handler.

Mr. Vikas: Okay, thanks Shiv.

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

Mr. Bhavin: Sir, just a couple of questions. One, sir from the initial commentary it seems you think that the rates would come off and they have started coming off in the crude segment, but if I were to look at the 20 years history, the month of August tends to be lower than the month of July and September tends to be lower than the month of August as well and then if things bottom out in the winter the rates pick up, so you think even in winter the rates will be softer than what they currently are?

Mr. Shivakumar: Okay, now to comment about the winter is still far away when the market is changing on a weekly basis, but one thing which really drove and I do not know if I mentioned it earlier, one thing that really drove the high rates in the last quarter was refinery throughputs. Everybody postponed maintenance because the refinery margins were so high. So, what is happening now is that you have to go through your refinery maintenance and turnaround, so it has got postponed to this quarter and therefore you have less crude being transported, so that is one factor. Second is that we have had a lot of stocking which happened in the first six months of this year which also added to the demand. I do not know how long that can last, the stocking up activity especially considering that we have seen it go down to 45 all the way back up to high 60s and then back down to 45. So, whether they are as enthusiastic about the stocking up because of the perceived cheap price, I do not know now that it has come back to the old lows. So those are the two things which are sort of uncertainties, in any case we have seen the refinery turnarounds happening now or we are seeing them happening now and that is one of the explanations we have for the low rates currently, but in the winter yes we should have better markets than they are in August and September, but let us see that. I just want to highlight that last quarter was a banner quarter; Suezmax has earned little more than $40,000 a day, which has not been seen for a long time.

Mr. Bhavin: Because I see the time charter rates even in the current week seem to be improving week on week, so I was just – your commentary I could not reconcile, so that is what…

Mr. Shivakumar: Yes, the time charter rates are – you do not see that many deals getting done unfortunately. We see very few deals getting done because the rate ideas of owners and charters are so far apart, there is a 10-15% bid offer spread.

Mr. Bhavin: Sure sir. The second thing is on the Kamsarmax vessel that we sold and you said we have booked a loss, did we book a loss even after the currency depreciation impact, I mean even after that it is out of the money?

Mr. Shivakumar: Yes, because we have not paid much of it, right? The majority of the payment actually goes on delivery, so it is only on that small part of the payment which has already been made that we have a currency benefit.

Mr. Bhavin: Okay, got it. Just on the initial comments on the demand reduction on the coal front of I think you mentioned 55 million tons of reduced demands, so roughly could you give us a sense as to how many – what it would mean in terms of million DWT in terms of demand going out?

Mr. Shivakumar: Okay, good point. We can do that, so we have – so your standard haul on coal would probably be 35 to 40 days. So, a ship can typically do – and these are mainly the Panamax & Kamsarmax So, a ship can typically do eight voyages in a year and one of these ships will carry 70,000 tons. So, each ship does about half a million tons excess taken. So that is 100 ships less that you require if my workings are correct, which is – wow that is a lot of ships, now that is 7 million deadweight or 8 million deadweight of Kansamax if you take a 100 ships. So that is 1% of the fleet really. So you have 4.5-5 billion tons per year of trade. Again this 55 is for a half year, so actually the effect will be doubled if it continues, but the one thing is that both iron ore and coal imports turned around slightly in July, I do not know if it is some other impact, but they turned around slightly in July.

Mr. Bhavin: Sir, one final thing on the derivative losses of 800 crore which are there on the balance sheet, when does the bulk of that crystallize and how will it be accounted for?

Mr. Shivakumar: FY 20 we have not figured out the accounting yet, because now IFRS kicks in, because it will be under a new accounting standard. So, hopefully within the next six to nine months we should figure that out before we start off on IFRS because that is compulsory from next year, but most of it is in FY 20 and a little bit a year or two before, a little bit a year or two after.

Mr. Bhavin: Sure, but there should not be any cash flow impact on this or will there be any cash flow impact?

Mr. Shivakumar: There will be a cash flow impact as well, because you will have to settle that derivative. It will not be the full amount, because some of it was related to the interest rate swap, so that will not exist at the time of the maturity of the transaction. It is only the exchange rate impact which will exist.

Mr. Bhavin: And bulk of it was exchange rate or…

Mr. Shivakumar: A large part of it is exchange rates, so take about two-thirds of it being exchange rate.

Mr. Bhavin: Right, that is about it sir, thank you so much.

Mr. Shivakumar: Thank you Bhavin.

Moderator: Thank you sir. Ladies and gentlemen, for any further questions please press * and 1 on your phone.

Mr. Shivakumar: I think we have no further questions, so we can close the call.

Moderator: Certainly sir.

Mr. Shivakumar: Thank you very much everyone for attending the call and for your questions to us. As always, the transcript will be uploaded on to our website within the next few days and if you have any other questions please feel free to contact our Investor Relations Team. Thank you very much.

Moderator: Thank you sir.