Transcript of the conference call held on April 30, 2004

Edited Transcript of the Q&A Session at the Analyst's Meet held on 30/04/04 at the Roof-Top, Oberoi Towers, Mumbai .

Qs. Your NAV exceeds your share price, which is a good sign. Tell us about your average freight rates for April, compared to the average for the last quarter.

Ans. It depends on what segment you are asking about. As you know, we operate across many segments, but if your question pertains to just dry bulk or tankers, let me just give you a few examples. What happens is, even though freights may fall due to leads and lags, the earnings on some of our ships do not necessarily fall. This is because even if the ship is trading on a spot voyage, we are covered for 45 to 50 days.

Just to put things in perspective, and this does not pertain just to earnings on our ships,but to the market in general, at the peak of the VLCC market for a ship like, the Vasant Sheth that you saw was earning in excess of 70,000 USD per day. Those earnings today stand at around 40,000 USD per day. But let me tell you, the figure of 40,000 USD that we are seeing in April of this year, is higher than the figure in April,2003. Typically,April is the month when a lot of refineries globally, and particularly in Japan and in South Korea which are our trade areas, tend to shut down for maintenance work and therefore, it is a softer time of the year. Hence, we think 40,000 USD is an encouraging number.

To give you the same number on a dry bulk perspective, Panamax Bulk Carriers, which, at the end of the last quarter, let us say during February-March, were earning around 45,000 USD per day are probably now earning 30,000 to 33,000 USD per day.

Everything else, broadly falls in line. So, if you ask me for percentages, they have probably come off by 20 to 25 per cent.

Qs. Sir, you have been generally distributing one–third of your net profit as dividend, and this time it is 25 per cent. Is it on account of a change in policy or is it that, having made a very good profit, you are levelling it off ?

Ans. If you look at the dividend that we have declared, I think that the payout ratio is somewhere in the region of 27 to 28 per cent. And it is not that it has just been 30 or 33 per cent always. I think the important thing to remember is that whatever the payout ratio, it has still been a healthy dividend. Based on a quick calculation at today's market closing rate, it provides a 5 per cent tax-free yield. I think that probably makes it one of the highest yielding stocks, even today. In addition, if you look at the payout ratios of international shipping companies, and mind you, this is a capital intensive industry, and if you see our payout ratios, they are very much in line with what happens internationally.

Some of you may be tracking international shipping stocks, and if you get onto any of their websites, you will see that they all do a dividend pay out in the region of 25 percent. So, I think a 27 per cent pay out is healthy.

Qs. Could you elaborate on your decision to go in for single hull tankers. At a timewhen they are being phased out, you have taken a decision to go in for them. How many of them will be in operation and what will the return on those ships ?

Ans. We went in for single hull tankers because there was a significant price to value mismatch, or rather, an earnings to value mismatch. And the mismatch was in the region of 40 per cent when we were first looking at whether we should invest in single hull or double hull tankers. A 40 per cent mismatch in asset values was not translating to that in earnings. On the earnings front, the numbers on the basis of the world scale points were probably 5 to 7 per cent less than a proper double hull tanker.

So, on one hand we were getting a very low capital value and on the earnings front , we were not suffering at all. If you look at our specific investment, we had invested about Rs. 490 crore on the 8 single hull tankers and today, we believe they have a value in excess of Rs.570 crore. That itself is a significant appreciation. In addition, we have earned, and please note, in 5 months alone, about Rs. 122 crore on those ships. So, that translates into a 40 per cent return in 5 months on un-leveraged capital. If you then leverage that capital as we typically do, it is probably a return of well in excess of a 100 per cent. So, we believe that our strategy has paid off handsomely.

Qs. Going forward, what would your capacity be in terms of million dwt without taking the new additions in '05 that are planned ? Secondly, with regard to the chartering that you have already done, what percentage of your tonnage is actually booked ?

Ans. Well, at the moment we are at a 2.47 million dead weight. We have one ship being delivered to us later this year in 2004 which will take it up another 45 to 50 thous and tonnes. We are also continuously on the look out for opportunities in the market and as and when opportunities occur, we will acquire ships. Therefore, it is very difficult to place an exact number and we do not set ourselves a target of making three or four million. It just depends on the opportunity and if we think that there is money to be made on our investment, we like to go ahead and do it.

As regards tonnage, more than as a percentage of tonnage, you have to look at it in terms of the business. Different asset class have got a different cover, but on the more volatile sector- the crude carriers, we have covered approximately 45 per cent with 55 per cent remaining open. We do believe in this tanker market, and we do not think that this tanker market is likely to change. I would also like to clarify that on the off shore side, the operating capacity that we have covered is about two-thirds of what we have got.

Qs. The last time you had given us the number in terms of the coverage, you said 45 or 50 per cent of your fleet is booked. This time, you have added one more figure in terms of your operating expenses being covered to the extent of 1.3x . Could you elaborate ?

Ans. Well, what it means is that if you take our entire operating base, we have covered that 1.3 times. That is the entire fixed cost of the organization. It includes wages, victualling, stores, repairs and all that is required to run the fleet. So, if you take the cost bases of both the divisions, off shore is 1.2 and shipping is 1.3. If you take the full cost base which excludes just interest, that is effectively the cash cost of this organisation.That is covered 1.3 times.

Qs. You mean whatever is now open will go straight to the bottomline ?

Ans. That is right.

Qs. So, cost wise you are fully covered in every way ?

Ans. Yes, barring interest and depreciation. As you know depreciation is a non-cash charge and we have to provide for depreciation in the books etc.. Thus any incremental rupee or dollar as we earn it, comes down to the bottomline, barring interest, of course. So, what we have covered is what we call standing cost.

Qs. In terms of operating days, how many days would be covered ?

Ans. Operating days have to be understood in context of which asset class we are covering. Let us take two extreme cases. A VLCC which has 360 revenue days and you can have a mini bulk carrier days which also has 365 revenue days. A VLCC can earn you 60,000 USD a day and a mini bulk carrier earns you 1,100 USD a day. So, just going by revenue days is not an answer. What is more important is to see which segment of our business is open and which segment of our business we are locking in.

That is also further more complicated in case of offshore. In offshore in marine construction, you can actually get a lump-sum contract where there is nothing like , finishing the job in 15 or an certain number of days. We could finish the job in 20 days or more. No matter how many days are involved, we are getting a pre- fixed lump-sum amount for doing a job where we will utilise our own marine flotilla which will include the gal constructor.

So, the complications in both the businesses have to be appreciated. You have to understand the nuances of the businesses. On one spectrum, we have the harbour tugs,which are the lower end of the market, and then of course, we have the drilling rigs,which are significantly higher earners. Thus, for operating days, we have to look at it by understanding the business and by taking a perspective on which the business is.

Qs. As you mentioned, you have a large portion of business which is open in tanker. I understand that last year's spot rates were better. This year, you mentioned that the average rates have already come down. So do you think that the performance we have seen last year is the best, and there could be a decline this year because of that?

Ans. No, I repeat what I said earlier. If you see the current spot rates in the month of April, which is just the first month of the current financial year, they are higher than what they were in April 2003 and particularly in the more volatile assets. And every year, due to refinery maintenance the demand for oil does tend to slow down in the months of April right through to August or September. It is really post August-September that you start seeing the kick coming into the market. And then, it works with some leads and lags. If you look at current April numbers, we think we are very happy with where they are at the moment. April 2003 was weaker, April 2002 was even weaker so was April 2001. So, these are not bad rates.

Qs. But if you look at the later part of the year, and considering that China is planning a forced slow-down, will it have a significant impact on the second half performance then ?

Ans. We do not think so. Even if China does slow down, unless China comes to a grinding halt, which is very unlikely, things should be satisfactory. But, if China does slowdown, we think, it will have a greater impact on the movement of minerals, which effects the dry bulk trade as opposed to oil. We think that the oil demand growth in China is clearly sustainable even at a 7 per cent GDP growth. Again, the supply and demand for tankers is very finely balanced. There is very little supply coming through now. Most of the supply kicks into 2007. And if, as we believe the equilibrium between supply and demand remains in fine balance, there is no reason to believe, at least as of now, that the later part of this year will be any weaker than what we saw in 2003

Qs. On your dry bulk side, your coverage is much lower than what is there in your other range of vessels. Is that a deliberate strategy or is it a function of the fleet age and profile?

Ans. I think it is much more a function of the fleet age. As you know, we have a very old dry bulk fleet with the average age just under 20 years. Many of those ships are not capable of being fixed for any sensible period of time. What we have done is that 25 per cent is reflective of the Panamax bulk carrier which we own, a modern unit, 1995 built and we have locked her up two months ago probably at the peak of the market for a period of two years. If you ask me if we would like to lock up more ships, the answer is yes, we would like to, but looking at the fleet profile, I do not think we can.

Qs. If China slows down, this segment will probably see more volatility in earnings than your other segments of businesses ? Would that be a right assumption ?

Ans. Well, it clearly is not a question as to whether or if China slows down. China will slow down. Clearly 35 – 40 per cent growth in raw material intake is not sustainable. The world would run out of iron ore. In fact, almost ironically, China slowing down is probably good news for the longer term. The reason I say this is that if anything grows year in and year out at a rate of 40 per cent, there is going to be blood on the street some day. I think it is sensible if China does slow down. What could happen is that a lot of the froth will evaporate from earnings. But it is possible that earnings would remain at healthy levels for a longer period of time, which we believe is far more beneficial for us in the shipping industry than a one night stand kind of a thing.

Qs. For your shipping division for last year, could you give us a break up of revenues from your product tankers, bulk carriers and the dry bulk fleet ?

Ans. Last year approximately 75 per cent of the company's revenue came from shipping. Of this, 75 per cent came from crude and products and 25 per cent of the business came from dry bulk.

Qs. What about of PBIDT levels ? Would there be a similar break up ?

Ans. Yes, broadly the same breakup. It could be a couple of percentage points here or there.You see, the dry bulk segment is significantly written off due to the fact that the fleet is 19 and half years of age so there is very little capital employed on that fleet as we speak. It will change since we are getting delivery of two older handymax bulk carriers. Those ships will be delivered to us in the next two weeks. At the same time, two of our ships which are 1977 built, need to be scrapped later this year. So, on balance, we will retain the same operating dry bulk tonnage.

Qs. Given the fact that spot rates have come off, have you seen asset values declining as well ?

Ans. Not yet. I do believe however, that asset values will come down in sympathy. On the new building re-sales, that is, somebody having ordered earlier and now looking to sell his ship at the yard, or ex-yard as we call it, the correction should be somewhere between 5 to 7 per cent. On second hand deals, we have not seen any correction. To pointedly respond to your question whether there will be any correction, yes, we think there will be a correction.

Qs. I want to take the debate on the single hull and double hull forward. Could you set the record straight as to what is the cut-off date, globally and domestically, in terms of regulatory diktats on scrapping of single hulls. Also, are you feeling secure enough, as you have a substantially large single hull fleet that you would sort of be home and dry by then ?

Ans. Well as you see from the numbers we are home and dry today itself.

Qs. But my concern is actually about the incremental eleven tankers that you acquired over the last one year. How quickly do you think you can recoup the cost ?

Ans. Well, we have already recouped it, if you look at our numbers. We have already recouped in excess of 50 per cent in five months. So, if this market were to repeat itself, we would have recouped the cost by 2005. That is as far as the cost is concerned. So, cost is not an issue simply because we have had such a good run in the last five months. It is no longer a risk.

As far the regulatory issues are concerned, the IMO, which is the statutory body that governs these dates, have said that, by 2010, single hull vessels will need to be scrapped.

However, there is a caveat which says that your flag administration has the right to extend it upto 2015. And therefore, they have given a general guidance that while they would like to see single hull vessels scraped by 2010, they have allowed each country to have a little window open for their respective flags and that window is for a period of five years. So there is a chance that these ships could trade upto 2015. However, whatever vessels we have or acquire which are single hull, will all be calculated on the basis of the 2010 deadline. If we get an extra 5 years, then clearly its going to be a lot more gravy and cream.

Qs. Where do you flag your vessels ?

Ans. All in India.

Qs. What is the Indian government's stance on this ?

Ans. I think it is too early to say that. We do not know which Government will be there in 2010. Even the immediate future is not very clear. I think it is simply too early to comment on what will happen in 2010. I believe that the Indian government will have to start looking at this issue seriously sometime in 2008-2009. It is too early at this point of time.

Qs. Is that the stance taken by governments all over the world ?

Ans. Yes. Nobody has yet announced, at least in Asia, where we are trading in single hull tankers, any policy that they wish to follow in 2010. My suspicion is that it will be a function of the market, a function of customer requirement and of the demand. In my judgement, if there are not adequate double hull tankers to meet the requirement, oil has to move, and if the world does not have adequate double hull tankers, there will be have to be leeway on single hull ships.

Qs. Ship yards are completely over booked. My question is on the deliveries of new tonnage and how that will impact tanker prices over the next couple of years. How do freight rates get impacted when new deliveries start coming into the market.

Ans. New deliveries are coming into the market as we speak. And if we look back at 2003, there were a huge number of new ships that did come into the market. Everything will be governed by the demand flow. We think that the determinant will be a combination of tanker oil demand, mandatory scrapping and voluntary scrapping. These three parameters, we believe, will even out the supply that is coming in. If our estimation of the demand is correct, then that remains broadly the same as the overall supply of tankers, which is presently running at around 308 to 309 million dead weight totally for all the tankers put together. There is a net growth of 4 million dead weight on 310 million base rate which is neither here nor there and that can easily get absorbed in just a marginal improvement in demand. So, on balance, over the next 24 months, we think that this will continue to remain finely balanced.

Qs. How have you deployed these eleven tankers that you acquired last year in terms of tank charters and spot ? How are you running them right now?

Ans. Six of them are on spot; five of them have been fixed on period and the periods range from one year upto three years.

Qs. My question is on the tonnage tax. Can you throw some light on what you think will be the impact of foreign ships being flagged in India ? How will the change in tonnage tax impact the domestic demand-supply especially in the coastal side with the domestic oil companies ?

Ans. Well in my judgment a lot would depend on the form in which the tonnage tax is introduced, firstly. Then, secondly, it will depend on the sustainability of tonnage tax.

People need to believe that this is here to stay. What does happen here is that, something could be introduced as a tax one year and withdrawn the next year and re-introduced in the third year. So, it all depends on how long the commitment is on tonnage tax. And as I said, it would depend on the numbers. The tonnage tax issue is not as simple as it appears.

In addition, why would somebody really want to come into India even with the introduction of the tonnage tax. It is not as if the coastal business is `*Mackenna's Gold'* You know it is not. You just get very competitive freight rates. We now are benchmarked against international freights, whether it is coastal business that we do for customers in India or whether it is international business that we do for customers in India. Everything is competitively priced. So if you ask me, do we see the flood gates opening up for foreign owners to want to come and trade in India, I do not believe so. But that is probably in shipping. Maybe in offshore, the situation could be a little different.

Qs. What is your view on the Indian Cabotage rule which you know gives you a preference over foreign shippers ? It is a cosy environment that the Indian shipping industry operates in today. Would that of sort of unsettle things ?

Ans. First of all, if you look at our exposure to the Indian coast on the shipping side, it is probably running at about 8 to 10 per cent of our overall shipping business. Let me assure you how difficult it is to negotiate shipping contracts. So, there is nothing like a cozy relationship of the kind that because we are getting so called 'cozy rates', international owners do not want to come and trade here. The reason international owners do not want to come and operate on the Indian coast is because the coastal operations by its nature is extremely demanding.

If you look at the average voyage time on a tanker operation internationally, it is about 35 to 40 days. On the Indian coast, the average voyage time is about 3 to 5 days. There is significantly more wear and tear on the machinery. There is a greater demand on the people who sail on your ships and also remember that Indian officers and Indian crew who trade on Indian coast, do not get tax free remuneration. Therefore, you have to gross up all those salaries that you pay. Resultantly, the operational cost of running the vessel on a coast is significantly higher than running the same ship internationally. Hence, it is not all that cozy.

Qs. Given current rates for second hand acquisitions, would you as a company still consider acquisitions on the tanker side ?

Ans. The answer in short, is yes, and I will tell you why. Yes, values have gone up significantly but when you are trying to develop a company and when you are running a growth strategy, I think you know you have to take the good and the bad. Sometimes, we need to acquire vessels, which may not yield the returns that we have just seen, but can still give you a decent living. Secondly, there are strategic reasons why we may need to position ourselves in a certain business earlier than others and therefore, even though it may not produce the best of returns we may need to acquire it in case of certain businesses. If you ask me, whether I am going pick up 12 tankers at today's prices tomorrow morning, the answer is 'no', but if the question is whether I may do the odd ship here and there, the answer is 'yes'.

Qs. What is your debt-equity mix at the end of the year ? Secondly, as regards your new building position of close to Rs.13 billion. What kind of increase has been there in the values ? You did say there has been an increase of 30 to 40 per cent on an average on the new buildings which have been committed for the next two years.

Ans. As of March 31, 2004 the debt-equity mix was 1.03 as compared to 0.93 as on 2003.I think compared to the almost 100 per cent increase in tonnage, this is very small increase in he debt-equity mix. This, of course, is gross debt.

As regards your second question, first of all, I am not at liberty to tell you the price at which we have taken in these contracts as that is something that the yards do not like us to do. All I can tell you is that each of our new building contracts on the six

tankers is significantly lesser than what would be available today. I think, one could easily work out our contract prices if we were to give specific numbers but they are significantly less.
And do let me tell you that we have got the benefit of, if not on all of the 40 per cent, on most of the 40 per cent increase.

Qs. What will be the cash at disposal at the end of the year ?

Ans. There is never cash for disposal. Cash at the end of the balance sheet period will be around Rs.600 crore.

Qs. At every analyst meet, we hear how the company wants to position itself for the next few years. How do you see yourself two or three years down the line ? What kind of a shipping company do you want to project yourself to be? Mainly as a tanker business or a mixture? What kind of competitive strengths do you want to build up ?

Ans. Well, let me tell you that one lesson that we have learnt is to never ignore a sector of the business. Clearly, what happened in dry bulk caught us all completely unawares.

And within shipping, as you know, at the moment, 95 per cent of our exposure is in tankers and just 5 per cent is in dry bulk. I think going forward and at the right opportunity we may want to slightly change that balance. The focus will continue to remain on the crude and the product business, but I think we would like to see ourselves somewhere between 75 per cent in crude products, and maybe 25 per cent in dry bulk.

These are not defined numbers, and undergo changes obviously, but we do believe that we would like to increase our exposure to the dry bulk business from where it stands today.

As for your question regarding where we would like to be as a company three years from today, well, we would like to be even more successful than where we are today and that may or may not happen. But I think another area where, given an opportunity we would like to be in, is the transportation of liquefied gas. It may not happen in three years because that may take longer to happen as those assets come at 160 to 170 million USD a ship, which is not cheap. But we do think that as a company it would be nice to enter that part of the business and all of you would have read or be reading that LNG is probably the fastest growing energy fuel. I think that a company like Great Eastern can get in to that segment. As far as the particular segments are concerned, we gave you a 15 minute presentation on the VLCC and it all looks wonderful, but I think a company like ours again, cannot sit on its laurels and just own one VLCC. We would like to have a greater exposure to the VLCC business. Both in India and in China there is a greater percentage of the cargo that is moved in VLCCs now. I was in China two weeks ago and met virtually all the oil companies in China, and they are all moving towards VLCC transportation. So, I think I would like to see Great Eastern having a larger exposure in VLCCs.

Qs. At the beginning, you talked about high-end vessels and high yield assets. Could you explain more about them ? I am unclear about the objective.

Ans. Well, as I said, the off shore business is a binary function business. It is entirely tender driven. And therefore, you either get the tender or you lose the tender and as a result of that you have to be conscious of tendering properly. The business of the division has been divided into two parts. We have a stack of assets which includes the older offshore support vessels, our rigs and our construction barge, which over the years have already been repaid . They are high yielding, better performing assets in terms of cash flow. These cash flows, fuel and build us a modern fleet. In the last two to three years, we built three platform supply vessels, we have five more vessels on order which is four anchor handlers, one PSV, and in 1999 we took delivery of the first large anchor handler of the country, Malaviya Ten, which is the largest anchor handler of the country. Apart from that, we have eight to ten vessels. We do believe that these vessels will be the vessels of the future. We believe that they have the potential because, after all, they are targeted towards what the client wants. These vessels are the high end vessels which have better specifications meeting what the clients want.

To explain this better, the business is a 30 year old business. Over these 30 years, a lot of the vessels have got rather old. Typically, from the 80's we had a vessel of dead weight of about 1000 tonnes Today, you are talking about vessels of 2500 to 3000 dead weight.

PSVs are 3000 plus. Every single oil field has different characteristics and needs to match the requirements of an operator, which is our client. People like Reliance, BG, Cairn, Hardy etc are all our operators. Each of them has different requirements because the reservoir requirements are different.

What we are trying to do is to have high-end vessels, which we believe the client will need. Whilst some of the clients are still accepting some of the older tonnage because they were competitively priced. Obviously the high-end vessels are much more expensive. The day rates that they derive are much higher than the day rates derived by a lower end vessel. A platform supply vessel would typically be well in excess of 10,000 USD while a typical anchor handler would be 4000 to 5000 USD. So, you can see the difference in day rates. They are hugely different. This is the strategy, which we have employed and I guess this strategy has worked well for us, and the reason why I believe that the performance of the division has been very positive.

Qs. It is difficult for us to come down to the unit of measure of GE Shipping because of the complexity of the earnings data that you get. Now Q4 obviously had a very skewed result relative to the rest of the year. It was far in excess of the earnings in the first three quarters. Can you help us in this and tell us how much of the improvement in earnings came because of tonnage and how much of the improvement in terms of TCYs ?

Ans. I think most of the tonnage growth took place from October onwards and it stopped in the first week of January. I think the full impact of the tonnage growth has been in the fourth quarter. So, I would put it almost 60 per cent to tonnage growth and 40 per cent to freight rate increases.

Qs. You mentioned about getting into in-chartering in a big way after testing it. Could you throw some light on that and what are the sort of plans you have for the next two to three years ?

Ans. Not necessarily in a big way. I said, we would like to increase the activity. I do not think we have a pre-determined number that we want to do 5 ships, 10 ships or 15 ships. I think we want to just take it as a function of the market. But what we clearly do want to do is to be actively looking for opportunities in the market. You know, it is very dangerous to say I want to do 10 ships. All that will happen is that the market will go up because somebody will report that GE is looking to in-charter 10 ships which just drives the markets up. So we do not really want to go with any pre-determined notion like this. Now, as we speak currently, three ships are on charter. One is an Aframax size crude oil tanker and we have got two product tankers. These range for periods from five months upto a year. The idea is to really go for slightly longer term deals, both on the dry bulk as well as on the tanker front. This is because it is very difficult to get assets today. You know, if I want to build a ship, I cannot get one until 2007, and maybe not even till 2008.

So, one of the ways that we could expand is by in-chartering ships but I do not have any number of ships, say 5 ships, 6 ships or 10 ships in mind.

Qs. Regarding the voluntary scrapping, you just mentioned that after the

mandatory scrapping and the expected increase in demand the surplus could be around 3000 dwt, and that is excluding the voluntary scrapping. So what is the trend in terms of voluntary scrapping ? Considering that steel prices continue to be at reasonable levels, what is your view on that ?
Ans. Well if you look at the amount, there was very strong voluntary scrapping last year, around 15 million dead weight. If that voluntary scrapping of last year were to repeat itself this year then obviously this year you would have a shortage of ships and we would all have smiles.
Qs. You mentioned that China may slow down. But you still expect a reasonable oil demand coming into India. But what you may not have considered is that China is running short of refining capacity. So their demand could be more in terms of the products.
Ans. China is also liberalizing some of its product import rules and regulations and we believe that from next year that there will be a lot of opportunities in the product business for imports into China. You know, just like crude is clearly the dominant factor now, we think that product imports into China will increase too.
Qs. Will you be flagging out on account of the tonnage tax developments ?
Ans. We had actually commissioned a professional firm to look into this business of flagging out, etc. We then put it on hold because the government has given us a basic commitment on tonnage tax. I do not have any answers at the moment, but let us wait patiently to see in what form the tonnage tax comes through. And at the end of the day we all take pride in flying the Indian flag and we do not just want to move away from the Indian flag for marginal reasons. There are advantages of being on the Indian flag and if we get a level playing field, I think we would like to remain on the Indian flag.
Qs. My question pertains basically to the company's strategy on the off shore drilling rigs. There are two of them if I am not mistaken, Badrinath and Kedarnath ? Is there a plan to invest in more rigs ? I have read some stories that over the last 15 to 20 years there are not too many drill rigs that have been built. Does the company see an opportunity in this kind of an area ?
Ans. I think as we speak, there are no plans of going into drilling rigs. Obviously, we would revisit this strategy and re-look at it at the appropriate time given opportunities as they come forth in the future. We are on the other hand, continuously upgrading our rigs. Our Badrinath, which was our drill barge, underwent a very extensive maintenance programme and upgradation programme after which she got a three year contract.
Kedarnath comes up for renewal end of this year and she would also go for a major upgradation partly for meeting statutory requirements. So, we will continuously upgrade and look after our assets and as far as new acquisitions go, as I mentioned, we will look at them as opportunities arise in the future. As of now, there is nothing on the cards.
Qs. What is the logic behind going in for off shore supply vessels rather than off shore rigs ? Is there a difference in the nature of business ? Could you throw some light on that?
Ans. Well, I think the risk in both is different. So you have to look at it in that perspective. The risk on a rig is certainly higher than that on supply vessels. Having said that, the flexibility of vessels is certainly higher to the extent it is geared for that. We have also built a whole spectrum of supply vessels particularly catering to what the clients are now demanding. And we believe that we would have the right kind of mix for India. Having said that, we are not going to restrict ourselves to working only in India.
Our anchor handlers and our PSVs particularly the PSVs are operating internationally.

The first PSVs have worked in Brazil and in the North Sea. As you are aware, Malavya sixteen worked for nearly 15 months in the North Sea. It was the only PSV in India.
Actually, it is the only operation ever done by an Indian flag vessel anywhere in the North Sea. We were the only company in the world to have been there and we did it with an all Indian crew. So, we have got the experience to work in the North Sea, which is the most challenging market. All in all, it was a strategy of being capable to operate our vessels internationally and domestically, and it was partly a risk strategy too.