"Great Eastern Shipping Company Limited Q3 FY-'16 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q3 FY-'16 Earnings Conference Call of the Great Eastern Shipping Company Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. G Shivakumar -- Executive Director and CFO at the Great Eastern Shipping Company. Thank you and over to you Mr. Shivakumar.

G Shivakumar: Thank you very much. Good afternoon everyone and welcome to the Conference Call to discuss the Q3 Results of the company. First of all, I will start with a short brief on what happened in the markets and what has happened with the company over the last 3-months since we last spoke in early November and then we will be happy to move on to Q&A.

So starting with the good part of the business first, which is the Tanker markets. Tanker markets were still strong up to the last quarter. Product tankers were slightly weaker than Q2 but there was continued strength in the crude tanker markets. Again, when I say slightly weaker (product tanker market), it was just not as spectacularly profitable as it was in the previous quarter. After we have opened in January, all tanker routes have opened softer relative to what they were in 2015 but they are still at reasonably profitable numbers. They are slightly lower due to lower refining runs versus the previous quarter which probably caused product tanker freight rates to come off slightly. But the spot rates across different tanker sizes and different cargo types were up at least 50% versus the averages of 2014. The crude tanker fleet grew by about 2% during the year while the product tanker fleet grew by a very strong 7%. This was outweighed by very strong demand growth as we saw that not just oil demand grew by 1.8million barrels a day, but oil supplied was about 3.2 million barrels a day higher than the previous year and therefore the demand for Tankers and demand for transportation was extremely high.

The high markets have resulted in pretty strong ordering; in crude tankers we saw 10% of the current fleet ordered and in product tankers little less than 8%. This is a little bit of a concern for the future. So the order book stands at about 19% for crude and about 20% for product tankers.

We locked in two crude tankers on time charters for 2-years each and we locked in our one gas carrier (the LPG carrier), also on Time Charter for a firm period of 1-year.

In other events, we also bought a 10-year-old second hand MR Tanker built 2005; we committed to buy that ship in December and took delivery of that ship about a week ago.

On the dry bulk side, market has weakened further. It was already weak through most of last year and has weakened further now to historic lows. While scrapping has been quite strong at 30 million dwt for the year resulting in just 2.5% net fleet growth, which is a very low number by historical standards for Dry Bulk, the demand has actually dropped. We believe that demand has possibly been a maximum of 0.5 to 1% positive or possibly (-1%) also. So overall China's Dry Bulk trade was down by about 25 million mt and remember that this is the country which is the driver of Dry Bulk volumes. So while iron ore imports went up by about 20-25 million tonnes last year, coal imports dropped by 80 million tonnes. We have been seeing this now for the last 4 or 5-quarters and this was worrying us and now we find that coal imports have dropped by 80 million mt last year. Overall about 25 million tonnes negative growth of dry bulk trade contributed by China. India itself has reduced coal imports by about 20 million tonnes. So two of the biggest contributors to incremental cargo growth have been negative during the year. On top of that it turns out that a lot of the iron ore going into China has been substituted by Australian iron ore which is fairly short haul. So, 60 million tonnes of increased Iron Ore went from Australia to China which means that we have really poor tonne mile demand numbers. As a result, freight rates were down between 20% and 50% for 2015 over 2014 depending on the vessel size – capesizes are down about 50% and the smaller sizes are down about 25% to 30%; that is average of 2015 over 2014. Of course this has been hitting the headlines in January that the BDI is at all-time lows, yesterday was 303 I think and ships are basically earning much less than operating expenses where they are all around $2000 to $3000 a day on the spot market on an average of the different spot routes which is much below operating expenses.

While ordering has been really low in the last year or so, the order book is still at 15% and we need a lot of scrapping to take place if the market is to get back into balance. I do not think we can depend on big demand growth like we used to have over the last 10-12-years. To rescue this market we need a supply side response. The numbers for January are quite encouraging; we have seen about 4.5 million dead weight of bulk carriers getting scrapped in the first month as a result of prices having dropped to below 25-year lows for second hand vessels.

So coming to the net asset value: The standalone net asset value has been more or less the same; we are about 368 (NAV) and the fleet value in dollar terms has dropped slightly by about 5% - crude tankers were flat to marginally up, product tankers were down about 5 to 10%, bulkers were down between 10 and 30% depending on the age of the vessel. I must mention that Bulkers are further down in the month of January as well may be 10 to 15% more. So every transaction that takes place seems to be a tick lower; half a million to $1 million lower.

Coming to Offshore: From the point of view of net asset value we have mentioned before in some of the calls that any estimate of valuation is only guess work and this was emphasized in the last conference call and when we went for valuations last month, brokers are saying that they cannot provide a valuation because the market is so illiquid and there are zero deals reported for any modern assets. Therefore we are not in a position to provide valuation for the Great Ship Fleet and therefore we are not declaring a consolidated net asset value. However, I must mention that the last valuation that we got for that fleet was about a billion dollars for all the offshore assets put together including the rigs.

In the Offshore markets, E&P spending is down about 25% last year and probably the worst drop since the 1980s, and for the first time since the 1980s also we are likely to have 2-years of negative growth and this has last happened in '86 and '87 and people are estimating may be 20% further drop in 2016. So as a result of this, utilization levels are just terrible and the estimates are only 60% of rigs are employed and only 50% of supply vessels are employed on time charters and we can see this when we are looking for employment for our idle vessels. We currently have two vessels which are idling. One of our MPSSV which came off contract in October and one PSV which came off contract in November are currently idling. We also have a 3rd MPSSV which came off contract in January but she has got a contract starting April and until then we could look for some work but it is unlikely that we will find any work, so the utilization is likely to be low for that.

The one bright spot is that we have got a 3-year contract in India for our rig Greatdrill Chitra which is scheduled to come off a previous contract next month, and we are happy that we have got it because focus now is going to be on contract coverage in this market. Among all our assets in the Offshore business, we have more than $500 million contract backlog, against which we have a net bank debt that is net of cash of about $330 million. I mentioned that we have two vessels which are currently idle and looking for employment. In the first half of 2016, that is up to June 2016, we have seven more vessels coming off contract, some of them could get rolled over, but as of now we have no further employment for those. We are of course bidding them in different tenders for different businesses, but as it stands those seven vessels have no employment lined up after their current contracts. I must mention that this is the time when we will see, and we are seeing in a small way, the value of superior operating capability. We are preferred service providers. When all else is equal when there are two vessels competing who may be willing to take the same rate, we are seeing a clear preference for us in some of the markets because of the operating track record which we have built up and the comfort that the oil companies have with our quality and safety systems and the quality of our ships. So that we hope will help us to get better utilizations along with having a good home market which India is.

Coming to Dry Docks: In Q3 we had three Dry Docks and we have four in Q4, all of which are bulk carriers. In offshore, we have two very minor surveys which have to be done. So there is hardly any expenditure on those.

The balance sheet continues to be very strong; our net debt stand alone is at around $80 million equivalent and the consolidated net debt is just under $400 million. These have been discussed in the past; this is not the number which appears in the balance sheet or the press release because the accounting for some of the debt which we have swapped from rupees to dollars shows them under current liabilities rather than debt. But if you take those as part of the dollar debt, our net debt standalone is about $80 million and consolidated is under $400 million.

So now I would like to throw the floor open for your questions, I am sure we will have an interesting discussion on the markets.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.

Vikram Suryavanshi: Basically, we have seen Dry Bulk index, I think at the lowest point in whatever human memory is there. So, what will be our strategy? We will be very cautious sitting on cash to survive the period looking at operating cost or we will go and buy some assets?

G. Shivakumar: Yes, there seems to be a little bit of a problem in Dry Bulk and it seems to be on the demand side. It might well be a structural problem that China is actually going to enter a slower growth pattern or their growth in the last couple of decades has been heavily infrastructure and investment focused and if that is going to change then it really changes the outlook for Dry Bulk. So we need to be very careful about that. The one thing which I did not mention is that we fixed out a couple of our dry bulk vessels on 1-year contracts, again the rates are not great but we are just ensuring that they have employment and not too much waiting because that is another factor which is kicking in these days. So we need to get a little more confidence that this is not a structural downturn but a cyclical downturn and the asset values have really shaken all the market participants because we are now looking at 5-year-old Panamax bulk carriers valued at $12 million, which were probably $23-$24 million a year ago and these are numbers which have not been seen at least not for the last 25-years. So we are in wait-and-watch mode when it comes to Dry Bulk Carriers. So far it has paid off because every transaction is half a million or 1 million lower, so we are just waiting for now. We think this is not the time to do any purchases in Dry Bulk.

Vikram Suryavanshi: What is the current order book as a percentage of fleet in Dry Bulk, and probably if you go by 30-35 million DW scrapping every year, will that be like a limit or we can go slightly higher also looking at the shipyard capacity to scrap and all that?

G. Shivakumar: I do not think the scrapping capacity is a big constraint, at least we do not think so. We think that scrapping can happen, about 40 to 50 million deadweight in a year. So that is one thing. Second, the order book is about 15%, so we are talking about 110 to 115 million deadweight of order book. If you do not have demand growth, then you need to have negative supply growth to balance the market. We think the overhang is probably 4-5% of the fleet already. So you need to have negative supply growth in order to take out this overhang. That might take a couple of years and our base case assumption is that demand is flat or marginally down. So you need to have a couple of years where scrapping is higher than deliveries. So let us take orderbook of 110-115 million deadweight. Now even if you assume 20% to 30% cancellation rate which is fairly aggressive but let us still assume a 20-30% cancellation rate, then we are talking about 75 to 80 million deadweight being delivered in the next 2-2.5-years. You need to have at least 100 million scrapped in the same period, so you need younger vessels, more modern vessels to get scrapped. For instance, you may need to have all cape sizes which are 15-years and above scrapped in order to balance the market or you may need all Panamaxes which are 18-years plus scrapped in order to balance the market. So you need a big scrapping response over a significant period of time. Last year we had very strong scrapping numbers in the first half of the year – we had some 20 million deadweight of scrapping and then in the second half of year only 10 million deadweight was scrapped and we finished the year at just under 30 mn dwt. So you need consistent scrapping through the year and you need to finish at 45-50 million deadweight of scrapping for a couple of years in order to balance this or have any hope of balancing this market. We are not even pricing in negative growth in the Dry Bulk trade or in demand which would put even more pressure on this.

Vikram Suryavanshi: But I think a similar situation is also emerging in jack up market at 60% utilization. Again probably I think more than 100 or 128 would be an order?

G. Shivakumar: That is correct, yes, both the markets are sort of similar but one thing on the offshore market is that it is more oil related which is not necessarily a China story. So you could have oil bouncing back with supply constraints coming and let us say that there is suddenly some supply outage, basically oil prices dropped due to 1.5 to 2 million barrels per day of surplus capacity and that could easily disappear if you had any geo-political events. It could also disappear from shale oil production coming down because it is just not viable at current oil prices. So you could have it bouncing back to $50-60-70 per barrel, though that is not our base case but we think 50 is a reasonable number and maybe there will be activity picking up in exploration and production and you could have demand picking up again. In the meantime you also need to have a lot of scrapping of old units of old jack ups. As you know there are probably 150 working old jack ups which need to be removed. So that has to happen as well. Then of course you have the 110 or 120 jack up units which are on the order book. A lot of those we hope will not deliver into this market.

Vikram Suryavanshi: The impairment we have provided in this quarter is mainly because of Dry Bulk Vessel?

G. Shivakumar: Yes, it was for one Dry Bulk Vessel.

Moderator: Thank you. The next question is from the line of Himanshu Upadhyay from DHFL Pramerica Asset Managers. Please go ahead.

Himanshu Upadhyay: We had this jack up rig which was going out of order in this quarter. Has it been re-deployed or have we got a contract?

G. Shivakumar: I mentioned that earlier when I was speaking; we have got a 3-year contract for that asset, so she is coming off the previous contract within the next 1-month or so, and then she will go and do a little bit of work and go into the next contract.

Himanshu Upadhyay: When we see the coverage status, it says 91% of fleet operating days?

G. Shivakumar: Yes, because she will come off contract in March and she has to do a little bit of work before she goes on to the next contract.

Himanshu Upadhyay: Again, it will be with ONGC only?

G. Shivakumar: Yes, it is operating in India on a 3-year contract.

Himanshu Upadhyay: What type of charter rates are we seeing the market reduce let us say in jack up segment? What would be the general extent of lower rates that we have seen in or we are going to see in jack-up and again the new offshore, say, AHTSV or PSV, whatever rates we are doing, how are the rates down or what would be the… ?

G. Shivakumar: On jack up pricing, on a like-for-like basis, rates between a similar jack-up fixed in 2014 or a modern jack up for a 3-year contract are down about 30% to 35% and for supply vessels they are down probably 20-25%. I am talking about contracts in India like-for-like. So again to look at other regions is really tough because you do not know what are the specific conditions or the cost structure or the tax structure. So I am looking for like-for-like in India for a 3-year contract.

Himanshu Upadhyay: So what we bought was currently a product carrier. So again, we are comfortable there only or how the outlook would be from…?

G. Shivakumar: Yes, we were looking for where you can find some pockets of value and it appeared that there was a little bit of value in product tankers. So crude tankers were a little outside of what we thought was a reasonable value at the time that we were looking at it. So we did not want to add to the crude exposure, in fact, we reduced that exposure by fixing out two of our ships on charters. So this is where we thought there is a little bit of value and therefore we invested in it. Also, we saw a reasonably good ship and we thought we should buy that.

Himanshu Upadhyay: We had the three Dry Bulk Ships on order. So, I was just seeing your presentation of January. So, have we delayed that to 2018? The last ship would be the first half. The payment would be paid right in this year only because it does not show any payment to be done in FY18, so, all payments would be done in FY17?

G. Shivakumar: No, it will have the normal payment terms, so the last installment will be on delivery, if it is not showing that, then we will correct it, but the payments are depending on the milestones in the construction. So that will go according to the construction of the vessel, if it is delivering in 2018 then all those milestones will normally be delayed accordingly.

Himanshu Upadhyay: The new Product Tanker order which we had, so will that come in this quarter only?

G. Shivakumar: Yes, we expect it to come sometime in March or April.

Himanshu Upadhyay: From here on, how are we looking at capital allocation because most of the segments are in trouble?

G. Shivakumar: Yes, not yet the Tanker segment. Yes, we are not going to be investing in a hurry in any of these. Nothing looks really tempting. I am not talking about our business alone, but general economic scenario looks very uncertain. So we are not going to be in a hurry to make any significant capital commitments as of now.

Himanshu Upadhyay: We have generally loans which are US dollar denominated. With interest rate going up in US dollar, generally our rates also tend to go up, means LIBOR plus something whatever we pay, so how… ?

G. Shivakumar: Yes, but 60% of our portfolio on a consolidated basis is fixed, remaining 40% is exposed to spot LIBOR.

Moderator: Thank you. The next question is from the line of Abhijeet Dey from BNP Paribas. Please go ahead.

Abhijeet Dey: Just wanted your comment on the outlook for 2016 for both crude tanker as well as the Product Tanker market?

G. Shivakumar: On crude tankers we are expecting fleet growth to be 4-5% this year and Product tankers to be about the same as last year, so that is still a high number. I cannot put a number to freight, it is really tough to put a number on what you could earn, but our expectation is that we would probably end with lower earnings in 2016 on an average in the spot market than in 2015. 2015 of course was a very strong year for both but our outlook is that there will be some softening in the market. A couple of factors going into that – one is last year you had the impact of big increase in demand over the previous year which is 1.8 million barrels a day of demand growth, you also had a big increase in supply over the previous year which was 3 million barrels a day, this year you are not going to get the 3 million barrels a day. Supply growth – even if Iran comes in, etc. – adds to the trade. However, it is not going to be more than a million barrels a day overall supply growth; and demand, most agencies are forecasting will be somewhere between 1 and 1.25 million barrels a day which is not huge. So we do not expect that it is going to be a very strong year. It will be a good year, still profitable we believe, but nowhere as good as last calendar year.

Abhijeet Dey: Do you think demand for storage will go up this year compared to the ones…?

G. Shivakumar: That is a little bit of a wild card. We do not know how it is going to play out because there is a problem, so if refineries are pumping out, so there are two areas where you could have storage -- one is if we continue to oversupply the crude market and there is no place to store, we are coming close to what they call tank tops in a lot of areas for crude, so which means that if you need to pump out more crude oil and send it out from let us say the Middle East that needs to be stored somewhere and there is no place to store it on land which means that you need to store it on the ship. So that could lead to demand. As it stands today commercially that is not necessarily viable but again if you get low freight rates, which currently you can do VLCC at say $30,000 a day, then you might be able to justify storage commercially but on a long-term basis you cannot. So these things just depend on these unpredictable decisions. The producing nations can just keep pumping out more and more crude oil and there is no demand which means that you have to store it somewhere and which means that a lot of ships can get pulled into just storage. So it is really unpredictable and nobody can call that. For instance, we would not have been able to call that OPEC would suddenly decide that we will pump out million barrels a day extra even if it causes the price to collapse and that has what really turned this Tanker market. So these markets depend on things like that which are not real easily forecastable. Similarly, if refineries keep processing crude oil and pushing out refined products - this year we saw that there is lot of gasoline demand growth but not that much diesel demand growth – it means that diesel is getting produced and not necessarily finding a buyer and going into stock, and while some of that stock is onshore, some of it is going on to a ship and looking for a buyer and that ship is getting tied up for a long period of time. So these things happen. But at some point they may say we are just not going to produce this if we cannot find a buyer which means then the gasoline cargo has gone and the diesel cargo has gone too. So it could swing either way. That is a really tough one to call because then you are looking at the psychology of the guy who is producing it.

Moderator: Thank you. The next question is from the line of Vikas C from Franklin Templeton. Please go ahead.

Vikas C: Just a question on the storage economics that you were mentioning. So can you take us through an example because the curve for crude still seems quite steep, right? You still see 55 4-years out, 5-years out. So, one would think that economics make sense.

G. Shivakumar: Yes, let us look at this number. I am giving you a very rough number, so let us look at a 1-year Contango and let us call the base price $35 a barrel. Let us say a 1-year Contango is $10, I think it is some $8, but lets take $10. Lets take VLCC - so the difference between your purchase price and your 1-year forward sale price can be $18 to $20 million. So now let us look at the cost structure. Interest of course is very minimal these days and anyway the value of the commodity itself is low. So you are talking $70 million (value of cargo) even if you price it at say 2% or let us say 3% you are talking $2.1 million (finance costs). The time charter rate for that vessel is $50,000 a day, now if you do a 1-year charter, it is probably $55,000 a day but let us say $50,000 a day, that is $18 million in the year. So you are not left with a margin, you have got $18 million, you have got $2 million cost of funding or let us call that $1 million, let us say you got really cheap funding, you are one of the traders and you have got cheap lines of credit. Okay. You have still got only $19 million at $50,000 a day and I think you may not manage to get $50,000 then you got insurance cost and you have got fuel cost, fuel cost of course is not too high these days, you just need may be $2000 to $3000 a day for fuel which is about a million dollar if you take $3000 a day you are talking a million dollars in a year.

Vikas C: Basically you are saying the one-year contango has to be more than 10?

G. Shivakumar: You need about a dollar a month contango on average at the current VLCC time charter rates. Now, if you say that the crude tanker market is a little oversupplied, it is not as tight as it today and you go back 2-years, 2-years-ago you could have managed to get VLCC may be at $30,000 to $35,000, then that changes the economics because you knock off $20000 a day, that is $7 million gone from your cost base. If we can get it at $30,000 a day then you have got some margin to play around with…of course today I am told that contango is about $7.5-$8 for the year. So you are talking about $15 to $16 million gross margin from which you have to take all these out, you have to take out the cost of your ship. So it is just not workable now. So on 1-year basis it is not working out, right. But now let us come to a 3-month basis. You cannot do a 3-month time charter but there are voyages which take 3-months. So current pricing for a voyage which would take 2 to 3-months is running at $30,000 a day. So now you have got a little bit of a chance here and you have got $2.25-2.50 for 3-months which is Contango between spot price and three months later. So you can make $4.5 million in that as a margin. Your short-term charter on that VLCC because the market happens to be soft, you might land at about $35,000-40,000 a day. Then it might make sense because your cost of the ship is $3.5 million, you are making a gross margin of $4.5 million between the spot and the forward price, then you could think of doing that.

Vikas C: All of these deals are practically back-to-back? So the guy…?

G. Shivakumar: Yes, you can do this easily back-to-back, these are very liquid markets, you can sell 3-months forward very easily, you can buy spot and you can fix a ship very-very easily. Again, you need to find a ship which is willing to do storage, we are not normally very enthusiastic about storage because there is maintenance issue when you stand in one place for two-three months, but it can be done. So, these are very easily executable if you can make the commercials work.

Vikas C: Would there not be a discount for some of these storage vessels because they do not have to move, they can be older vessels as well?

G. Shivakumar: Yes, you can have older vessels. That is one thing. But you generally have to pay a premium to take a ship for storage. As I told you, we are not enthusiastic about storage. What happens when you stand in one place, is that you get the marine life sticking to the hull of the ship and that affects you in your next voyage. So your efficiency of movement is impeded and therefore your fuel consumption for the future till such time you get all that cleaned off is going to be worse. So we need to be compensated for that. So we would normally ask for a premium to give a storage option. Unless you got an old ship and you do not have too much options in any case, then you would say, okay, take the storage.

Vikas C: Last year you also would have fair amount of crude going into the strategic storage in China and other places. Is that not sort of an endless bid? They can keep creating space for crude, because it is easier than buying crude assets outside?

G. Shivakumar: Yes, you are absolutely correct. It is not as easy to execute because we have been trying to do this in India for a few years and we manage to do one storage facility I think. But yes, China has I think about 100 million barrels of SPRs coming in over the next year. So that is another 100 million barrels which could easily go into Chinese petroleum reserves which is good for the Crude tankers today.

Vikas C: Which can take, you are saying 0.3 million barrels per day?

G. Shivakumar: Yes, it is not bad. A little bit of that helps. If it is there, they probably fill it because these are cheap prices and it makes sense to do it. As you said rather than buying some assets abroad you might as well take it and keep it under your control.

Vikas C: What is your estimate of addition to storage as in strategic reserves last year?

G. Shivakumar: We probably put it at about 100 million barrels to SPRs but commercial inventories themselves in crude oil went up in OECD countries again, so these are the ones which get reported on a monthly basis and we have got data up to November. That probably went up about 140-150 million barrels over the year.

Vikas C: They are topping out as per your comments?

G. Shivakumar: Yes, the reports are a lot of the regions are topping out. I think most of the spare storage capacity is in the US. The reports we saw was that Europe is sort of topping out. On the storage side, it is not just the commercial storage. Often it is a forced storage which is happening, which is that the ships are getting cargoes, that are looking for buyers and so are ending up holding the cargo for longer periods of time. Anecdotally, when we see ships which are going from the Middle East to Europe with refined products, which would normally just take the Suez Canal because that is the shortest route, a lot of these people are saying, do not take the Suez Canal, go all the way round the Cape. First, because of the cost of transiting is low due to lower fuel prices. Second, I suspect that it also gives them more time to find buyers at the European end which just pulls in surplus capacity. It is good because it pulls in some of the capacity of the ship. It is just taking 10-days extra to do that voyage. These are the kind of things that we are seeing. There are some inefficiencies in the market which are also helping to tighten the tonnage supply in the market.

Moderator: Thank you. The next question is from the line of Christopher Noronha, he is an individual investor. Please go ahead.

Christopher Noronha: I just had a couple of questions. We touched on this briefly last quarter and the Congress over here has now authorized the export of crude oil, and I understand a couple of shipments have gone from the US. Is this at current prices an opportunity for the company?

G. Shivakumar: Yes, it could be an opportunity in the sense that the more oil is transported the better it is for us in terms of demand. May be we would not be participating but some ship will be participating and every little bit of additional demand is good. But we have not quite figured out how the trade routes and the trade pattern will be. Broadly, we would say it is good if oil starts coming out so it could travel both ways. What is happening was that refiners in the US had sort of captive base of supply, in the sense US crude oil producers could only sell to mostly to US refiners because they could not export it. Therefore, the advantage of pricing was with the US refiners which meant that US refining was very robust and making a lot of profits and exporting a lot of product which was very good for the Product Tanker trade. What this could do is that the refiner no longer gets this cheap because if he does not offer a lucrative enough price or a reasonable price, the crude oil producer says, "I am going to send this crude overseas, I do not need to sell it to the refiner in the US." So it might be that the crude tanker is taking away trade from a product tanker. It is all a little up in the air now. We will get a clearer picture once it happens in some reasonable quantities. So cautiously optimistic….

Christopher Noronha: It made quite a few headlines this year, which is why I brought it up. I have a question, in the last annual report ended 31st of March last year, you had an unhedged foreign currency position. Can you elaborate on that in terms of… I am not sure I understand the wording in the balance sheet? It is on Page #102 I think of…

G. Shivakumar: This is a slightly technical definition of what is unhedged. Anything which is currency other than our home currency it is treated as unhedged. We do not treat it as unhedged because our flows and the charter rates that we get are in dollars. Almost all our liabilities are in dollars, even the rupee loans that we have taken have been swapped into dollars. So we have an entirely dollar liability profile apart from our equity of course and we have a dollar asset profile along with our revenues and we have Rupee and dollar bank balances. Dollar bank balances are little higher than rupee bank balances currently. We do not really have an unhedged exposure, in fact, we would say we have the opposite unhedged exposure which is that we have more dollar assets than dollar liabilities because the value of our fleet is $700 million, value of our cash is $250 million, that is $950 million. I am talking of Great Eastern Shipping standalone against which the value of our dollar liabilities is $550 million.

Christopher Noronha: I think on a consolidated basis, you had mentioned $1100 million?

G. Shivakumar: On a net dollar position it is probably $900 million or so. Yes, we have dollar debt of about a billion dollars. We do not know what the asset values in offshore are, but if we take them at the last assessment which was about a billion, we are talking $1.7 billion assets and we are talking $300 plus million of cash. So the number you have is right about a billion.

Christopher Noronha: In practical terms, you are fully hedged?

G. Shivakumar: We have a largish asset side exposure to dollars. If the question is are we better off as a company by rupee depreciating or appreciating, we are better off by the rupee depreciating. So 68 going to 75 is better for us than 68 going to 60 in terms of net asset value, in terms of general profitability, etc.

Christopher Noronha: Have you all given… I am sure you have, but in terms of increasing your exposure to gas carriers with huge infrastructure coming in your new holdings and other US ports and also the gas coming out of Qatar and Australia, have you all given thought to increasing your exposure to gas carriers?

G. Shivakumar: We have exposure to one gas carrier, but I do not think that is the type of gas that you are referring to. We have an LPG carrier. That market has been doing exceptionally well for the last couple of years. We wish we had a dozen of these, but I think you are referring to LNG. The LNG business is doing extremely badly. It is a very long-term business, so these are 15 to 20-year contracts which produce a fairly weak return on equity and does not give us the benefit of doing… we think among the things that we are good at is timing market cycles well and LNG ship does not give you any benefit of that because you buy it, you are locked into a 20-year contract, you run the ship and you take your return which may be 6-7-8% whatever that is. We think that if we were to produce 6% return, our shareholders may not be very happy. So we would like to try for a higher return and not lock it… and those are big assets in the sense that those are $200 million ships each. So we are talking at least $40 million of equity in one of those ships. We do not think it makes sense to take out capital from the rest of our business and put it in one of those because we cannot afford to put $40 million at a single digit yield. So that is not a business for us. We have looked at it a couple of times, we have bid in some businesses but it never produced a huge return really. You need to really have low cost of capital to be excited by that business.

Christopher Noronha: The infrastructure itself is taking up a lot of resources over here?

G. Shivakumar: No, it is going to be a trade that is growing, we will have a lot of imports of LNG into India as well, so the trade will grow. The problem is we cannot find a way to make a reasonable return on that money and we are not be able to allocate a large chunk of capital to that business because there is no point just buying one ship, then you need to have two or three, then you are talking $600 million. Value of our shipping fleet today is less than $700 million which means that basically we are doubling the investment in shipping in just three ships and just locking them in for a long-term.

Christopher Noronha: You had total revenue visibility for the rest of this financial year of roughly Rs.500-odd crores. Would you say that you will be able to make up the remaining another Rs.400 crores, Rs.500 crores through the spot market on a consolidated basis?

G. Shivakumar: In offshore, there is nothing more than the visibility that we have because most of the capacity is tied up and you can see that in the percentages that we have. We do not expect to tie up any more capacity in the remaining two months that we have. I do not think that number is going to change much in offshore. In shipping, yes, we have capacity on the spot market, but remember a few of those are bulk carriers which are not making much money. I would not comment on what the number is likely to be, but broadly the tankers continue to be profitable, bulkers continue to be terrible; they are trading at below operating expenses. I cannot give you an answer because I do not even know that number yet.

Christopher Noronha: I was just trying to get clear in my mind the relationship between the estimates and some type of revenue…?

G. Shivakumar: I mentioned it at the outset is that markets in January across the board (spot markets) have been weaker than they were in the last quarter.

Moderator: Thank you. The next question is from the line of Pratik Poddar from ICICI Prudential. Please go ahead.

Pratik Poddar: The comments which you have made in the last half an hour to one hour suggest that the situation is worse than 2008, the great financial crisis, to an extent Tanker market also. Is my understanding correct?

G. Shivakumar: You are referring to dry bulk and to offshore, right? The situation with dry bulk is worse than anybody remembers it. Asset values are 50% lower than they were this time in 2009 which was probably the trough of the market. That is how bad it is with regard to 2008. These freight rates we have not seen and the BDI is at the all-time low levels. In offshore, yes, it is worse than 2008-09 crisis in terms of getting employment for assets. So I do not think we saw these utilization levels in 2008-09. A couple of fixtures were done at what we then called low rates for jack up rigs. We are below that by probably 15% today may be 20%. So we are much worse off than we were in 2008-09. In 2008-09 we had a drop in E&P spend. I mentioned that we had around 25% drop last year and may be another 20% drop this year. At that time we had a drop in E&P spend may be 20% in one year. It bounced back in the next year itself. In 2009 it dropped by about 20%, the next year it was up in 2010. Because the price of oil has already bounced from 30-35 in March 2009, but by next year it was already at $60, so people came back to invest. Here it has not happened and we continue to have a bloodbath with regard to utilizations. So it is certainly worse than 2008 by a big margin.

Pratik Poddar: Given that the outlook on crude prices is not that strong as in nobody believes or whole world price of $100 is sustainable, how should we in our models look at the offshore division, could you just give us some clarity from a medium-term perspective, obviously today you are locked in, but the commentary and the data points which you suggested it looks like crude even in the next 3-years does not look like going back even to $60?

G. Shivakumar: On the price of crude I would slightly differ. We could well see $50 by the end of this year. There will be a supply side response to this. Not everybody can continue producing at $30 a barrel. It has been a long time coming but shale will suffer now with these prices. They have managed to keep their production up by doing what they call high grading and focusing on the most high producing areas, etc. but we believe that will come off during the year. So there are a lot of reports out there which say that it can come off anywhere between 700,000 and 1 million barrels a day. Remember that the crude price drop has happened with a surplus of may be 1.5 million barrels a day. The surplus capacity of 1.5 million barrels a day is less than 2% of the crude production itself. It is not a huge amount of surplus capacity. That could easily disappear. It is not our case that you will not see $60. You could see $60 easily by middle of 2017. Yes, $100 is going to be very difficult for you to attain unless you have a huge geopolitical incident and 2-3 million barrels a day gets taken out of production. That is not in our base case. But you do not need $100 a barrel. Basically what is going to happen is that there will be cost deflation. You will have to settle for lower profitability. You will have more assets being employed. You take 25% and 20%, right, two years of drop in E&P spend, and so you are down to 60% effectively of spend. Out of that 60% let us say that you have 30% or 35% comes from cost deflation itself, which is just a rate variance. Then you are talking of a quantity variance of may be 10%. You need 10% less assets to do this work and it means that the profitability of the oil field services business is going to be lower. But even at a 30% drop from the previous levels, let us say the levels of 2014 it is still profitable except that it is not profitable to the extent than it was before. It happened in shipping. In shipping we made Rs.1400 crores of profits in FY2008 and 2009. Those are super profits but when the market changed we had to adjust our expectations to a lower level of earnings. I think similar will happen in offshore. So you will move down from 20-30% return on equity down to may be 10-15% return on equity. I am just throwing numbers. That is what will happen. So we hope that everybody gets used to a lower cost regime and oil companies start to reinvest. Say at $60 they find justification for reinvestment for projects which in 2014 they would not have been able to afford at $60 because the cost base was that much higher. This market is not gone forever, it has gone for a couple of years, may be two to three years for the oil market to come back. Unless of course you are thinking that fossil fuels are gone forever and will be replaced by solar power. But, if you think that oil will continue then this market could easily bounce back and you could see a scenario where your 60% could move up to 80-85%. Then you need to have a scrapping of old units where you have a lot of old units in drilling. 25% of your jack up fleet deserves to be scrapped because it is built between 30 and 40-years ago and it needs to be scrapped and those will be removed hopefully in this down cycle and then you got the base for a reasonable market. So you could well have a little bit, you come back and settle at a new normal kind of rate.

Pratik Poddar: And this one time reset, would it lead to distressed assets which you can acquire?

G. Shivakumar: There are lots of distressed assets out there, nobody is biting, I mentioned earlier that there are very few transactions which are happening because people do not want to buy. So everybody is in distress in one way or another, so some people have lots of contract coverage and very little debt and we will like to get closer to that part of the spectrum. But even we are not enthusiastic about buying more because there is no point buying a rig even if it is 50% cheaper than it was two years ago unless you can get some employment for it, because if you are going to buy that rig and you are going to stack it somewhere and then you do not know what will happen when you stack it or how are you going to reactivate it unless you can figure out some employment for that rig, it does not quite make a sense to do that distressed asset purchase. If you can tie it with employment you should do it. We did this early last year with one of our vessels, we bought a vessel subject to getting a contract. We got the contract so we bought it and put put it into the contract. But those are very few and far between kind of opportunities and therefore these assets will not get transacted at all.

Pratik Poddar: Sir just one last question, sir you mentioned about the shale oil producers cutting down their production, what about non-OPEC non-shale guys, do you see them also cutting down on production since they are legacy assets, people are still continuing over there and there they are not feeling the pinch even at $30.

G. Shivakumar: They are not feeling the pinch but you have normal field declines which happen, normally field declines will be somewhere between 0.5 million and 1 million barrels a day across the entire spectrum of fields. So just to stay at the same production you need to have other finds of about 1 million barrels a day. So that will happen, and the way people are releasing assets, so if assets have come down by 25% obviously some investment is not happening in capacity and therefore it going to put a constraint and it is like every cyclical market, at some point there will be under investment and that will lead to the next boom. So yes, we think people will have to deal with natural decline, in shale the decline is very steep, in conventional fields the decline is much slower so you would not see it so obviously, but you could have about 0.5 million barrels a day to 1 million barrels a day of natural decline in conventional fields. So that will happen because of lower investments.

Pratik Poddar: And sir, sorry one last if I may squeeze in, what are the triggers before which you would look to buy bulk again or that is a distinct possibility now?

G. Shivakumar: We need to see that scrapping happen clearly, we need to see a little bit of balancing, because unless that happens, so this year we are expecting at least 50 million to 60 million dead weight will be delivered. And unless you get 50 million scrapping happening we think this year is going to be really bad because we do not see how demand is going to grow, if China is not growing steel production, today I just saw a news flash about Chinese plan to reduce steel overcapacity. Now if that is happening, if that is not growing than I do not see how trade growth can happen in dry bulk at all, if that is the case then you need to have supply shrinking quite rapidly to balance the market. So unless we see that happening and we need to see that happening over a year or two because that happens much more slowly and it has a slower effect on the markets. So that is what we are looking for. And as I said, we are starting off with a surplus of maybe 5% over capacity. So you need to take out that overcapacity first. So it will take a long time for us to get the confidence to come back, I do not see us doing anything unless we, so let us say that we see 25 million to 30 million dead weight of scrapping in the first half of this year, that maybe not a bad sign actually but you need to see that happening over a long period of time.

Pratik Poddar: And sir access to capital in the form of PE money, because one year ago when we used to interact with you you used to mention that a lot of PE guys have come into this and cheaper access to capital is not actually leading to the cycle turning around, has that stopped now?

G. Shivakumar: Yes, good news is that has stopped, a lot of these investors are stuck in these companies because a lot of them put their money in to dry bulk companies. Even the ones in tanker companies, though the companies are doing well the stock prices have got hammered with the rest of the stock market. So everybody sees that, and again I do not know if this is a general market perception because everybody thinks oil is doing badly so a tanker stock should also be doing badly, and everybody has got hammered. So basically people are not getting easy exits and they are not very enthusiastic about investing now. That is good, so we have seen much less new capital flowing into the business. Bank debt is also very-very selectively available now, which is also a good thing, so basically easy money is not there especially for speculators.

Pratik Poddar: And sir, given these scenarios you do not feel excited or you are not looking at any opportunities to acquire.

G. Shivakumar: No, as of now no, we need to see some signs of them turning around, we believe we will see maybe some opportunities in crude, maybe in products as well. Those will be a little easier to do because dry there is a little worry as there maybe a structural problem. Oil again is probably going to be a turnaround at some time, now whether it is two years, three years or five years we do not know, but that at least you can, in the absence of just hydrocarbons getting replaced completely by some other source of energy, think that oil will come back at some point. But yes, as of now we are not enthusiastic about making any investments, we are not seeing value anywhere. And especially in this, not the shipping or the offshore market scenario, but in the general economic scenario, it does not seem to make sense to do any big investments.

Pratik Poddar: Sir the in terms of cash deployment strategies, any thoughts over there, how would you look to deploy your cash?

G. Shivakumar: We did one product tanker last month, we will find some little deals to do here and there, some pockets of value hopefully but otherwise we will keep it in reserve, we are sure opportunities will come up in the next year or two, so we will wait for those opportunities patiently.

Pratik Poddar: So the idea is more towards opportunistic buying?

G. Shivakumar: That is correct.

Moderator: Thank you. Our next question is from the line of Ashish Jain from Morgan Stanley. Please go ahead.

Ashish Jain: Sir, just one question on the crude side, now I was talking to some industry expert and his view was that the current oil fields are such unlike the historical oil fields that need continuous CAPEX to maintain the level of production. So one, do you agree with that? And if yes, could it mean that the support vessels recovery could be let's say three quarter, four quarters down the line?

G. Shivakumar: Just to make sure I understood you right, the current fields do not require as much effort as the old fields to maintain production, that is the first point.

Ashish Jain: No, the current fields need lot more CAPEX to even sustain the production which was not the case with say fields 20, 30 years back and hence CAPEX on the E&P side should recover much faster even if people want to maintain the oil production, leave apart expanding production.

G. Shivakumar: It is probably correct, this is true for most mature oil fields and of course most of the fields which are currently in production are mature oil fields. As they go and continue on their production, the yield drops, so you need to do more and more work, you have to do work overs, you have to do some water injection, gas injection to produce more oils out of those wells. So yes, they do take more work and I saw this somewhere that the amount of oil produced offshore, did not change between, I think 2002 and 2012, however, the number of jack ups employed offshore had gone up by 30% to 40%. This means for 30% of extra work you are getting the same amount of oil, which just means that the efficiency is dropping. It is correct, it is true that you need to put more work in these mature fields to maintain their production which is because of the natural decline in production. That is what I was mentioning – the 0.5 to 1 mbpd of drop in production could happen across the world due to a natural decline in production. But there are quite a few new fields which are slated to get into production over the next three to four years, and I was reading a report where it said that at least 4 million barrels a day of production is supposed to come in by 2020 which will sort of compensate for these. But yes, there is a lot more work to be done, especially if you have got targets of your own. So if you are a company which has targets for increasing production, yes you will have to keep doing work.

Ashish Jain: And just secondly a housekeeping question, what is the CAPEX that we are still spending in terms of cash payments that we have to do for the order book?

G. Shivakumar: In offshore of course there is no CAPEX, in shipping we have about between $90 million and $100 million.

Ashish Jain: Of cash payments pending?

G. Shivakumar: That is right. Actually $90 million.

Ashish Jain: And what was the order value of this ship, as in how much we have already paid versus these?

G. Shivakumar: $120 mn is the order value, so we paid about 25%.

Moderator: Thank you. Our next question is from the line of Bhavin Gandhi from B&K Securities. Please go ahead.

Bhavin Gandhi: Sir, just wanted to check, I know no deals have happened in the offshore side, so you have not been able to give the number, but what is your, I mean if you were to take a guess in terms of say price correction on the offshore side what would that number be?

G. Shivakumar: I would think that at least a 10% correction, maybe 20%, the problem is you cannot put a number to it, but maybe 20% price correction from a six months ago. But again, you may not get a buyer even if you go 30% lower or you may get a buyer at 10% lower. The other thing which has happened also is that in a lot of cases, the re-pricings are happening for assets which do not have contracts and when you have an asset with a contract, obviously the contract has a lot of value in today's market which is another reason why you cannot value your asset at a charter free value because that prices in some period of unemployment and while you have a profitable employment.

Bhavin Gandhi: And sir if I were to, if I just was to contemplate any, I mean if you go back to 2007 kind of crude price environment where it is much closer to about $60, what would have been the charter rate environment in jack up and are we closer to that environment now or it seems to…

G. Shivakumar: No, actually 2007 was the peak of the market, 2009 was the last bad market, 2009-10 was the last bad market we saw and we are probably down 15%, 20% from there for a jack up.

Bhavin Gandhi: And sir also on the charter rate side, on the crude side specially we are down even on a sequential basis, why would that be and if you can help us with the coverage for FY17 on each of your segment?

G. Shivakumar: On crude we are just marginally off, it is neither here nor there, so the market was about the same in Q2 and Q3. So in crude tankers we have fixed two of our Suezmax tankers on two year charters, they have gone on charter at the very end of the quarter or going on charter now. So that is only thing that we have done there, the rest of the vessels operate on the spot market.

Bhavin Gandhi: And sir what is the situation on the product side, I mean how much have we tied up?

G. Shivakumar: Product side we have only tied up the gas carrier on a one year contract, but otherwise sometime in the beginning of the last quarter we tied up, I think I might have mentioned it before, two of our ships on one year contract.

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

Ankit Panchmatia: Sir, please sorry for my ignorance, but I wanted to know the NAV number for the quarter.

G. Shivakumar: On a standalone basis the number is Rs.368 a share, consolidated we are not giving because we have been told by brokers that they are not able to put values to the offshore vessels because the market has just got completely disrupted. So there is no price discovery in offshore.

Ankit Panchmatia: And sir I just wanted to know that what kind of deliveries are being scheduled for FY16 with dry bulk market as well as tanker market as well as offshore, if you can just give me a flavor, the overall delivery market.

G. Shivakumar: In tanker market we are expecting 5% to 7% fleet growth, crude tanker maybe 5%, product tankers 7%. In dry bulk, we are expecting gross deliveries, of course the scheduled deliveries are probably 80 million, 90 million dead weight but we are expecting that there will be some slippage, some cancellation, so we expect about 6.5% to 7% gross fleet growth. Now we expect also that scrapping will be strong in this year, we are hoping that net fleet growth will not be more than 2% in this year. At the outset, we hope that we will have negative fleet growth for the year, last year we had about 2.5% fleet growth.

Ankit Panchmatia: Sir just wanted to understand, why an assumption of scrapping to be strong because scrap prices are on a lower side, so how do you assume that?

G. Shivakumar: Yes, scrap prices are down maybe 25% from…

Ankit Panchmatia: Yes, that would kind of impact the scrappages, that is what I assume.

G. Shivakumar: Not really, so we had in January last year when the price was let's say 100 and today it is at 70, you had less scrapping then you have today in dry bulk, you have 40% less scraping than you have today in dry bulk. Yes, if we were to scrap a ship we would like to get a big price for it, but if the option is to run it at a loss and to spend $2 million on dry docking the ship, we would rather take a $1 million less for the scrap price and scrap it immediately. So it is not so much driven by the scrap price as the market outlook and how much money you are bleeding on an operating basis. So that is the call that people take, really.

Moderator: Thank you. Our next question is from the line of Ashish Jain from Morgan Stanley. Please go ahead.

Ashish Jain: Sir just one clarification, when you talk about the NAV of the offshore fleet, you said if there is a contract on the vessel then it is treated differently, so do you take in the NPV of the contract value or…?

G. Shivakumar: So when we were calculating NAV or when we were giving NAV we would give at charter free value, so the broker gives you only a charter free value, the broker does not value your specific asset. So you would tell him I have a jack up rig built in Keppel in 2009, what is the value of this, what is the value you would place on this. So he would tell you that charter free value of such a rig is 'x' and we used to put that number as the value for calculation of NAV. In old times it did not make a difference, there was not much of a difference because the charter free and with charter value because there was not much of a difference in the market between the charter you had done and the market charter. Now the difference between the charter that you have and what you could get if you are a charter free rig, so you have got a charter which is giving you let us say - and I am just putting numbers here these are not our numbers - let us say you have a charter which gives you $20 million of EBITDA in a year and you have a charter free rig whose prospect of having any EBITDA in the next 12 months is 0, it will have negative EBITDA because they need to incur cost just for stacking that rig. And therefore the value of your rig is not the same as the value of a charter free rig, that is the point that I am making.

Moderator: Thank you. Our next question is from the line of Aditi Divekar from Business Standard. Please go ahead.

Aditi Divekar: I have a question for your bulk segment, now that the trade outlook is weak for global market, do you think GE shipping will focus on coastal shipping also to get some revenues from the bulk segment?

G. Shivakumar: We have always been in the coastal shipping market.

Aditi Divekar: Will there be an additional focus, as in more focus?

G. Shivakumar: No, the market is not very different really, so though we have of course as Indian flagships we have a first right on most coastal cargos, the rates are not very different from what we get in the international markets. So we are always here, we have a lot of customers who are very happy dealing with us as a good quality operator and so we are always here, we have generally four or five vessels in the dry bulk market in and around India all the time. So it is not going to be very different. Of course, it is not that the coastal trade has been very strong in the last few months.

Aditi Divekar: Yes, but at least your ships will be deployed or employed.

G. Shivakumar: That is correct, I suspect that you may not have that much coastal trade to deploy many more ships in this market.

Aditi Divekar: So you have limited scope here I mean to say.

G. Shivakumar: That is right, because we are already fairly big in the coastal trade, we already have four to five ships which are in and around India. So yes, it is good to have an Indian trade, but it does not absorb that much of capacity.

Moderator: Thank you. Our next question is a follow-up from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.

Vikram Suryavanshi: Most of the questions are answered, I was just looking for whether we will look for opportunity in LPG carriers since market is good?

G. Shivakumar: Yes, I think I mentioned before, there are a lot of ships delivering this year, in fact in the first quarter there are some 15-20 ships being delivered I think. So that capacity is coming, all the capacity which was ordered in 2013 and 2014 is coming in this year, so it is a little bit of a worry. And if you have already seen, spot rates are down, the spot rates have been at around $30,000 - $35,000 which last year was averaging $75,000.

Vikram Suryavanshi: But is there any opportunity to play being an Indian flag while one of the largest player in LPG is struggling, so probably we can have some market opportunities in that case.

G. Shivakumar: Yes, see the Indian business is not available exclusively to Indian ships, it is available to everybody and an Indian ship gets the first right on that in normal circumstances. So you will not get a better rate than anybody else. So a Greek ship owner may offer less, let's say just as a number he may say I will give you at $100 a day, if we say we want $120 we will not get

$120, we will have to match $100 a day if we want that business. So it helps, as the previous person asked, it helps if you have no cargo elsewhere the Indian trade helps because you have at least a certainty of cargo but you do not get any premium by operating in, so there is no arbitrage to say that I buy the LPG ship from somebody who does not have the trade and I put it into the Indian trade which gives me the superior return, that is not available only to us, it is available to any ship owner in the world.

Moderator: Thank you. Our next question is a follow-up from the line of Christopher Norena, he is an individual investor. Please go ahead.

Christopher Norena: Coming back to the dry bulk trade, I understand that the Government of India has mandated that particularly in the dry bulk that Indian carriers, the exporters or the importers have to give India carriers 50% of their trade, the government institutions in India. Is this going to help your utilization?

G. Shivakumar: This is a proposal which came up some time ago but I do not think it is coming to force. It is not necessarily going to help utilization because as it stands today we have a right on 100% of the cargoes, so if any Indian cargo an Indian flag vessel would general have a right of first refusal on any of those cargoes for any Indian charter. So we have access to 100% of the cargoes, 50% is not an improvement on that. So as it stands today, we have access to 100% of Indian cargoes on a preferential basis, if we match the market price we have access to that cargo. So that proposal, again I will emphasize that it is still at a proposal stage and we last heard of it a couple of months ago and not in action yet, but it is not an improvement on the current situation.

Christopher Norena: I just wanted to see whether there is any improvement in utilization would be available, but obviously no.

G. Shivakumar: No, not really.

Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to Mr. G. Shivakumar for closing comments.

G. Shivakumar: Thank you everyone, that was a very interesting call and longer than normal, but very good questions and we enjoyed answering those and discussing all those matters with you. As always, the transcript will be up in the next couple of days. Thank you very much.

Moderator: Thank you. On behalf of the Great Eastern Shipping Company Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.