"The Great Eastern Shipping Company Limited Q1 FY 2018 Earnings Conference Call"

**August 11, 2017**

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

**Moderator:** Good Evening, Ladies and Gentlemen, Thank You for standing-by. Welcome to Great Eastern Shipping Call on Declaration of its Financial Result for the Quarter Ended June 30th, 2017. At this moment, all participants are in listen-only mode. Later, we will conduct a question-and-answer session at that time, if you have a question, please press "*" then "1".

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

**Anjali Kumar:** Good afternoon, friends. Welcome to the conference call for our Q1 results. And since the results were out yesterday, I am hopeful that all of you would have had time to go through it. I will just take you through a short summary of the results. Thereafter, we can have Q&A for which our management team including our Group CFO -- Mr. G. Shivakumar, is here.

So, as you have seen in the results for the shipping business, freight and charter hire during the current quarter was higher as compared to the corresponding quarter last year. This was largely on account of the higher revenue days which is 4,075 days as against 2,915 days because our tonnage has gone up as you have seen from 2.49 million DWT to 3.8 million DWT. That is almost a 50% plus increase in the deadweight carrying capacity that we own today.

On the offshore side, there was a decrease in the top-line due to lower utilization and lower TCY on the re-priced contract. As of date, 1 rig and 1 vessel continue to remain idle.

Coming to the other income. The MTM gain/loss on foreign currency and derivative translations has gone up to Rs. 73.76 crores as against a loss of Rs. 3 crores for the corresponding quarter in FY 2017. This is largely because rupee has appreciated quite sharply from Rs. 67.52 on 30th June 2016 to Rs. 64.57 ont 30th June 2017. Due to this move, there has been a significant improvement in the MTM on the derivative transaction. However, part of this has also been offset by a reduction in the gain that we have on revaluing our USD balances that we hold due to the appreciation of the rupee.

On the finance cost. It is higher because there has been a significant increase in borrowing in the last 12 months. On the expense side, you will see there had been some increase in the various heads, including employee expense benefits; repairs and maintenance; fuel, oil and water. This is mainly again because of the fact that we have increased the number of ships in our fleet and also, of course, the fact that bunker prices are also slightly higher now. That is it for the results.

Now, just coming to what the trade has done for the last quarter and broad outlook on the various segments. What has been the main driving factors in the various segments that we have? Starting with the dry bulk side. We see that the China commodity trade continues to grow quite well. In fact, for the first-half of 2017, we have seen growth in commodity trade from China at approximately 8.8%. Iron ore import to China has been 9% plus and if you just see the break-up of the iron ore trade, the key trades in iron ore which we see, that is the Australia-China trade and the Brazil-China trade, both are up. And Australia-China is up almost 10%; Brazil-China is up 5%. These are numbers again of the first-half of calendar 2017.

Similarly, the seaborne coal import numbers from Australia to China is up a big 25% in the first-half of CY 2017.

This sharp increase was largely because of some regulatory changes that China made and also it got coupled with a time when there was a stronger demand. Therefore, we have seen net-net freight rates starting to inch up marginally and obviously, also their outlook on supply has started moderating now. And therefore, we have seen this small inching-up both in freight rates and as a result, in the asset prices.

On the crude side, we have seen a steady increase in crude oil imports from China, 14% increase in imports. That is almost 8.6 million barrels per day in the first-half of calendar 2017 as compared to 7.5 million barrels per day in the corresponding half year in 2016.

U.S. imports have also been up, they have been up 4% in the same period. U.S. exports of crude oil also have jumped quite significantly though the absolute numbers are lower but they have handsomely gone up from 406,000 barrels per day to 759,000 barrels a day in the first-half. So, outlook continues to be reasonably good, the rates have been pressured largely because of the supply pressure which continues to remain on the crude side.

On the product side, also we see that the U.S. is playing a very important part. U.S. exports have been up quite significantly, in fact 23% up, in H1 of calendar 2017 versus H1 of calendar 2016. That is on the shipping side.

On the offshore side, the market continues to be very-very challenging. We have seen consecutive 3 years of decline in the E&P spent. That is what has caused this complete weakness in the offshore market and there are fewer and fewer new contracts coming up and this has caused obviously, large amounts of unutilized capacity in the sector.

In fact, globally the utilization number of assets in the offshore space has come down today to below 50% and this is for both the rigs as well as the OSVs.

Having said that, I think the only silver lining is the fact that the huge supply order book that we see in the sector has also seen very-very high numbers of slippage. And that augurs well, if that eventually does not actually turn up or materialize then that will augur well for the sector as and when the outlook improves.

To close now, I would just let you know that the standalone NAV for the Company is at Rs. 344; and the consolidated NAV range that we gave in the last few quarters are currently between Rs. 380 and Rs. 420.

With that, I throw the floor open to questions. Mr. Shivakumar, is here to answer whatever questions you may have.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the Question-and-Answer Session. The first question from the line of Bhavin Gandhi from B&K Securities. Please go ahead.

**Bhavin Gandhi:** I just wanted to check on this standalone operating expense, on a sequential basis it seems to have gone up pretty sharply. So, if you can highlight why? And how should we look at it particularly going forward?

**G. Shivakumar:** The operating expenses between Q1 last financial year and Q1 this financial year has actually gone up. 31st March 2016 we had 32 ships. We ended June 2017 with 46 ships. So, the main impact comes from the quantity increase.

**Bhavin Gandhi:** Sir, I was talking more sequentially I mean, 4Q 2017 to 1Q 2018 that seems to show 17% - 18% kind of increase on a sequential basis.

**G. Shivakumar:** Which line item is this?

**Anjali Kumar:** Which expense are you saying?

**Bhavin Gandhi:** So, across line item the employee costs have gone up.

**G. Shivakumar:** Yes. We had a one time payment to the employees, ship board employees which happened in this quarter, so that is one item. We also do an adjustment which happened in the first quarter with regard to the salaries of the ship board employees. This for the senior ship board employees. So, that has happened.

**Bhavin Gandhi:** Okay. And sir, it seems like if I look at the other items, like the other expenses have gone up on a sequential basis. The repairs and maintenance are up sharply and you highlighted about bunker. And so what should be a sustainable run rate that one should be looking at on the OPEX side?

**G. Shivakumar:** Typically, when budgets get released in the beginning of the year, the spending happens a little front ended and then it sorts of tails off towards the end of the year. So, I think an average of the run rate between Q4 and Q1 should be kind of okay. We have done some stuff with regards to ship board salaries as well. So, on the salary side, I think we will be closer to the Q1 number. I think we have gone a step higher.

**Moderator:** Thank you. We have the next question from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.

**Vikram Suryavanshi:** Sir, basically, what I guessed, you said 1 vessel is idle in offshore side apart from the rig. But if you look at the utilization or the revenue visibility wise PSV is around I think 30% only deployed. Do we see pressure? How, particularly PSV and ROVs, is the market dynamics?

**G. Shivakumar:** Yes. So, that one vessel, when we say it is not utilized, it has not done any work for a few months. We also have 2 other vessels which do not have long-term contracts but keep getting us 20, 30, 40-day work in the Indian market. So, that is on and off. So, currently, there are 3 vessels which do not have a term contract, okay? So, I will just put that as a qualifier there. We will have 2 more vessels which will come off contracts by end of this quarter.

**Vikram Suryavanshi:** And our offshore fleet is more right now with India centric? Or do you have some exposure in other region also?

**G. Shivakumar:** Most of it is in India. Currently we have only 3 or 4 vessels outside India. So, so out of 19, 15 or 16 are in India.

**Vikram Suryavanshi:** Okay. And any development in terms of marketing for the rig?

**G. Shivakumar:** Yes. So we have bid into tenders for all these vessels and for the rig. Not just the rig which has come off contract which is the Chetna but also the rig which is due to come off contract next year which is Chaaya. We have bid both of them into tenders. The tenders will be processed in due course, and we are awaiting the outcome of those tenders. Again, it will be a function of the price set up because these are L1, H2.

**Vikram Suryavanshi:** Yes. And we already are seeing significant amount of price correction in offshore side also. So pricing wise are we seeing the stabilization? I know it is only function of utilization that is what we are facing or still we can expect some pricing impact on offshore side also?

**G. Shivakumar:** In the vessels, we have probably reached very close to the bottom or the bottom in terms of pricing because we have had recent pricing as well in the last 6 to 9 months. In the rigs, we have not had a pricing for modern rigs in the last 18 months plus. The last pricing, I think that we did was in 2015. So, we have not had a recent pricing and there is going to be a downward move most likely.

**Vikram Suryavanshi:** Okay, sir. Last question, can you just update in terms of how is the scrapping in shipping side particularly in tanker product and dry bulk?

**G. Shivakumar:** Yes. So, just to put these earnings in perspective dry bulk earnings are at their highest level in the last 2 years, in terms of quarterly average earnings of our fleet during the quarter. Dry bulk is the highest since 2015, early 2015. Tankers are in their lowest since end of 2014, and they have had the worst quarter in the end of 2014 and this is despite having some time charters in tankers at a higher rate than current spot rates. Spot rates are quite poor across the board especially in crude tanker and they have been worse in this quarter than they were in the previous quarter I mean, in the current quarter that is Q2 FY 2018. So, this is leading to a little bit of scrapping. Last year, we had very minimal scrapping in tankers. We have only had a little bit of scrapping in especially in crude tankers this year. We are hearing of 4 to 5 VLCC's which have been scrapped already. We are hearing one listed company in the crude tanker space has announced scrapping of 2 Suezmaxes. So, all these are good signs that ships are getting removed from the fleet. It is going up a little bit but it is nowhere near enough to balance supply and demand. We therefore, expect that it will take some time for us to reach balance. There is still a significant overhang of new deliveries to come in. In crude tankers, we are going at a run rate of about 7% per annum in fleet growth in product tankers maybe slightly lower. But this is going to be the last year of very big fleet growth for the tanker space. So, hopefully, that should even out sometime in the next 6 to 18 months, so that is sometime in 2018. And we will come back into some sort of balance. So, we will see how the winter pans out because traditionally that is a strong period for tanker earnings. In dry bulk, scrapping, again, has come down and we have seen that this is normally a function of spot market earnings. The first-half of the year, the spot markets were reasonably positive, though still not at profitable levels. So, the scrapping for the first-half of the year was about 8 million deadweights versus the first-half of last year which was at about 22 million deadweight. With the rate outlook the way it is, we are expecting that it could possibly strengthen with a little bit of volatility. It could strengthen going forward because dry bulk order book is very low for the rest of this year and next year. Unfortunately, you will see less scrapping because rates will be enough to keep owners running their ships. So, the scrapping rate will come down. But eventually, the markets were bad. So, the scrapping for dry bulk was a little over 1% in the first-half of the year. So, we are talking about run rate of about 2%. In tankers, it was much less. We are talking about run rate of less than 1%. But we expect that to accelerate going forward as the markets remain low.

**Vikram Suryavanshi:** And what kind of fleet growth we are looking in dry bulk?

**G. Shivakumar:** Our dry bulk has only been about 2.5%. But we think a lot of the growth for this year is done. We do not expect significantly higher fleet growth. Maybe it is 3% - 3.5% in this year. So as I said, we have past the big years of fleet growth in dry bulk, at least as far as we can see from the order book.

**Anjali Kumar:** Cumulative order book is 7%.

**G. Shivakumar:** Yes, the cumulative order book is under 8%.

**Vikram Suryavanshi:** 108%?

**G. Shivakumar:** Under 8%.

**Moderator:** Thank you. We have the next question from the line of Kamaljeet Gupta, as an Individual Investor. Please go ahead.

**Kamaljeet Gupta:** I just wanted to understand that for the people who are buying or making new ships, what is their economic, how can they afford ships at such low rates?

**G. Shivakumar:** Sorry, new ships meaning you are talking people who are constructing ships at yards?

**Kamaljeet Gupta:** Yes, people who are getting the ships constructed at yards and deploying them. Do they get a better rate from the charters?

**G. Shivakumar:** Yes. See, the one difference between a ship being constructed now and one that was constructed say 2012 and earlier, is that the new ships are so called Eco ships. They have lower fuel consumption. So, for a typical midsize bulk carrier of say 80,000 tonnes carrying capacity, that may be about 2 to 3 tonnes of improvement in a reduction in fuel consumption which gives them a little bit of an advantage in earnings. So, the other thing is that typically in a low market you do not want to get a ship now in a low market so you order a ship for 2 years down the road and hope that the market has recovered by then. The third factor in ordering new ships is some of these shipyards will also arrange export finance for you, so it is easier to raise financing for those ships versus for a secondhand ship. So those are 2 - 3 of the reasons why people like to order new ships. The last reason, I will put is if you want to expand, it is easier to go to a shipyard and order a new ship rather than buy a secondhand ship because you have to do a lot of inspection of ships to find good secondhand ship which could be of acceptable quality to you. So sometimes, it is easier to do the deal with a shipyard rather than with a secondhand seller.

**Kamaljeet Gupta:** But are those ships viable?

**G. Shivakumar:** You know it is not too different from a ship that you buy today. So, for instance, if you have to buy a ship in a very poor market let us say the crude tanker market today is earning below breakeven numbers. It is not that different whether you buy a 5-year-old crude tanker or a new building crude tanker except that for a new building crude tanker, you do not have to worry about today’s market, you only have to worry about the market 2 years from now when the ship is actually delivered. So, they do not have to be valuable today. They do not have to face today’s market. They have to face the market 2 years down the road when people hope that the market will be better. So, that is some of the logic that we have heard from people who are ordering ships.

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

**Ankit Panchmatia:** Sir, first question, on a sequential basis our offshore business has actually turned around so not in terms of profitably at least but I am just talking about the numbers. So, after 8 sequential de-growth of in offshore top-line, we have seen the run rate grow. So, just want to understand that even with the 2 ships are being idle how are we able to do this? Is there a pricing on a sequential basis there is more offshore fleet which has been kind of found work for? Or how should I read this?

**G. Shivakumar:** Are you referring to the top-line?

**Ankit Panchmatia:** Yes, sir.

**G. Shivakumar:** Because there is no top-line.

**Ankit Panchmatia:** The Rs. 261 crores was in Q4 FY 2017 that has now increased to Rs. 275 crores. So, post 8 sequential decline in the top-line for offshore this is the first quarter wherein we are able to see a small uptick in the top-line?

**G. Shivakumar:** Okay. It is one of our vessels went on contract in the month of April, one of the larger vessels went on contract in April and that is being reflected here. Otherwise, the vessels which were idle before or the rigs which were idle in Q4 last year continues to be idle in Q1 this year. So, it is just that one vessel which went on to a contract.

**Ankit Panchmatia:** Okay. So actually, what I was trying to get into is, do we see offshore bottoming out and these levels or is there much more pain left in this segment?

**G. Shivakumar:** See, in terms of the overall market it probably is bottoming out in terms of utilization, etc., now I am talking international market. In terms of rates, we do not know because it depends on who is desperate for what contract. We do see inquiries and these customers are quite choosy and so you can get these contracts only if you have some track record and the customer is happy with your delivery quality. So, there are inquiries and you get contracts. Not at very profitable numbers but you can get contracts, which we showed in the last 8 to 9 months. We landed contracts. So, it is possible to get contracts but it is not easy to do. So, you need to have a solid track record and relationship with the customer for that. As far as our company is concerned, I would not put it that way because some of the pricing that we have running currently, which is contributing to our profitability is coming off. The old contracts with the higher pricing are coming off like the rigs and we will almost certainly price lower on than their old contracts.

**Ankit Panchmatia:** Okay. So right to say that there is some more quarters left to see the bottom and then we can possibly see an inflection point in this?

**G. Shivakumar:** Hopefully, yes. But again, I will reemphasize, I mean, the remaining 3 rigs are fixed at rates which are not of this market. They are fixed in 2015, 2013, 2014.

**Ankit Panchmatia:** Okay. And sir, just I would be very thankful if you can make me understand the overall overcapacities in the market across dry bulk, across tanker, and offshore you have already mentioned the overcapacity in these markets?

**G. Shivakumar:** This is a number which is not easy to define. The overcapacity, because it could be as low as 2% and it could not even be 2%, it could be 1% also because you get spikes in the market from time-to-time and that happens only when the demand supply balance is very fine. So, there is no number for this, so unfortunately, I cannot give you a number there. There is no utilization rate which you can talk about for offshore where you can say that 50% of offshore vessels or offshore rigs do not have term contracts. There is no similar number for ships. There is no number of idling for ships. So, yes, you could have a situation where you have x percent of the fleet idling then I can give you the numbers saying that therefore, the utilization rate is 100 minus x. But there is no idling currently. Because there is no number to be put for the utilization rate we always talk in terms of the supply-demand balance, how much is incremental supply. How much is incremental demand? And because, again, demand is quite difficult to forecast, including tonne miles, we generally focus on the supply. It is easier to focus on the supply and you generally will find that when the supply is coming off that is generally a good sign for the business.

**Moderator:** Thank you. We have the next question from the line of Jinit Mehta from B&K Securities. Please go ahead.

**Jinit Mehta:** Sir, could you give us the broad contribution from the rigs within the offshore segment possibly for 1Q and for the full year, last year?

**G. Shivakumar:** We do not do the breakup between rigs and vessels because it is the majority of the profitability.

**Moderator:** Thank you. We have the next question from the line of Pankaj Tana, as an Individual Investor. Please go ahead.

**Pankaj Tana:** Just wondering that with the markets being so low I am talking about the bulk markets being so low for so many years, why do not we see more bankruptcies?

**G. Shivakumar:** There have been a few restructurings. So, there is a lot of stress including some big companies going through stress and some bankruptcies as well. Unfortunately, that does not help much in terms of the remaining players because even if companies go bankrupt, the ships still exist. The only way this will help is if ships get scrapped, not if companies go bankrupt. So, we look forward to ships getting scrapped, companies moving towards scrapping more and more ships because they cannot afford to run those ships or because of regulatory reason. So, that is really the one that we watch rather than bankruptcies and the market has actually not been uniformly low for many years. We had some 2 very bad years in 2015 and 2016 but 2013 and 2014 were quite good years for bulk carriers, 2010 was a very good year as well and of course, 2003 to 2008 were spectacular years.

**Pankaj Tana:** And a similar question as far as the offshore, the rig business is concerned. Basically, consolidation is happening among the 5 big operators. So, how would that help companies like ours?

**G. Shivakumar:** Are you referring to the consolidation of some of the Norwegian vessels owners because that is the only consolidation I have seen really.

**Pankaj Tana:** I am referring to the offshore rig business.

**G. Shivakumar:** I have not seen such a consolidation. There has not been consolidation in the sense of a merger of any kind between rig owners. But we have seen a huge amount again, the same thing it is worse actually than in the dry bulk business which you asked about. The stress in the offshore services business which includes drilling and supply vessel companies is huge and there are companies which have gone through very painful restructuring, some which are going through, among the biggest players are going through very painful restructurings for the last 1 year and still have not completed it. Two of the largest supply vessel owners listed in the U.S. have filed for bankruptcy protection as well and are doing a restructuring. So, there is a lot of work going on here in the offshore business, probably a lot more than in dry bulk. In dry bulk, you had the ones that had to go into bankruptcy did quite early immediately after the crash, we had a couple of companies going bankrupt 2009 to 2011 and a couple of companies in 2015 - 2016 but otherwise not too many, none of the really big players. There has been a little bit of consolidation in dry bulk but it does not clearly help to have consolidation because nobody has pricing power.

**Pankaj Tana:** Okay. And I mean how is ONGC playing the low rig market coming are they exploiting it and taking more contracts or they only go in when they have the renewal coming up?

**G. Shivakumar:** They have been taking rigs on contract, so they have a tender out. They have not been increasing in any significant rate. They have increased over the last 3 - 4 years. So, they are doing renewals, renewals for vessels, rigs, everything.

**Pankaj Tana:** Okay. And are they trying to take advantage of replacing all the old rigs that have been working for them and replacing it with more efficient rigs? Or are they continuing to use old 1970, 1980, 1982 vintage rigs that are there?

**G. Shivakumar:** We wish they would do that but no, they are not doing that yet.

**Pankaj Tana:** Okay. That should be an area because most of the rigs that are operating here at Bombay High are I would probably put around 16 rigs. Ones here in Bombay High they are not going to get any employment anywhere.

**G. Shivakumar:** That is true. We seem to be a dumping ground for a lot of these old rigs and we have been reprimanding on that for some time. But hopefully, at some point they will make that change. Now that modern rigs are more clearly available, in our opinion they should be looking to take more modern rigs.

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

**Himanshu Upadhyay:** I had 2 questions. One was on the vessel what we recently purchased, an LR2 tanker. For a long-time we have been not operating in that range or I have not seen us operating those.

**G. Shivakumar:** Because this is first time we will have an LR2 tanker. We have been operating LR1 since 2008 - 2009 we had to before that also. But we have never had an LR2 tanker.

**Himanshu Upadhyay:** Can you explain what is the thought process behind that means do we find that demand for LR2 would improve over a period of time because of rigs moving or just an asset purchase which was available for cheap? Any thought, just brief thought process of yours.

**G. Shivakumar:** Yes, one is, it is not significantly priced differently from a crude tanker or any other product tanker that is the first thing. So, it is not a pricing thing that we decided that the LR2 is the cheapest of all the assets in historical terms. The call really is that more and more export-oriented refineries are going to come up in the East and they will be exporting long haul refined products. If that happens, the ships which will be required for long haul carriage of refined products will be the larger ships, the LR2's. So that is the broad call. Again, if this IMO thing on Sulphur Emissions and substituting fuel oil with diesel oil comes that could also impact the long-haul trade for LR2's for products and therefore, LR2's. The LR2 also gives the flexibility of being able to operate in the crude tanker trade as an Aframax. So, those are some of the considerations we had. Overall, the asset is at a cheap point in the cycle and therefore, we bought it.

**Himanshu Upadhyay:** But will you run it right now as a product tanker only?

**G. Shivakumar:** That is right, as a product tanker. Our intension is to run it as a product tanker.

**Himanshu Upadhyay:** Because India has a lot of refineries, do we see that India means the movement for products on LR2 or LR1 has moved significantly from MR's means what is the your sense?

**G. Shivakumar:** Yes. So, a lot of the export happens on the big venues from India. Some of the export-oriented refineries, they do export on the LR1's I think a lot on the LR1's and some LR2's as well. So we do see that happening. And the Middle Eastern refineries, the big ones which are going to come up are the Middle Eastern refineries and we think that those will be export-oriented refineries again using LR2's.

**Himanshu Upadhyay:** Okay. And the order book for Aframax and LR2, so can people at the last moment change from Aframax to LR2 or LR2 to Aframax? Just trying to understand, so order book status….

**G. Shivakumar:** Significant difference is the coating in the tanks. So, technically, you can change it from an Aframax to an LR2 by doing the coating, it will take time and it will cost maybe a couple of million dollars to do it but it can be done. You can even convert an existing Aframax to an LR2 if you want. But you will need to take the time off and you need to have it sit in the yard and get the coating done. Again, there are technical issues which may come up but on paper, it is possible.

**Himanshu Upadhyay:** And one more on the offshore side, are the contracts for the vessels have become more shorter over the last 2 - 3 years or you find the new contracts which let us say the rig operator or the oil drilling companies are giving us shorter-term or do you think they are still for longer-term contracts there? For the vessels side I am trying to understand.

**G. Shivakumar:** No, there has been long-term contract. In fact, a lot of the contracts have moved from 3 years to 5 years for the vessels in India. In ONGC the contracts have moved from a standard 3 year contract to a 5 year contract for vessels so it actually got longer. That is the move which has happened.

**Himanshu Upadhyay:** And are we ready for those 5-year contracts on the vessel side? Or do we prefer only 2 to 3 years?

**G. Shivakumar:** We do not have a choice in that matter. If a customer wants says the tender is for 5 years then there is no choice in the matter, right? And we have been bidding in all contracts because the idea is to get the contract and get utilization down. So, you cannot choose really especially when the biggest customer in the home market decides their contracts will be for 5 years then you bid for 5 years. There is no market where you can say that I will go out and bid something like I want to do 1-year contract or a 3 years contract instead of a 5 years contract. I mean, there are contracts elsewhere but for volume for fixing a significant volume and remember, this is our home market. If it is 5 years, it is 5 years. So, you price accordingly.

**Moderator:** Thank you. We have a follow-up question from the line of Bhavin Gandhi from B&K Securities. Please go ahead.

**Bhavin Gandhi:** Sir, just wanted to check we have been seeing the OPEX\ on the offshore side coming off every year and even in this quarter there seems to be some saving coming through. So, is this sustainable and is there any room further for breaking the ground further from here?

**G. Shivakumar:** Yes. In terms of the OPEX, so that is when the asset is in operation we are probably close to bottom now, there is been a significant deflation. The actual reduction will be only on unfortunate circumstances if the asset is not employed in which case you can actually reduce the manning on the asset and therefore, reduce the cost. In an operating situation not much more to go from here, we have already had very significant deflation.

**Moderator:** Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to Ms. Anjali Kumar for closing comments. Thank you and over to you!

**Anjali Kumar:** Thank you. Thank you, friends, for joining in today. And as usual, our transcript will be up on our Website in a couple of days and should you have any questions, please feel free to get in touch with us. We will be happy to answer. Thank you so much. And have a good evening.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of The Great Eastern Shipping Company Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.