"The Great Eastern Shipping Company Limited Earnings Conference Call on the Declaration of its Financial Results for the Quarter Ended June 30th, 2016"

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MANAGEMENT: **MR. G SHIVAKUMAR -- EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER, GREAT EASTERN SHIPPING COMPANY LIMITED**
MS. ANJALI KUMAR – HEAD OF CORPORATE COMMUNICATIONS, GREAT EASTERN SHIPPING COMPANY LIMITED

Moderator: Ladies and Gentlemen, Good Day and thank you for standing by. Welcome to the Great Eastern Shipping Limited Earnings Conference Call on the Declaration of its Financial Results for the Quarter Ended June 30, 2016. As a reminder, all participant lines will be in a listen-only mode. Should you need assistance during the conference call, please signal an operator by entering "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. Later we will conduct a question-and-answer session. At that time if you have a question please enter "*" and "1".

I now hand the conference over to Ms. Anjali Kumar -- Head of Corporate Communications at the Great Eastern Shipping Company Limited to start the proceedings. Thank you and over to you, Ms. Kumar.

Anjali Kumar: Thank you very much. Good afternoon, ladies and gentlemen, and welcome again to the conference call for our Q1 results. The results were out yesterday. So I am hoping all of you had reasonable time to look at it.

So without much ado, I would like to hand over to our Chief Financial Officer -- Mr. G Shivakumar to take it further.

G Shivakumar: Hi. Good afternoon everyone and welcome to the conference call for the First Quarter of 2016-2017. As always, I will start off with giving an update on what the markets have been doing and then we will throw the floor open for questions. So the first thing that we look at is the tanker markets. They were reasonably firm in this quarter, though much weaker than the previous quarter. So the first quarter of the calendar year was quite strong but that weakened going into the second quarter of calendar 2016, our first quarter and after that they have dropped further.

So markets currently as we speak across all vessel types are quite weak except for one small segment which is the LR 2 which is the product tanker segment. And though the product demand has been quite strong oil demand which is running at about 1.4 million barrels per day -- 1.5 million barrels per day according to some reports the fleet growth began to overwhelm. The crude tanker fleet grew by about 2.7% in the half while the product fleet grew by almost 4% in the half year. So we are talking of annual run rates of 5.5% and 7.5% which is very high growth rates. So that is why we have had rates coming off despite quite healthy demand for oil. In addition to having a high fleet growth we have had low refining margins which are resulting in significant cutbacks in refinery runs over the last three months to four months leading to slower demand growth for both crude and product tankers.

Moving to LPG, the LPG carrier earnings, which in the previous quarter had already come off from their stratospheric levels of 2015, have been seriously hit during the last quarter. The fleet has grown by about 17% in the first-half of 2016. That is a spectacular number. That is not

17% annualized. It is 17% absolute in a six-month period. And in the last 12 months the fleet has grown by 35%. This fleet growth was of course anticipated but even a healthy year-on-year growth in U.S. exports could not absorb this capacity. Again, there is some worry with the shale boom tapering off and shale production tapering off that LPG product availability for export from the U.S. might actually slow down. So there is some worry about the future of the LPG tanker market.

U.S. crude oil production looking at what is happening to crude and to trade data U.S. crude production dropped by about 400 KBD in the first-half of the calendar year and this resulted in an increase of about 600 KBD in imports and Chinese imports were also strong and they moved up by almost 1 million barrels per day in the half that is on a year-on-year basis. However, in both cases imports in Q2 were flat on the immediate preceding quarter on Q1 mainly due to refinery runs dropping significantly. I mentioned earlier about this refining runs factor and that is probably what led to the market weakening significantly in Q2 of the calendar year.

Dry bulk has continued to be very depressed though it bounced off the historic lows seen in the previous quarter. I had mentioned in the last call that we were seeing a little bit of a bright spot in April and we have seen iron ore imports into China has been better than expected at the start of the year, they have grown about 40 million tonnes year on year in H1 of 2016 and overall dry bulk imports into China grew by about 55 million tonnes to 56 million tonnes. And minimal fleet growth of about 1% was seen in the first-half but the pace of scrapping has slowed down significantly in the second quarter we hope that this will be picking up after the monsoon season in the Indian subcontinent and that we will see a fleet growth of not more than 1% to 2%.

The dry bulk order book is down to about 14% of the existing fleet. The order book for crude is at about 18% and for product tankers it is at about 13%.

And the good news is that there is little or no ordering for any ship type. So whether it is a bulk carrier or a product tanker or a crude tanker, even an offshore asset and especially for offshore assets given how that market is there has just been no ordering at all for the first six months of this year there was only one big dry bulk order but that was an order from a mining company, which ordered those VLOCs.

So in sale and purchase activity, our press release has a lot of items listed we have had a busy time over the last few months. We contracted in the last quarter for purchase after our last discussions our last con call we contracted for purchase of one second hand capsize bulk carrier and one second hand MR tanker and we have taken delivery of both in July - August this year.

Speaking of offshore, the picture has not changed much since the last time we spoke. E&P spending continues to be very challenged. We are talking about a 25% drop in E&P spending on the back of a 25% cut last year. Utilization levels continue to be terrible, utilization is now estimated at below 60% for drilling rigs and about 50% for supply vessels.

And one small sign and a very- very small sign of hope is that the pace of increase in number of idling assets has slowed down, there are still more assets idling every quarter we can see that we have added some more to that list but at least the rate of increase of those idling vessels has come down. At some point we hope that it will be zero on an incremental basis and that market will start to turn but there is no signs of that happening yet.

Many large and very significant players in the offshore space are making losses because of the utilization problems. A few players and a few significant players are already in financial distress, a couple have already filed for bankruptcy so, there is a lot of stress in the offshore segment.

So, in the quarter, thanks to our superior operational capability the relationships that we have maintained with our customers and the delivery of our services thanks to that we have been able to win work for two vessels in international markets. So that eases the pressure on utilization a little bit.

The net asset value on a standalone basis has dropped during the quarter from Rs. 337 to Rs. 317. Tankers values for second hand ships are down between 10% and 20% reflecting the worsening outlook and the weakening spot markets. Dry bulk values with, on the back of the bounce that we had in freight rates in the last quarter have moved up by about 10% but this is on a very low base and that forms less than 25% of our fleet value. So, we still have a drop of about Rs. 20 in our net asset value during the quarter, this is on a standalone basis.

On a consolidated basis, we continue to have a problem with the valuations of the offshore assets. So, we are unable to make any reasonable estimate of what the offshore fleet is worth because of the kind of the ranges that we're getting from the brokers for the valuation of our assets.

The balance sheet continues to be strong. Our net debt standalone is at around $150 million and consolidated is under $400 million. So we are reasonably positioned for the weak markets and we are talking about all asset types going through a challenging time in the next few quarters at least and we are well positioned.

As I mentioned earlier, we have bought two assets already. We will see these as buying opportunities at the right price and we will look to invest. And we have the capability to invest because our balance sheet is reasonably light.

A couple of changes, this is the first quarter where we are presenting our results under the new accounting standards under the IndAS. So a couple of significant changes which are there. Of course, we have given the reconciliation as well of it in our stock exchange release. One is that we have written down the value of our fleet to the lower of book or market value as on the transition date which was 31 March, 2015. The second is, that in keeping with the international accounting practice, the dry docking cost will be capitalized to the ship and written off over the period till the next dry dock and several times we had this question about how many dry docks there were? Because that hits the P&L and makes it a little lumpy that will now in accordance with international accounting standards be amortized over the period until the next dry dock. So that smooth's it a little bit.

The next impact that we have is that the swops that we have on our rupee debt which were previously going to the hedging reserve will no longer be taken under hedge accounting and the incremental mark-to-market will be expensed out in every quarter.

So, I hope that explains the major changes that we have in our accounting practices between old Indian GAAP and IndAS.

We are happy to take questions now on the market and I now throw the floor open to all of you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. We have the first question from the line of Bhavin Gandhi from Batlivala and Karani Securities. Please go ahead.

Bhavin Gandhi: Just a couple of questions. Sir, to start with can you explain the sharp improvement that we have seen on the offshore side? Now, other than the impairment that we took last time around in the fourth quarter operationally have things been better than the last quarter in terms of vessels operating more vessels operating that have been idling in the last quarter?

G Shivakumar: You are talking sequential?

Bhavin Gandhi: Sequentially, yes.

G Shivakumar: Yes, we had a rig which was between contracts in the last quarter that was in Q4 FY 2016. That rig has gone on hire at I think, at very end of the quarter of Q4 and that rig has been working for the full Q. Operationally that is the one improvement which is there and that is a significant improvement because she had more than almost two months of downtime between contracts, but it is preparing for the next contract.

Bhavin Gandhi: And the other thing that I wanted to check with you if you can just highlight in the ROCs based on the current asset price of five-year asset values and the current charter rate what kind of ROCs would you see across segments?

G Shivakumar: Yes, okay, So let us go one by one, right. So bulk carriers, ROCE is negative. So I am looking at it from one-year time charter rates. So, ROCE will be negative. Yes, it is zero, not negative but zero and I think for the smaller bulk carriers it will be similar yes, that is right. So it will be zero plus minus 2%, let us say. So you take crude tankers, so let us take a Suezmax tanker right so that is probably worth about $40 million to $43 million now and charter rates again, charter rates it is really tough to estimate these days because not many deals are getting done but you would still have a positive, a marginal positive, on charter yes, you probably have a 3% - 4% max. And coming to product tankers, so take an MR product tanker, you will probably have a 4% - 5% positive ROCE.

Bhavin Gandhi: Sure. And this is all based on the current one year TCs, right?

G Shivakumar: Current one-year TC rates.

Moderator: Thank you. We have the next question from the line of Himanshu Upadhyay from DHFL Pramerica. Please go ahead.

Himanshu Upadhyay: I had a question. On MR side, how would the prices have reacted let us say on second hand side so let us say six months and one year and the way the things are would we be more keen on MR only because the way the ROCs in previous question you replied which still is positive and there are still charter rates visible. So, would that be the most interesting segment for you? How the prices would have increased or decreased let us say one ship what we bought in December and one what we bought recently?

Himanshu Upadhyay: So the prices in the last one year have probably for modern MR, have probably come down by 20 so close to 20%. In the last six months probably that is 15% for modern MR's 10% to 15% for modern MR's.

Himanshu Upadhyay: Modern MR's are before 2010 or means….

G Shivakumar: Yes, five-year-old, I am taking five-year-old as a benchmark for this, okay. And so, they have dropped off along with everything else along with all other asset types. With regard to your question about whether that is the most attractive, it is certainly attractive, it is probably currently at yes, it is close to the lows that we have seen it is not far off from the lows that we have seen in the last 15 years - 20 years so, it is quite attractive but a lot of assets. So bulk carriers are still below the previous lows of the last 20 years even after the bounce. Now, we are not really too fused about this current yield business. So, this is not a big driving factor for us and what is it that gives us a positive ROC because that is just currently. You need to look at what is going to happen when the market recovers how much return can you make on that. So for instance on a capsize bulk carrier five year old or take a Panamax bulk carrier, Kamsarmax bulker five year old is probably valued at $14 million to $15 million and two years ago two and half years ago these ships would have been valued at closer to $30 million, okay. If you get a recovery you will make a lot of money on a bulk carrier though you will not get a current yield for now. You will be sitting on zero current yield but if the market recovers, you will make a big return on an IRR basis so long as you have the holding power for it. So if you would do it highly leveraged you have a problem, because you would not be able to meet debt repayments from current charter rates. So, based on the current yield, last year we would have bought lots of tankers and we would have come to grief. We would have bought in fact not just tankers we would have bought gas carrier because that was the wonderful current yield last year but those have dropped 30% to 40% in value may be 40% from a year ago. So, it is not a big a big factor for us. Yes, if we look at it but we do not buy based on current yield.

Himanshu Upadhyay: Okay. And what would be your view on the off shore side the way the cash it generates and would we like to further trim down the assets or what would be the just your, or purchase assets or pay down the debt on that side so, just some idea on offshore, what would be the strategy going there? And how many of our assets have to be around means spot market out without any charter let us say…

G Shivakumar: Yes, we need to find work for six vessels by the end of this financial year and we also have one rig coming off contract by the end of this financial year. So those are the assets for which we have to find work. So that is first one question. The next is what our strategy is, our strategy is that we are focusing on getting utilizations up for our fleet so, we need to find work for them. Obviously, the margins are nowhere near where they used to be even one and half to two years ago. Therefore, we cannot expect those levels of profitability on new contracts but the idea is to get employment for these vessels. It is going to be a tough time in the market, may be for a year, may be for two, may be for longer we do not know how long this downturn will last. But the idea is for us to get utilization. As regards selling, etc., there is a point beyond which we will say it does not make sense to sell we would rather hold the asset so, it depends on the price that we get. We have the same approach to shipping if we get offered a price at which it makes sense for us to sell, we will sell. Paying down debt, yes, we are not looking to do any major expansion because we already have a fairly big exposure. So we need to consolidate and manage that exposure first before we think of doing any significant expansion. So we are not looking to do any major expansion in offshore.

Himanshu Upadhyay: So would we like to transfer dividends or let us say preferential share early redemption of shares what we have at subsidiary level from GE Shipping or would we like to store cash in that….

G Shivakumar: That is within the Group, it does not add much value either way for within the Group, it is a wholly owned subsidiary. I do not think it makes that much of a difference whether they redeem, preference early, late, it does not make a difference really to what happens to at the Great Eastern level at a consolidated level, right.

Himanshu Upadhyay: Yes, the only thing is, it seems the more expansion will happen on the Great Eastern side and the cash requirement at the Great Eastern or the let us say the better opportunities at Great Eastern side.

G Shivakumar: Yes, but we have enough capability to raise cash in Great Eastern Shipping for our requirements. So, yes, that money is sitting in Great Ship, but there is a lot more money sitting in Great Eastern Shipping itself and you would have seen that we have $400 million to $450 million in Great Eastern Shipping itself. So, that is low on our list of priorities to take money back from Great Ship.

Moderator: Thank you. We have the next question from the line of Chris Noronha, an Individual Investor. Please go ahead.

Chris Noronha: This is Chris Noronha. I just had a question and was wondering if you could elaborate obviously your strategy is to use available cash to pick up assets at extremely competitive prices which would benefit you in the long-term. I was wondering if you could elaborate and you indicated also that would be your strategy going forward. Could you give us an idea of the time scale at which you would let demand catch-up with your capacity, and utilize cash for other business purposes?

G Shivakumar: I did not quite understand that question, but I will try to answer it as best as I can. Yes, you have described our strategy quite well we want to utilize our cash we want to utilize our borrowing capability to invest in the market when prices are very low. So that is, yes, the answer to that is yes we will and we have done quite a bit of CAPEX commitment in the last three to four months since April so that part is playing out already. We will look to make more investments at the right price. But I did not quite get the next part of your question. Again, we will borrow if the question you are asking is whether we will borrow from the market or just use our existing cash.

Chris Noronha: No, my basic question is a bit more general that that at what point would you say that you would sort of stop this strategy and let demand catch up with your capacity. Obviously, your capacity is significantly higher than what the demand is at present.

G Shivakumar: So you are referring to the shipping business I presume.

Chris Noronha: Yes.

G Shivakumar: Yes, okay. In the absence of a crystal ball, we cannot time it ideally we would like to time our expansion just before the recovery happens and just before all the surplus capacity gets absorbed. But since we do not know when that will happen and what could trigger that we will invest through the bottom of the cycle and we would not invest all our money at one time we will invest gradually and we will at some point we will I would not say run out of money we will reach a level where we say that we do not want to leverage more and we will stop at that time and we will just wait for the recovery there is no number to that what you asking is what is the amount that you can spend or what is the number of ships that you will buy there is no number in that. And there is no time limit either for these buying that we can do.

Chris Noronha: Okay. Could you give us an idea of what your CAPEX plans are for the next I would say, nine months?

G Shivakumar: We have committed CAPEX which is for two bulk carriers that is about all that we have committed but we could go out and buy a secondhand ship or a resale ship next week. So we have commitments and the plans are depending on what opportunities come along so we have not put down saying that this is what we would like to buy next month or in the next six months so we do not know when it will happen. We know that there we have in our mind certain price targets at which we think we should be able to buy and we will wait for those price targets to come and execute at those numbers and we do not know which one will come first or when they will come.

Chris Noronha: What is the committed CAPEX in dollar value?

G Shivakumar: **I**t is two ships and that would be about $50 million.

Chris Noronha: Okay. I recently read in the newspapers in one of the shipping industry magazines and also in the Indian newspapers that the government of India is working with ONGC in increasing capital use of offshore assets and presumably GE Shipping will be first in line in terms of that policy.

G.Shivakumar: We do not know we hope to be first. One is, we hope that yes, ONGC will start investing more in exploration, etc. We do not know I have not seen this article and we see these sometimes but I have not seen this recently and we do hope that as one of the premier service providers to ONGC that we will be there to win any business opportunities that come up.

Moderator: Thank you. We have the next question from the line of Bhavin Gandhi from Batlivala and Karani Securities. Please go ahead.

Bhavin Gandhi: Sir, the seven re-pricing or the six OSV re-pricing that we are looking at during the course of the year, could you give us some sense as to what kind of charter rates you would be comfortable in a sense that even if whether you would be looking to lock up these assets at marginal profitability or there is some profitability in mind or just want to deploy the assets even if it is not accreting in terms of incremental contribution at the bottom-line level?

G Shivakumar: Yes, Bhavin, I am not going to discuss our pricing strategy here but the intention is to get utilization as I mentioned earlier. However, yes, the question you asked is a legitimate one it will be, get utilization at a reasonable level we are not going to throw away these assets these are good modern assets And they deserve to get compensated at a decent level so we are not going to go and take contracts at suicidal levels there is no point doing that. So yes, we will look to get utilization but it has to be at a reasonable number.

Bhavin Gandhi: And also will you be more comfortable locking in assets for a shorter duration or time is not time horizon is nothing…

G Shivakumar: Yes, unfortunately there is not much choice that we have in the matter unlike in shipping. So you can go ahead in shipping and say I want to fix the ship for one year, two year, three year whatever. Again, you may not get takers but in offshore the customer decides the period for which they need the asset.

Bhavin Gandhi: Sure. And, sir, if I just look at the consolidated results of Great Ship, are we also getting some OPEX savings in this current environment?

G Shivakumar: Yes, we are, we have significant operating expense savings we had some last year as well. So last year was better than the previous year, this year is so far lower than the last year.

Bhavin Gandhi: Is it possible to quantify roughly what percentage savings would you be having on the assets now in this environment vis-à-vis let us say last year?

G Shivakumar: Yes, I think we probably be 10% in both years.

Moderator: Thank you. We have the next question from the line of John Mathai from Bloomberg. Please go ahead.

John Mathai: I just wanted to check, the last time we spoke about floating storage what is your view now, are you still seeing a lot of floating storage?

G Shivakumar: There is generally a level of floating storage which is there at all points in time. That is cargos, which cannot be sold for various reasons. Sometimes it happens on a commercial basis, which is just somebody taking a call, either somebody who is bought at spot and sold it forward and making the spread and storing it in the meantime that is **a contango** based trade. For the last few months that trade has not worked because it is not economical the cost of storage is higher than the differential in prices between the front month and say the third or fourth month so, that is not working. The second is that you can take a punt on it rather than just say that I am buying it today I am sure it will be higher two months from now when I sell it and therefore, I am going to just store it till it moves higher but we do not see that happening too much and this market have been quite volatile and those are tough to track in any case. The third is where there is forced storage where the cargos are there but there is so much surplus in the market or there is no storage at the receiving point that you have to store it on the ship till you can find a buyer or find a, or the capacity onshore gets released. So these are the three things. So, currently the contango structure is not working in favor of floating storage and it has been for quite some time there are reportedly about 50 ships which are tied up in floating storage but that is down from some 70 ships three months ago so, yes, that is the number. It could go up or down but it is not a big factor either way. Yes, on the margin, yes, it could make a difference but it us, 15 ships - 20 ships either way can tilt the balance a little bit but not on a long-term basis. So it does not work, the contango pricing structure does not support floating storage currently.

John Mathai: Got you. The other thing that I wanted to check was about the difference between Suezmax versus VLCCs I think if I am looking at rates I think most of them both of them are around at the same levels if I am not mistaken and where do you see both of them being moving on, obviously Q4 might you might see a pickup up in rates but what is going to perform better the Suezmax or the VLCCs?

G Shivakumar: Okay, I wish I knew the answer to that, but in low markets you will find them both coming very close in terms of earnings so they probably earn the same in some cases we have even seen VLCCs on TCY basis earning lower than Suezmaxes. But in strong markets we will see the VLCCs outperforming in a big way so last year they probably outperformed by $15,000 to $20,000. The VLCCs would have outperformed Suezmaxes in the spot market and even in the first-half of this year I suspect VLCCs would have outperformed by $10,000 a day and may be more than that also. So there is no real, yes, I think it was closer to $15,000 actually in the first-half of this calendar year. So there is no real science to it, in the good markets the VLCC will the gap will just widen because when it gets too wide people will split cargos if the VLCC is costing too much they will just split the cargos and take two Suezmaxes instead because it is just half the capacity. Suezmax carries 1 million barrels and the VLCC carries 2 million barrels so, there is a limit to which that relationship can get stretched, because you can always split cargos or consolidate cargos.

John Mathai: Okay. And what is happening with Indian refinery imports we know what happening, the Chinese demand has been pretty strong, what is happening with the Indian refineries?

G Shivakumar: Yes, imports are continuing as expected so it not huge so the reason why we discuss U.S. and China specifically is because their volumes are much greater. So in India, the volumes are not that big, and therefore it is not and it is also not very high on tonne mile based on our location and so, it is not a big factor for us in the international tanker market which drives international tanker markets. It is our home market, yes, but it is not a factor that drives international tanker earnings and that is why we do not discuss it much because our incremental volumes are so low. We still do refining more than 4 million barrels a day, but the growth is not huge.

Moderator: Thank you. We have the next question from the line of Ankit Panchmatia from ICICI Securities. Please go ahead.

Ankit Panchmatia: Sir, actually I just wanted an update regarding the scrapping because I think H1 of CY 2016 got to see a good amount of scrapping and even though the scrap prices have gone up yet the scrappage is low so, what is your view on it?

G Shivakumar: Yes, what has happened, this happens all the time unfortunately. So, first quarter the market was very weak for dry bulk I assume, you are talking about dry bulk, so first quarter was extremely weak in the freight market we hit all-time lows in I think in February. And so, scrapping in the first quarter was 14 million dead weight then after that in April we saw a bit of a pickup in Chinese industrial activity power consumption, etc., and movement of commodities and therefore, the rates bounced a little bit so you are earning below OPEX or at or below OPEX in the first quarter in the second quarter it went above OPEX so, you started getting an EBITDA contribution so once that happens when people start getting hope and then hold off on scrapping and therefore, in the second quarter we have seen only 8 million dead weight get scraped so in the first-half we have about 22 million dead weight getting scrapped which about less than 3% of the fleet. The other factor which comes into play starting from May is the monsoon during which time scrapping slows down tremendously because most of the scrapping is done in the Indian subcontinent and so, traditionally the monsoon period is a very dull period for scrapping so that is historically so in any case it slows down so it is quite slow now so we will have to see after the monsoon what happens and the market is not great now people who have to do let us say who have to do their dry-docking of their ship at age 20 even at age 15 so, we have seen some ships we have seen some Capesizes being scrapped at age 15 also in the early part of this year, I think couple of weeks ago we had a ship which was scrapped at age 17 as well. So there will be people who need to spend some money because their ship is not in very good condition they need to spend \$2 million - \$3 million they are already bleeding on the other ships in the fleet and they just say that I do not want to spend this money I might as well take the scrap and you might get on a capesize bulk carrier you may get \$5 million - \$6 million of scrap when you scrap the ship so they may decide that rather than put out \$2 million - \$3 million for the dry dock they would rather take in that \$5 million - \$6 million and use it to run the other ships so let us see how that plays out but we will know more about that when the monsoon gets over so a couple of months from now we will know if scrapping is picking up again, it will be guided again a significant factor will be what is happening to freight rates at the time.

Ankit Panchmatia: Actually where I was coming from is as there is a good amount of consolidation seen in the global shipping maybe these bigger players are moving into the large carriers and would not be getting into smaller ones so there would be a higher scrappage. That is what my understanding goes, please, if you can, guide me with this as well.

G Shivakumar: No, we do not see any consolidation actually happening. To consolidate this industry is extremely difficult probably if you take the top 20 owners you will reach less than 20% of the fleet so, it is highly fragmented. There is no consolidation happening. There is no big takeovers, mergers of companies, etc. So, there is no consolidation happening and it is unlikely that it will happen as well. So this is not a big factor in this so everybody operates by themselves people will take a view some of the big owners who are stronger like I mentioned to an earlier caller about utilization at a price and some people will just say that I am not going load my ship with 170,000 tonnes of iron ore unless I am paid a reasonable amount of money to compensate me for this activity and say that I am just going to drop anchor till I am paid a decent rate and some owners do that very consciously. So that will happen. But otherwise, I do not see great consolidation see this is the individual owners taking these calls.

Ankit Panchmatia: Right. In terms of crude carriers as well in terms of tanker rates the August rates were seen at two year low levels. So, our expectations on the same would there be a revival in the next half of the year or how this will pan ahead?

G Shivakumar: It depends on how the winter pans out. As summer is typically a slow time for the crude tanker markets and sometimes even for product tanker markets. Traditionally the strongest part of the year has been winter time so that is November through to February, March. So let us see how this winter plays out, if suddenly you get a cold winter you have more exports you need to produce more heating oil, etc., then you will have some bounce in rates. But, again, it depends now on things like weather and refining margins. So we also have to look at what is happening to shale oil production in the U.S. but mainly let us see how the winter pans out.

Moderator: Thank you. We have the next question from the line of Ankit K an Individual Investor. Please go ahead.

Ankit K: I want to understand the revenue days for this quarter, which was approximately 2,800 is it a normal level? Because in the previous quarter I have seen revenue days of approximately 2,600 - 2,500 so, just wanted to know whether it is a normal quarter or will it go down again?

G Shivakumar: We have been adding ships. So, in the last quarter, we took over one very large gas carrier, we took over one Kamsarmax bulker as well and of course in the first week of the quarter we took delivery of our new building MR product tanker. So we have been adding capacity and that is really the reason for the change in revenue days.

Ankit K: Okay. And my second question was regarding the other expenses line item in the income statement, what I saw the total was approximately Rs. 150 crores and it was approximately the same as the last year's quarter but the other quarters that I have seen in the past it has always been around Rs. 180 crores to Rs. 220 crores and it comes down in the June quarter. So again, is it a normal other expenses line item this quarter or will it go up in the future periods?

G Shivakumar: A couple of things, one is on a year-on-year basis I mentioned to an earlier caller that we have some savings in operating expenses of offshore assets, so that is one. Second is, yes, we have a little bit of seasonality in the expenses that the first quarter of the financial year typically is a low period for expenses especially on the offshore side. So this could be just a seasonal thing.

Moderator: As we have no further questions at this time, I would like to hand the floor back to Ms. Anjali Kumar for closing comments. Please go ahead.

Anjali Kumar: Thank you everybody for joining us on this con-call and as usual, we will be putting up the transcript of this call on our website in a couple of days. And if you have any questions, you are also very welcome to reach out to us directly on e-mail or phone. Thank you very much. Bye.

Moderator: Thank you. Ladies and gentlemen, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.