Great Eastern Shipping Company Ltd.
Investors/Earnings Conference Call
(January 30, 2009)

Moderator: Good evening Ladies and Gentlemen. Thank you for standing by. We welcome you to the GE Shipping earnings call on declaration of its unaudited financial results for the third quarter ended December 31st 2008. At this moment all participants are in the listen-only mode. Later we will conduct a question and answer session. At that time if you have a question please press * and 1. I would now hand over the conference to Ms. Anjali Kumar, Head of corporate communication at a Great Eastern Shipping Company Limited to start the proceedings. Over to you Ms. Kumar.

Anjali Kumar: Good evening Ladies and Gentlemen. On behalf of Great Eastern Shipping, I once again welcome you all to the earnings call of Q3FY2009. We have with us today our Deputy Chairman and Managing Director Mr. Bharat Sheth and our CFO Mr. Shivakumar to take you through the financial results of Q3. Mr. Shivakumar will first give us a brief financial snapshot of the Q3 results after which we will throw the discussion open for question. Over to you Mr. Shivakumar.

Shivakumar: Good evening everyone. You will see that we had another fairly profitable quarter. Let us run through the analysis of the quarter results. Revenues days are down 13% due to sale of vessels over the last 12 months. We have been exiting some of our older assets and therefore the number of days is down and the size of the fleet is down as well from 3.14 mn dwt to 2.93 mn dwt. However, the average age of the fleet has come down from 10.7 years to 9.7 years as a result of the disposal of old assets. Despite the drop in the number of operating days and the revenue days, we have had an increase in the revenues due to a very healthy performance by the tankers. Specifically the crude tankers earned about 60% more in day rates as compared to the same period last year and the product tankers earned about 19% more than they earned last year. Dry-bulk of course as has been widely publicized is going through a bad patch and therefore the average day rate dropped about 30% from $45,000 in the corresponding quarter to just over $30,000 per day in this quarter.

One of the things that you may notice is that number of spot days that we had has gone up about 35% and this is despite a drop in the overall number of revenue days. This is a part of the conscious move and as a proportion of the total earning days, the proportion of the spot days have gone up from 38% to 58% of our total earning days for last quarter.

Coming to the expense, the direct operating expenses were higher during the quarter mainly as a result of higher fuel cost, which again is a carry over from September when the prices were high and therefore the bunker costs are high leading to higher direct operating expenses. Now of course they are much lower. This is also of course driven by the number of voyage days ie the spot days, which also has resulted in higher direct operating expenses. In the other costs, we had higher dry docking days during the quarter and more number of lays offs, which resulted in an increase in cost by Rs.16 crs during the quarter.
Operating expenses were up at 10%. Despite the 9% drop in ownership days, costs increased due to the effect of the exchange rates fluctuations as most of our costs are denominated in Dollars and also partly due to the scarcity of qualified sea fares**.** So on

an operating PBIDT basis, we have marginally changed from the corresponding quarter in the previous year. Excluding gain on sail of ships, we were a little ahead and including the gain on sail of ships, we are little lower than the corresponding quarter. The interest costs in the quarter were higher due to expensing out of upfront fees paid on loans; we took delivery of 2 vessels in the last quarter and will take delivery of two more vessels in the coming four months and the arrangement fees payable for the loans on these vessels were expensed out in the last quarter, which resulted in an increase in the interest cost. And of course the interest rates have come down and that will reflect in the future quarters with the Libor having come down again this is also affected by the exchange rate. Again we know that the exchange rates between Q3 of last year and Q3 of this year are higher by about 20%. Depreciation has come down marginally due to the sale of assets.

Another important swing factor in our results this quarter is the exceptional item where we have last quarter Rs.22 crs positive due to revaluation of loans under Accounting Standard 11 that has a positive impact on the profitability and this quarter we have just under Rs15 crs, which is an exceptional item, which has been explained in the notes. So that is Rs.37 crs net swing in the results that we had and coming down to PAT**,** we had overall drop in profits to the extent of Rs52 crs from Rs.293 crs down to Rs.241 crs. Other significant numbers to note are - closing balance of debt as of 31st December is approximately $618 mn, which is just about Rs.3000 crs and the cash balance is approximately Rs.1900 crs.
I will end my presentation of the results and hand it back to Anjali. Thank you.

Anjali Kumar: Thank you sir. We will now take questions?

Moderator: Ladies and Gentlemen, we will now begin the question and answer session. If you have a question, please press "*" and "1" on your pushbutton phone and await your turn to ask the question when guided by the facilitator. If your question has been answered before your turn and you wish to withdraw your request, you may do so by pressing the # key. We have a question from Ms.Aishwarya Ramani from CRISIL Research. Please go ahead.

Aishwarya Ramani: Sir can you tell us the proportion of your fleet, which have exposure to the spot market and what percentage of your fleet is under time charter?

Bharat Sheth: For the quarter ended 31st December 59% of or fleet was on spot.

Aishwarya Ramani: Sir, are any of your contracts coming up for renegotiation in the near future?

Bharat Sheth: Yes, we have number of ships that come up for renegotiation over the next few months.

Aishwarya Ramani: Sir, can you tell us how much percent?

Bharat Sheth: If you just take it up to 31st March of 2009, on the tanker side we have about 7 ships coming up for re-pricing and then on the dry-bulk side, we have basically one ship.
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Aishwarya Ramani: Sir, can you also throw some light on the hull conversion?

Bharat Sheth: We converted two product tankers from single hull to double hull that was completed between September and December of 2008 and both the vessels are now in service under the respected charter.

Aishwarya Ramani: Okay. So, what about crude tankers?

Bharat Sheth: No. We have not converted any crude tankers.

Aishwarya Ramani: Sir, can you tell us how the conversion is going out phase out globally over the next 2 years. How much percentage of conversion is going to happen globally?

Bharat Sheth: Nobody knows how many vessels will eventually convert between single and double hull because these are individual decision being taken by an industry that is very fragmented. So there is no consolidated number.

Aishwarya Ramani: Sir, what are the likely scrapings, delays, and cancellations, which are happening in the market in both tanker as well as dry-bulk segment?

Bharat Sheth: What we are hearing is that as far as, again these are all based on broker reports etc. There is no definite information, but I think what people are saying is somewhere between 20 % or up to 35% of bulk carrier, which are likely for deliveries between 2009 and 2011, could either get cancelled or indeed get deferred. As far as scrapping is concerned, there is lots of scraping that is taking place in dry-bulk, lot of less scraping taking place in tankers because tanker rates continue to be remunerative and provide a positive return to operating cash flow. So, tanker owners continue to trade whereas dry-bulk owners continue to scrap.

Aishwarya Ramani: Are we seeing a lot of cancellation in the dry-bulk markets, cancellation or delays?

Bharat Sheth: Yes, that is what I just said that on the dry-bulk fleet the general expectation is somewhere between 20% to 30% of the new buildings, could either get cancelled or indeed get delayed.

Aishwarya Ramani: Sir, what about the tankers. What are the delays and cancellations that you are seeing?

Bharat Sheth: We have not seen anything yet of any meaningful number because the tanker market has held both in terms of asset values as well as in terms of earnings, to a much better extent as compared to dry-bulk.

Moderator: We have the next question from Mr. Amit Mathur. Please go ahead sir.

Amit Mathur: Sir I am just trying to understand there is a new shift in the because Great Eastern traditionally if I am not wrong has kept about 40% to 42% of its total fleet capacity on spot. And if I heard correctly, you were saying in the December quarter, nearly 58% is on spot. I mean it is a big jump if I have understood correctly. I am just trying to understand, sir what is the rationale because of spot rates, traditionally will be lower and enter a long term contracts a year earlier, we have got much better rates in what are prevailing in the spot markets. I am just trying to listen what is the rationale to take the spot in such a high level, 58% for traditional, 40% to 42% .

Bharat Sheth: I will tell you the rationale. At the beginning of the year when we gradually shifted from more amount of period fixing and spot fixing, it was based on the fact that the period fixing was at a substantial backwardation to the spot rate and therefore if you see the quarter 2 results where a quarter in which we declared the highest ever operating profits of almost Rs.500 crs, it worked simply because we had a greater exposure to the spot market. The other point was that fixing on period in very high markets has their own risk as we are seeing today because there are a number of charters who are simply not honoring their obligations and commitments.

Amit Mathur: You mean to say suppose if I have entered a contract $60,000 a day in the VLCC and it may come down to $48000-$50000, so I may not want pay such a higher rate.

Bharat Sheth: Yes. I thing where we are seeing the real dramatic collapse is not in tankers as much as we are seeing it in the dry-bulk sector where the spot rates have dropped by about 90% to 95. So for example, there had been instances where ship owners have committed their vessels for charters at $60,000 and they are not being honour any longer. So then the ship owner has lost twice. He gave up the spot earning when he fixed he fixed in backwardation and now in any case he is not getting the cash flow. So I think by staying in the spot market, I would say that we have not really been worked off particularly if you consider that many of the longer term period charters are just being washed out.
Again, I think it is a factor of 2 things. Let me break it up first between tankers and dry-bulk because there are different strategy. On tankers our conscious strategy was, to trade spot and it was driven by the fact that we believe that for calendar 2008, spot earnings will be significantly higher than the period earning that were achievable at the different points of time. That strategy has proved correct because even if you include the pretty soft last couple of month earnings, the spot market were significantly outperformed anything that could have been fixed on period.

Amit Mathur: Okay fine.

Bharat Sheth: Now, on dry-bulk that is not the case. In dry-bulk the reason we stay spot is because we wanted the flexibility of one thing also to take the opportunity to sell some of our assets at higher value.

Amit Mathur: Okay, which is not possible

Bharat Sheth: Yes, the strategy failed because of the quick and sharp correction that happened in the last 90 days.

Moderator: We have a question from Mr. Anish from ABN Amro.

Anish: Hi. Couple of questions. One is for your tanker and dry-bulk fleet. How much is contracted for FY10?

Bharat Sheth: For FY10 on tankers it is just under 25% and for the dry-bulk it is just under 13%, but as I was just telling one of the earlier participant that we have re-pricing on couple of our larger contracts coming up in March and therefore the numbers would undergo significant change has this conference taken place 2 months later.

Anish: So currently they are not assuming that those assets are contracted. That what you are saying?

Bharat Sheth: We cannot because there are some fresh tenders, which are in the process of being negotiated.

Anish: Is there some target of your time contract you would like to have for FY10? Are these numbers likely to go up as we go into FY10 or will they remain over here.

Bharat Sheth: No the numbers will go up on tankers for sure. On dry-bulk they may not go up because in today's environment credit risk is becoming a huge problem and also we feel that in market that has already corrected 90%, it may not be advisable to go and fix in the long term. We might as well take little more pain in the spot earning rather than go and fix because these markets can turn as we have seen in shipping before. So on dry-bulk my suspicion is that current year we are not actually looking for any period business.

Anish: And currently, for the tanker and dry-bulk break up, I know you have given us a blended rate, but could you break it up into tankers and dry-bulk for the, how much is on time and how much is on spot as of 31st December.

Bharat Sheth: Okay. For balance of FY09 on dry-bulk, the coverage on dry-bulk is 47% and for tankers it is 57% and for FY10 on dry-bulk the coverage is just under 13% and for tankers it is just under 23%.

Anish: Right. So between now and let us say March/April 2009, we are saying these percentages are dropping towards the numbers you have given us little under 23% and 13%.

Bharat Sheth: These are the numbers as we speak. Now, as I said there is a particular tender where we normally offer seven ships at a time for some of the Indian oil companies. Now, if that goes through successfully, which it has for the last 20 years by March 2009, we would have a significantly larger coverage on the tanker side, but not on the dry-bulk side.

Anish Mathur: And what are the one year TC rates doing in tankers. Are they holding on a year on year basis or have they seen some correction?

Bharat Sheth: No they are softer.

Anish Mathur: They are softer. By how much would you say?

Bharat Sheth: For one year rate about 10% to 15%.

Anish Mathur: Okay. The other is, what could be your NAV as on date?

Bharat Sheth: About Rs.370.

Moderator: We have a question from Mr. Manish Goel from Envision.

Manish Goel: Can you give us latest NAV?

Bharat Sheth: Yes. About Rs.370 a share.

Manish Goel: Okay fine. Thanks a lot.

Moderator: We have a question from Mr. Hemant Patel from Enam Securities.

Hemant Patel: Couple of questions, first one being, could you give us a sense of what is happening on your order book position for both the offshore and the fleet as a moment on dry and tankers because I just notice that you had cancelled and even deferred some of these orders. So can you give a sense of where are we place in the cycle?

Bharat Sheth: Yes. So you want to know what are the outstanding orders?

Hemant Patel: Can you give us specific comments on whether we can expect these deliveries to be accepted going ahead because we thought two cancellations on that.

Bharat Sheth: Okay let me just first start with shipping and then we will move on to the oil and gas.
As far as shipping is concerned, we have one asset that comes to our tanker that was delivered to us just before the year end for FY09. For FY10 we have another tanker. So for FY10 at the moment, we have just one other asset. In FY11, we take delivery of 3 bulk carrier. In FY12, we take delivery of 3 bulk carriers and 2 tankers.
As far as the oil and gas is concerned for FY09, we have two 80 ton Anchor handlers. In FY10, we had 10 vessels. I mean. Let me give you a break up. It is one rig and 9 vessels. In FY11, we have 7 vessels.

Hemant Patel: Okay. And what kind of CAPEX commitment does this entail for FY10?

Bharat Sheth: Just for FY10?

Hemant Patel: Yes.

Bharat Sheth: It is $52 mn for shipping and $470mn for the oil and gas business.

Hemant Patel: This will be a cash outgo?

Bharat Sheth: This will be a not well increase in our block at gross level because some of this we will get finance to debt and some will of course be financed through Equity. Some of the money's have already been advanced in earlier year.

Hemant Patel: Then I have a specific question on these two assets, which have been cancelled and is there any kind of loss, which is likely to come through in our P&L for this year or probably the next.

Bharat Sheth: No. we have already reflected in the quarter 3 results we have just announced today. The loss has already been factored in.

Hemant Patel: To what extent would that be accounted for?

Bharat Sheth: No. To the extent that it is actually incurred, we obviously cannot give the precise number, but to the full extent, we just declared it.
So, in other words, we do not have to debit any further.

Hemant Patel: Okay. one larger questions on these supply situation, which is expected on both the dry-bulk and the tankers and I know that there is no easy answer for this, but what is your take on this and do you see any kind of relief rally in terms of the freight rate from where they are at the moment because of the fact of any kind of cancellations might come through.

Bharat Seth: I think we need to break it up for tankers as well as dry-bulk. As we read it for tankers there are likely to be less cancellation for calendar 2009 simply because the (a) values have held up much better. (b)The orders have come through stronger hands and (C) earnings have held up much better on tankers. As far as dry-bulk is concerned, I think the cancellations as well as the delays are going to have a greater impact of Calendar 2010 and 2011 as opposed to 2009, but what we do see in 2009 is some delivery is getting push back to 2010. Now if you take what is being talked about obviously each person is negotiating in a lot of confidence with the shipyard. So we never had very accurate data on this. But from the broking community, we understand that something like 30% of all dry-bulk orders between now and 2000 and 2011 are likely to be cancelled. One third is likely to be cancelled. I think on tankers it will be a little less, but I do not have a number whether to be 5% or 10% or 15%.

Hemant Patel: But on the dry-bulk despite the cancellation, the net fleet additions are still likely to be much larger than the demand. Am I right on that assessment?

Bharat Seth: Yes absolutely.

Hemant Patel: And in terms of your offshore, could you give us a sense of these 2 vessels and rig, which is expected. Any of these have been contracted going into FY10.

Bharat Seth: Yes. The rig has been contracted.

Hemant Patel: The one which we are getting from Keppel's, which is on our book, not the operating lease one.

Bharat Seth: Both have been contracted. The one that is on operating lease as well as the one we are getting on our book.

Hemant Patel: Can we get any kind of numbers on what the rates were and what will the OPEX cost be?

Bharat Seth: I think on rate we will be reluctant to because again we are bound by various clauses.

Hemant Patel: Could you give me at least margin percentage number, which we can go by, operating margin or an EBITDA margin, which you think is appropriate.

Bharat Seth: I do not think we are send when they work it out.

Moderator: Thank you Mr. Hemant. We have a question from Swati Pandey.

Swati Pandey: Sir, I wanted to know if there are any vessel lay off that we have seen?

Bharat Seth: No, in our fleet we have not laid up any vessels.

Swati Pandey: Okay. You plan to sir because this especially in the dry bulk segment?

Bharat Seth: Not at the moment because what we are earning is covering our operating cost so currently we do not have any intention of laying up any vessels.

Swati Pandey: Sir, you said that currently your dry bulk has been contracted under 13%.

Bharat Seth: That is correct.

Swati Pandey: So, you are not looking to enlarger or maximize this part right?

Bharat Seth: No we are not looking at enhancing the secondary by any meaningful number because what we consider a very low point of the freight cycle, we would not like to go and submit at such low numbers for any meaningful duration.

Swati Pandey: Okay. And in FY10 how many dry bulks scheduled for delivery?

Bharat Seth: In FY10, we do not have any dry bulk scheduled for delivery.

Swati Pandey: You have tankers?

Bharat Seth: Yes in FY10 we have 1 tanker. One is in FY09, which will come in March of 2009. And then another one is in May of 2009. So that will come in FY10.

Moderator: Thank you for your question. We have a question from Mr. Nikhil Vohra.

Nikhil Vohra: Hi. There is couple of things, specifically on your view on the market environment specifically on asset pricing given that lot of asset pricing, which have been called for delivery; Obliviously, which have happened and also lot of assets which had been contracted for sales, also possibly got renegade, so share some view on that given that we are already on $1.3-$1.4 billion CAPEX.

Bharat Seth: As far as let us again break it up between dry bulk and tankers. See dry bulk asset values are corrected somewhere between 60% and 80% depending on the age of the assets. So on the older assets, we are pretty close to scrap values in any case and either for I there don't see too much of further correction. On some of the modern dry bulk vessels can values drop a little further, yes it could. I think it will depend on whether the financial markets get back into any time the vessel. If they do not I believe there is some further down side risk to values. Tanker's asset values have dropped somewhere between 30% and 35% and if the oil demand continues for meaningful period of time in negative territory. Then you could see a further downward correction in tanker values.

Nikhil Vohra: Specifically for us given that we only have $1.3+ billion CAPEX.

Bharat Seth: Yes. That is already reflected in the NAV calculation we have just given out. For example the NAV as of 30th of September was 601 a share and that is now at Rs.370.

Nikhil Vohra: So ,NAV takes to account the future deliveries of 2 year's Fund.

Bharat Seth: Yes. Absolutely. All that is packed into the calculation.

Nikhil Vohra: Okay. But will it impact our return on Equity on those investments given that the yield for those vessels will be significantly lower than what possibly we would have contracted earlier, the contractures are actually not honored anyway

Bharat Seth: We are taking delivery in FY11 and FY12 what will happen to the assets in FY11 and FY12 in terms of the earnings profile I really do not know. Hopefully what we can is that the world will come out of some of the economic crisis by then. Freight flows will get a little more normalized, they have been pretty crushed at the moment. At some points, people will find the commodity pricing attractive and the freight flows and also the support of so many Governments to infrastructure projects would lead to healthier trade flow**.**

Nikhil Vohra: But is it possible that if you have contracted certain vessels, more on tankers or on bulkers and given the initial Equity component of it. Can we reprice or if we cannot re-price the contract, can we possibly get certain asset deliveries either postponed or cancelled and get the value of our contractures on just assets that we surely want in our book. Can you double that up or lower a debt component of that.

Bharat Seth: I presume what you are asking is whether we can go for additional cancellation on the new building program.

Nikhil Vohra: Yes.

Bharat Seth: It is not always easy as we have managed to cancel two of our contracts with a Far Eastern Shipyard. At the moment, we are not contemplating, canceling anything else, but this is something that we will keep evaluating over the next so many months depending on what happens to the financial market. So far because of where we stand in terms of our debt to Equity ratio and because we are sitting on a reasonably healthy cash position, we still manage to get all the funding that we need. Obviously the market tightens further and we will reach a position where it becomes increasingly difficult to Fund. Then we will have to consider other options.

Nikhil Vohra: As for the offshore business is concerned, we have already contracted out both the rigs. What is the sense that you are getting right now about potential re-pricing because I am presuming it is starting to happen from second half or end of second quarter from the current calendar year. So is there any risk for potential re-pricing of that contract?

Bharat Seth: No, because these contracts are large, both our contracts are with ONGC. So we do not believe that that is going to happen.

Nikhil Vohra: Just lastly, on the overall market environment, do you think the risk of the business as of now over the midterm may be the next 6 months odd is larger than what you would have envisaged say quarter back.

Bharat Seth: Without a shadow of the other.

Shamita Ghosh: We have a question from Parag Gupta.

Parag Gupta: I just wanted to check in your mind as far as the market outlook is concerned. What is the real difference that have taken place in October or November of last year when things only turned bad, both on the tanker side and on the bulker side.

Bharat Seth: Well I think it is a combination of various things. I think we have seen a real collapse that is never been seen I think in the last, I do not know how many years of shipping, 50 to 60 years, where you know, you have just had 90% drop in earnings between what ships were earning sometime in July/August and what they began earning in October/November. I think it really began with significant destruction in the demands of steel that led to major collapse in the demand for raw materials like iron ore and coal and of course adding fuel to the fire was the fact that Letters of Credit were hard coming. Banks were not willing to trust each other and therefore traders were not able to transact. And therefore there was significant reduction in the freight flows. Also added to this was the fact that in earlier 2 quarters, the freight markets were propped by major congestion at port, which had the impact of sucking out of the system something like 7% to 8% of the supply. Now as cargo flows is reduced, the congestion, if you completely evaporated, you suddenly had a huge release of vessels that were otherwise held up and I think it was a combination and of course sentiment then just collapsed on people they were willing to just take anything they got just to keep the cash flow going and as a consequence of these four factors, we had a market that corrected so sharply. On the tanker front on the other hand, we did not see such a major correction. I think partly driven by the fact that the tanker earnings in the first place never went up in percentage terms to the same extent as they did in dry bulk. Also I think the tanker business is a little more consolidated and is a little less speculative in nature and thirdly we were getting into the winter month, where we do get logistical destruction, which had we believe drop up the tanker earnings. So we were very-very particularly when we see what happened in terms of financial meltdown and where the world is and we had a very healthy quarter 3 as far as tanker earnings are concerned. But that is clearly coming off now.

Parag Gupta: Sir would you say that your tanker business and the bulk business would continue be under pressure going forward as well or would you believe that the bulk business has started seeing some signs of recovery?

Bharat Seth: It has seen a sign of recovery, but from very-very low level. For example, if you take Capesize bulk carrier, I think the lowest we saw was on certain days ships trading as lower as $1000-$2000 a day. That was from an all time eye of $240,000 a day and that one in $2000 a day has improved to somewhere between $15,000 and $20,000 a day. It just depends how you calculate these things. If you say that $1000 has become $15,000 in percentage terms, it will look pretty dramatic, but $15,000 is still pretty poor earnings. So I believe that freight rate both for the dry-bulk as well as for tankers will remain under pressure until we see economic growth pick up in both OECD and non-OECD and that from what we are reading is unlikely to happen in 2009.

Moderator: We have a question from Mr. Vikram.

Vikram Suryavanshi: Can you give me the breakup for gas carriers. The time charter yield because it is logged in our product now.

Bharat Seth: Yes. We only have really one gas carrier and we cannot give out a specific rate on one individual ship.

Vikram Suryavanshi: Is it around 15,000 what it used to be in historical?

Bharat Seth: No it is higher than 15,000, but we would not like to give out a specific number.

Vikram Suryavanshi: Okay and now for the in-charted tonnage with 110 days, which are the vessels and are thay with the stand alone entity?

Bharat Seth: It is a bulk carrier.

Vikram Suryavanshi: Sir, then how is number more than 90 days.

Bharat Seth: Because there was something else that was then taken. Sometimes we have vessels that we take for 10 and 20 days as well.

Vikram Suryavanshi: Okay. And it is for how much duration, that bulk you have in-charter?

Bharat Seth: We have is till June or July 2009. For say another 6 months.

Vikram Suryavanshi: So, is it contracted at much higher price than what currently it is earning and how is the scenario?

Bharat Seth: Yes, the scenario is bleak.

Vikram Suryavanshi: Okay and in such a slowdown scenario, how is the right of first refusal is beneficial in terms of tanker or dry-bulk segment for Indian players?

Vikram Suryavanshi: We have right of first refusal under Indian flag, so to what extent it can be helpful in a slowdown going ahead, in terms of getting the utilization and all that?

Bharat Seth: It is always helpful to have a right of first refusal, but at the moment there are no cargos, so there is nothing to refuse.

Moderator: Next question from Mr. Bhavin.

Mr. Bhavin: One question on the industry side, recently we have seen tanker demand generated by the strong contango in oil prices. So how much percentage of the tanker fleet do you think has gone for this arbitrage opportunity?

Bharat Seth: Approximately we understand that something between 22 and 23 VLCCs are currently being used in storage purposes. Now the VLCC fleet is about 500 vessels. So if you take 22 ships, it is about 4% on 500.

Mr. Bhavin: And sir, one, I think I missed out if you have given it. In this quarter, how much with tanker was on spot and how much dry-bulk was on spot in the December quarter.

Bharat Seth: Just under 13% of dry-bulk was fixed and therefore the balance was on spot in Q3.
For the absolute numbers for between now and March FY09 on the dry-bulk 47% is covered and on tankers 57% is covered. The balance is on spot.

Mr. Bhavin: In September quarter I believe tanker was 54% spot, dry-bulk was 68% spot. The December quarter will be similar to September quarter?

Bharat Seth: Yes, more or less similar. I think what happened is some of the dry-bulk vessels have come back to us, which were on cover earlier.

Mr. Bhavin: But sir, this number you used to give in the press release. I think this time this has not been there.

Anjali Kumar: Under the revenue visibility.

Mr. Bhavin: Sir, it is there till March, it is there for the future revenue visibility, not for the quarter, which you used to give.

Mr. Bhavin: Sir, one thing since majority of your tankers and dry-bulk both these open as you have already given the figure. So going forward if the market weakens, you may look at option to selling tankers because the second hand rate is still attractive right? Sale figure in FY10 may increase substantially?

Bharat Seth: No, you see what has happened is that asset values even for tankers have come down as I was telling this earlier somewhere between 30% to 35%. Now it is possible we may look at selling a couple of more assets both on the dry-bulk side as well as on the tanker side. But clearly I must tell you that today it is not very easy to identify buyers due to the lack of financing that is generally available globally.

Mr. Bhavin: Okay even in the tanker market you think that..

Bharat Seth: Yes even in the tanker market, the lack of finance is across the board and whether it is for gas carriers or tankers or oil & gas or dry-bulks it is very-very difficulty today to raise capitals.

Mr. Bhavin: Okay and sir the debt figures which you have given this is on a consolidate basis or GE Shipping standalone?

Bharat Seth: No, this is Great Eastern Shipping standalone, the total debt for the oil & gas business is about Rs780 crs. So, consolidated will be Rs 3780 crs.

Moderatior: We have a question from Ms. Aishwarya from CRISIL research.

Aishwarya Ramani: Sir I wanted to know what percentage of Indian fleet would be converted to double hull in coming up to March 10?

Bharat Seth: You have to ask all the ship owners and I have never done this.

Mr. Rahul: This is Rahul here from CRISIL Research. Just to add on I just wanted to get your sense is this hull conversion deadline approaching how do you see ship owners reacting especially in India and do you see any difference in behavior and impact on freight rate going forward?

Bharat Seth: I mean there is belief that some of the tankers scrapping if the markets remain weak obviously the single-hull vessels will be the one to suffer more than the double-hull and therefore the phase out depending on where the earnings are the phase out could accelerate earlier rather than later.

Moderator: We have a question from Rajesh from PINC Research.

Rajesh Ravi: I have a couple of questions. Which are the 2 tankers which have been converted.

Bharat Seth: They were actually GP tankers. That is General purpose tankers.

Rajesh Ravi: Okay two of the GP tankers out of the five GP single-hull two were converted into double-hull.

Bharat Seth: That is correct.

Rajesh Ravi: You said that in FY11 seven assets will be coming in offshore business As per my report it is six assets that are supposed to come in FY11.

Bharat Seth: I think what has happened is that there was one that was on the borderline case between FY10 and FY11. So for purposes of this data we have taken it as FY11 because you know sometimes it can happen in March and sometimes it can happen in April.

Rajesh Ravi: So two are supposed to join so one would be shifted to FY10.

Bharat Seth: So two in FY09.

Rajesh Ravi: Okay.

Bharat Seth: And in FY10 we have got nine boats as well as the rigs.

Rajesh Ravi: True.

Bharat Seth: And then in FY11 we have seven.

Rajesh Ravi: Okay , about gas carriers you said that you have right now only one gas carrier.

Bharat Seth: No we have two at the moment one is due to be scrapped in the month of February which is next month and then we have another gas carrier which is fixed out on a longer term charter.

Rajesh Ravi: Okay and sir what is the dry-docking schedule for next quarter for this Q4?

Bharat Seth: Yes in Q4 we have eight and in Q3 we had six

Rajesh Ravi: So we will be expecting higher dry-docking cost compared to what we have incurred in this quarter?

Bharat Seth: Marginally higher because the kind of vessels that are going into the lay off for example in quarter 3 we had 156 days that were in layer.But although we have more vessels we will have 93 days in quarter 4. So that means some of the lay offs are for smaller quantity and hence smaller value.

Moderator: We have a question from Archana from DNA Money.

Ms. Archana: I just missed out on the CAPEX for FY10 and additionally if you could give me the CAPEX of FY11 as well?

Bharat Seth: For FY10 I will limit it to shipping first that is $52 mn and in FY11 its $135 mn and in FY12 it’s around $300 mn.

Ms. Archana: All right and for offshore?

Bharat Seth: For offshore in FY10 its US$ 470 mn, for FY11 its $265 mn and nothing in FY12.

Ms. Archana: Okay and have you exhausted all the CAPEX for FY09?

Bharat Seth: No for FY09 we have one vessel that is to be delivered on the shipping front for $52 mn and for oil & gas business there are two small anchor handlers for a total of $33 mn.

Ms. Archana: So this is still something which is to go out of the books?

Bharat Seth: Well money goes out and assets come in.

Ms. Archana: You said that because the dry-bulk spot market is like falling down you were looking at shifting some of your vessels from this spot market and put it on time charter. Have we done some sort did we get some kind of a time charter deal for our vessels on this point of time?

Bharat Seth: No for dry bulk we got nothing because the pace of the collapse was so significant we did try to fix some vessels out but we simply did not succeed it. I think I was telling one of the earlier participants that you know within 45 days the market came off about 90%.

Ms. Archana: 90% right.

Bharat Seth: So it was so dramatic the fall that we really got no time to successfully fix out and with the benefit of hind side even if we had fixed because of the default that are taking place in the business on receivable I am not sure whether it would have meant you know very much.

Ms. Archana: Another thing was earlier while answering one of the questions you had said that the long term charters have been washed off. I just actually didn't get what you meant by that.

Bharat Sheth: What's happening is there are vessels that market participants had fixed for period ranging from one year to five year and because of the dramatic collapse in earning those vessels that had been taken at significantly higher level are coming in for re-negotiation.

Ms. Archana: While on the contract.

Bharat Sheth: While on the contractual period. And as a consequence of the re-negotiation people have put into a position where either they re-price or in the other words we take a haircut or they try and pursuer you some kind of a legal remedy. I think the majority of the market participants are trying to just take a haircut and get on with life because the legal remedy might just take years to settle.

Ms. Archana: Do we see something of that sort with our shipping business?

Bharat Sheth: I fear so.

Ms. Archana: Are you looking at returning some of your in-chartered vessels because I can see that as compare to last year we had 184 days as compared to 110 days in this quarter .

Bharat Sheth: These 110 days are a reflection of what we have in Mumbai. And it gets over in 2009 June.

Moderator: We have a question from Bhavin from B&K Securities.

Mr. Bhavin: I just wanted your comments on prizing environment in the offshore market and we understand that now lot of these E&P measure are trying to delay CAPEX as much as possible and how true is that and what is the prizing environment?

Bharat Sheth: The prizing environment is really weak. Yes the number of E&P players are trying to delay taking decisions on taking on newer and newer assets because of were the prices of oil is and also where the financial markets are. So really the pricing environment is weak. Now it depends in where you are spread geographically. It also depends on who the customers are. I think the national oil companies who have a longer term objective of enhancing energy security for the nation are still showing signs of wanting to go ahead with their projects. It is some of the private player who are clearly slowing down on their E&P plans. As a consequence are we seeing a slowdown in the demand for some of these assets.

Mr. Bhavin: Sir if you could also comment on the shallow water markets which are the vis-à-vis for the deep water market. The obvious trends would be that your deep market would be impacted even to a higher level because of the dramatic fall in crude price. But how do you see the situation there?

Bharat Sheth: Well I think what you are saying is probably correct because that's very expensive and if oil continue to remain at these levels for long enough period of time I think some of the E&P activities in the deep water block could significantly slow down but players in some of the deep water block as I said again the national oil company may not slow down their program but some of the private operators could slow down their programs. It is also how people perceive oil to pan out over the next 2-3 years as opposed to 2-3 months. Because these things are not easy to wind down and restart again in the event of sudden oil spikes that may or may not come. So I think its different players will address this issue differently but it also largely a function of how the financial markets pan out. What has been significantly impaired is the ability of the E&P operators both for shallow water as well as deep water to be able to raise any form of capital to fund their plans.

Mr. Bhavin: Sir also on our CAPEX on your off-shore side if we had an opportunity would be like to cancel some of the orders that we have on off-shore side.

Bharat Sheth: At the moment we have not really looked at it in terms of cancellations. What we have tried to do is to push back certain payment terms and push back certain deliveries and but we haven't really gone out and cancelled anything as we have in the bulk carrier segment.

Mr. Bhavin: Also sir I just wanted your comments on the OPEC cut that people has been talking about. How seriously has that been implemented and if the kind of cuts that we have been talking about had never to be seen before so could of impact that could have on the tanker markets.

Bharat Sheth: It will clearly have a negative impact on the crude tanker markets. May be a little less of a negative impact of the product market but clearly a much bigger impact on the crude market what we have seen from some of the December-January-February listing that this time round OPEC compliance is significantly better than it has been in the past and from the trade flows we are seeing clearly a lower volume of cargos in the water, so that's in all and all its negative for us.

Mr. Bhavin: And sir also in terms of the products pricing the environment there also is pretty weak. What's your take on that and the upcoming refineries and I mean surely we would be betting on lot of new refining capacities that were supposed to come on stream. What's happening on that side?

Bharat Sheth: Clearly the product demand is coming down for certain products but the product freight is a very odd trade because its really driven by how are they arbitrage opportunities open up between the East-West and the West-East trade flows. Now obviously if some of the refineries that are supposed to come on to stream Q1, Q2 of 2009 do not come up that will clearly be a set back if they do come up and start exporting products depending on where the arbitrage opportunities arise I think that will be positive for the market. What we had seen over the last few weeks is from major collection that we saw November and December, many of the cracks spread have improved and that improvement of crack spread if it is sustained could lead to better refinery utilization on a global average basis.

Mr. Bhavin: Just one last question sir. We have already seen a bottom in the dry bulk market but just wanted to get sense is to how far we are from the previous bottom in the tanker both in crude and product markets?

Bharat Sheth: I think it's difficult to say because we have seen a lot more volatility and there are so many different factors that determine these directions of the markets. We suddenly see weeks like, I was just telling on the earlier participants that in spite of financial melt down in starting of august-September and in spite of the dry bulk market cracking by 90% we saw a very healthy tanker market for the October-December quarter but it think a lot will depend on OPEC's compliance on it reduction, are there going to be further reductions also by the contango in the oil trade if it stays I think that will be supportive of our markets. Clearly the oil costs flattens out and therefore many of the ship can released the back into the market that will be bearish factor so its very difficult I would say the jury is really out in other direction of the tanker market over the next couple of quarter. What we have seen over the just last few days is a little strength coming back into the product market and a little weakness generating into the crude oil market.

Moderator: We have a question from Samita Ghosh from CNBC. .

Samita Ghosh: I just wanted to know what is the current debt-equity ratio of this company and another question is what is the current cash position of your company? Cash in hand.

Bharat Sheth: The cash as of 31st December was around Rs1900 crs. And the debt-to-equity ratio on a net debt basis was about 0.3.

Samita Ghosh: And total debt amount?

Bharat Sheth: Total debt was Rs 3000 crs.

Moderator: We have a question from Mr. Paresh from Birla Sunlife.

Mr. Paresh: My first question is in relation to the off-shore subsidiary that we have. Just wanted to get the sense of what is kind of performance we are having up till now? How many of our vessels that we currently have are on spot in contract basis?

Bharat Sheth: We have about 15% of our revenue days on the spot market in that business. As far as numbers are concerned since we had not declared them we can have more meaningful discussion when we declare our consolidated numbers in the next 3 months.

Mr. Paresh: Would it be possible for you to share investments that we have made in offshore up till now.

Bharat Sheth: The total block is about Rs1700 crs including WIP.

Mr. Paresh: Sir on shipping side you had said that some of the ships were actually waiting for cargos. How have the markets changed and do we still see our ships waiting for cargo or have things significantly improved from there?

Bharat Sheth: We do see vessels waiting for cargos, sometime we are a little lucky and some times we are little unlucky. As far as dry bulk is concerned we are seeing some improvement . On product tanker we are seeing some improvements over the 10 days and on the crude side we had seen a deterioration over the same period of time.

Mr. Paresh: So the improvement and deterioration, you are talking about the rates or the ability of the ships to get the cargos?

Bharat Sheth: I am talking about the rate. As far as the ability of ships to get the cargo we haven't seen any real waiting as far as the crude tankers are concerned. We do see waiting on the product freight, on the product tankers and on the dry bulk there are instances of were we have to wait but again the waiting has been limited to may be 2-5 days.

Mr. Paresh: And just coming back to rates the recent improvement that we have seen has been majorly driven by the Capsize in rates improvement. The Panamaxes and the other smaller spec speck ships probably were deteriorating in the same time so do you think we can see similar kind of deterioration or may be same kind of instability continuing in these speck ships?

Bharat Sheth: No I think what will happen is the cape continues to improve the Panamax will follow. Because beyond the point people…what happens is that beyond the point is that the people start getting the cargo and instead of then hiring a cape they hire two Panamax. So you do see splitting of cargos. And we are seeing over the last 2-3 days the Panamax number increase and we are also seeing over the last 2-3 days the number increase for the smaller ships. But again the as I said it is from a very-very low level.

Mr. Paresh: And the grain trading activity, has it not helped Panamax? I thought this is probably the season when lot of grain trading takes place from Argentina, South America, and to the other places?

Bharat Sheth: Yes to some extent it has but I think it is the other commodities like iron ore and coal that was very supportive of the trade which has sort of counter balance.

Mr. Paresh: And with a low level of shipping rates and low level of commodity prices do you think that tonne-mile demand probably can see some improvement?

Bharat Sheth: Yes I think that could happen, particularly once the iron ore pricing is set for 2009-2010, as you know its all currently being negotiated. But once it is settled I think Brazil has a comparative edge.

Mr. Paresh: **M**ost of our ships are any way Panamax or lower speck ships. I believe we just have just one Capsize.

Bharat Sheth: We have only one cape and only one Panamax.

Mr. Paresh: So almost most of them are smaller speck ships. So do you think this iron ore fixation would have any good impact on smaller speck ships or would it be majorly be beneficial for just Capsizes?

Bharat Sheth: Initially it will start with the cape but what typically happened in the market is one sentiment lifts up it tends to follow into the other sector of the business as well. So the capes will be the immediate beneficiaries that will then trickle down to Panamaxes and eventually it will trickle down to the smaller size vessels. That will depend on whether the rally in the cape freight rate is sustained.

Mr. Paresh: On break even costs of the various ships that we have, still do we have any ships which are operating below breakeven costs?

Bharat Sheth: Yes we do.

Mr. Paresh: So they would mostly be the newer ships because I think in breakeven you include the financing cost?

Bharat Sheth: I would say vessels acquired over the last 3 years may be operating well below the breakeven costs. Some are at OPEX, some are above OPEX. But some are just earning OPEX.

Mr. Paresh: At this point in time given the fact that the asset values are any ways so depressed, bankers would also be lenient .

Bharat Sheth: I think you are correct. I think bankers are going to be pretty lenient recognizing the fact that this is an extra ordinary situation and phenomenon where asset values are corrected so quickly in such a short period of time and so long as the interest of all the loan listing finance

Moderator: We have a question from Mr. Gaurav from DSPML.

Mr. Gaurav: Just a one query which relates to the dry bulk index. What we witnessed is that the dry bulk index has gone up from a very low level and with our discussion with a different mining operators TC rate has gone up basically on the background of demands from China because of inventory depletion. Have you witnessed any such thing on the Iron ore side or demand from China on the mining side?

Bharat Sheth: Yes I think this information is correct at peak we saw the inventory in China particularly what was made available in public domain. The total inventories of iron ore and the Chinese ports peaked at something like 77-78 million tons and what we are now seeing is the number of about 66 million. So clearly there has been pretty substantial draw down on inventories and we are seeing more cargos from more from Australia as well as from Brazil as well as from India from both the mid sides steel mills. The large steel mills as well as some of smaller players. That clearly has helped rally the cape size market and I hope that the benefit that we are seeing in the cape will trickle down to the other sectors as well.

Mr. Gaurav: So sir is that a just short term phenomenon or do you see that continuing for next quarter or so?

Bharat Sheth: I think the rally could continue because for a couple of more months simply on a ground that we are in the middle of the Chinese new year holiday we are about to see what happens when the Chinese get back to work. The iron ore pricing still has to be settled and from what we are reading iron ore pricing will be settled at somewhere between negative 15 and negative 40 compared to calendar 2008 but once the pricing is done you should see some average volume coming back into the market place. So we hope to see an improved trade flow.

Mr. Gaurav: Secondly on the rig side that basically on the off-shore side has you mentioned that its basically the national of oil companies who are continuing with their plans and not shelving it out so do you would again come back on the re-negotiation as they took the rigs at a very high rates so re-pricing of those rig contracts?

Bharat Sheth: First of all I am not aware of any oil that has taken the Rigs that are of very high rates. They have all taken in that because there is along term durations. They have taken if that very comparative rates. Secondly it is not in the nature of the National Oil Company to re-price.

Mr. Gaurav: And sir are we renegotiating our contract for whatever order books we have? Are we renegotiating the pricing for whatever order books we have on the ESV and rigs and all?

Bharat Sheth: No we are not.

Moderator: We have a question from Mr. Rajesh from PINC Research.

Rajesh Ravi: I have asked you during my last conversations when we were discussing regarding the dry docking schedule for Q4. Would you please repeat those numbers

Bharat Sheth : For Q4? 93 days or lets say 90-93 days.

Rajesh Ravi: And sir what is the cash balance with the off-shore division, Greatship?

Bharat Sheth: About just under Rs100 crs.

Rajesh Ravi: And sir do we have any loan in rupee denominated or all our interest is in dollar?

Bharat Sheth: In the shipping company we have a small amount in rupee. Just under 10% so that make it Rs300 crs.

Rajesh Ravi: And off-shore?

Bharat Sheth: Off-shore we do not have any rupee loss.

Rajesh Ravi: So most of the capital infused into the offshore is formed under the parent company?

Bharat Sheth: Yes about Rs1000 crs has gone into from the parent company into the subsidy.

Rajesh Ravi: In terms of provision or preferences.

Bharat Sheth: Equity and preference. Yes.

Rajesh Ravi: And sir what would be the total capital employed in shipping division by Q3?

Bharat Sheth: For shipping the total balance sheet size of the average capital employed is about Rs7500 crs of which shipping element is Rs4300 crs. While there is Rs1900 crs in cash.

Rajesh Ravi: Sir we had two bulk carriers being operated from the Bombay office. Anusha and Padmaja. That's correct?

Bharat Sheth: But now we have only Padmaja. Anusha has been returned because that duration got over.

Rajesh Ravi: And sir how is the business of the Sharjah subsidiary because there mainly operating in-charted vessels and we have right now 3 tanker and 2 bulk carriers. So are we operating above OPEX? Are we facing any contractual pains?

Bharat Sheth: No at the moment we are operating it profitable as we speak but of course there are still there is the charter's run for the next 1-3 years on various ships and we will have to see how the earning span out in future.

Rajesh Ravi: One more question like as you said the tanker market as of now has been holding on but going forward when this OPEC cuts tangle would flattened out you would be seeing further pressure on the tanker. So like lot of, assets have been ordered so would we looking forward for some steep corrections in future or are the fundamentals are quite okay to as they say in tankers speculation is very limited as compared to commodity market?

Bharat Sheth: Yes I said the tanker market never went up to the same extent in the same percentage term as the dry bulk market there so clearly the fall cannot in percentage comes to be the same. But if the OPEC production stay as deep as they are today. plus what we are reading at least that may OPEC may are saying its price of oil do not go up on to the next few months. They may meet again and cut again. Now these are un-precedent time and obviously the more they cut and more they comply with the cuts the more painful it would be for tanker earnings. But its difficult to give the number that whether it will be lower by 20%, 30%, 40% because that will also be driven by sentiment and other short term factors.

Rajesh Ravi: Sir are we facing some issues like we have such CAPEX program lined up? So are we facing any issues for raising fresh debt in the market in terms of high interest cost or reluctant end from the bankers in terms of opening new CAPEX L.C 's?

Bharat Sheth: Yes it is getting very difficult and yet interest cost spread on the LIBOR are going up. Luckily the LIBOR itself is coming down and therefore as a whole our interest costs are static. But clearly raising finances are significant challenge.

Rajesh Ravi: So are we facing any redemption pressure by FY09 and start of FY10?

Bharat Sheth: Redemption of what?

Rajesh Ravi: Now these previous loans that we have?

Bharat Sheth: No. nobody is because the loans are for the defined period of time, so no bank is approached us to repay on an earlier date and then what is earlier subscribed in the loan.

Moderator: We have a question from Mr. Jahangir from Marwadi Group.

Jahangir Master: Good evening sir. I wanted to know what have been our realizations on JagVidya and JagRishi?

Bharat Sheth: Again we do out specific numbers on individual contracts because we are bound by private and confidential clause.

Jahangir Master: Sir would you be able to tell me as the cost you include on the 2 product tankers in this quarter?

Bharat Sheth: No again these are the specific contract related issue. And we have a contract with the shipyard whereby we are not in the position to reveal these.

Jahangir Master: Okay another thing is I just wanted to know what has been our operating days in the tankers and operating days for dry bulk also in this quarter?

Bharat Sheth: For which period?

Jahangir Master: For this quarter.

Bharat Sheth: In Q3, for bulk carriers it was 1031 days and for tankers it was 2596 days.

Jahangir Master: And what has been our average time charter earnings on both these segments. Tankers and dry bulk for this quarter.

Bharat Sheth: Yes I will give it to you. For the tankers the average earnings for the crude carriers has been $37,600 per day, for the product tankers $23,100 per day and for the dry bulk its $30,800 days.

Jahangir Master: Okay sir. And what would be the average interest cost on our funds?

Bharat Sheth: Just under 6%.

Jahangir Master: Okay and another point what I wanted to know was how much percentage of our revenues are derived from off-shore vessels? That is from Greatship?

Bharat Sheth: No at the moment very little because we haven't given the consolidated numbers. So when we give consolidated in 3 months' time we can look at it in more specific details.

Jahangir Master: Still but this must be forming a very small part of the company?

Bharat Sheth: Yes it's a very small part because at the moment they have only got 6 or 7 vessels in the water.

Jahangir Master: Okay and sir on the long term contracts now which will be coming up for the re-negotiation is one which we have already in long term contract which will be coming for re-negotiation. For this the rates likely to be negotiated are closer to the spot market prices?

Bharat Sheth: These are tender driven so what different people put as rates in the tender I do not know. Because it is not that open sort of negotiation, each person submits the tender and then there is the price negotiation post submission of the tender.

Jahangir Master: And sir you mentioned the something like haircut. So is this the penalty clause which is paid by the purchase for the contract which are renegotiated on long term charter?

Bharat Sheth: Yes effectively this is a penalty.

Jahangir Master: Sir how much would that be percentage? It is a percentage of the revenues or something. How is it derived?

Bharat Sheth: No, I think it is just a negotiation. Where two parties sit together and negotiate a number and if they are happy with it they conclude and if they are unhappy then they go and take legal records.

Jahangir Master: And sir another thing I wanted to know was now we will be taking delivery of 10 plus vessels in over the next few years so would be not renegotiating the rates with the shipyard since the rates in the second hand as well as new markets have come down substantially?

Bharat Sheth: These are basically fixed price contract that we have with the shipyard so it becomes very difficult to re-negotiate with these yards because there is no provision in the contract that permits us to renegotiate.

Moderator : We have a question from Mr. Rajesh from PINC Research.

Rajesh Ravi: Regarding this joint venture with DOF, Norway what is the headway that we are seeing like in its progress in terms of revenue that will be seeing in FY10.

Bharat Sheth: We haven't yet operationalized the subsidiary. Not the subsidiary but the joint venture, so I think it is a little too premature. We are still in the process of evaluating the opportunities and building a team.

Rajesh Ravi: So what is the scenario in India for such ventures, do you see a lot of opportunities?

Bharat Sheth: Yes that is the reason why we went ahead with it because we still believe that there are a lot of opportunities if you take the long term. Now obviously with the slow down that we are seeing today in the short term some of the opportunities may not be there. But you know we are in the business for the longer term and we are trying to build the business for many years to come. So we just… the way we look at it the short term aberrations are something that we have to ride and I mean these are difficult times and we have to navigate the best we can.

Moderator: Thank you Mr. Rajesh. As we have no more questions I will now hand over the conference to Ms Anjali Kumar. Please go ahead ma'am.

Anjali Kumar: Ladies and gentlemen thank you very much for your participation and as usual we will be uploading the transcript of this conference on our website which will be available in a few days and if you have any other questions which you may wish to ask we will be happy to deal with them if you if you can send us an email or call us we will be happy. Thank you very much.

Moderator: Ladies and Gentlemen. You can disconnect your lines now. Thank you and have a great evening.