Great Eastern Shipping Company Limited.
Investors/Earnings Conference Call
(February 6, 2014)

Moderator: Good morning Ladies and Gentlemen. Thank you for standing by. Welcome to GE Shipping earnings call on declaration of its financial results for the quarter ended December 31st, 2013. At this moment all participants are in the listen-only mode. Later we will conduct question and answer session. At that time if you have a question please press * and 1. I now hand over the conference over to Ms. Anjali Kumar, Head of Corporate Communications at the Great Eastern Shipping Company Limited to start the proceedings. Over to you Ms. Kumar.

G. Shivakumar: I would like to just start off the conference call with some brief roundup of where the markets were in the last quarter. Dry bulk remained strong through the October – December quarter, the market picked up strength in September and this continued through the last quarter of last calendar year. The surprise of the quarter was the spike in crude tanker earnings which went up substantially for the VLCC starting in early November and for the Suezmaxes in December and that stayed through to end of December and now of course they are back to the low level seen in October and before. On the dry bulk side the markets have dropped back to the levels seen in July last year. To give you an idea the BDI which peaked at about 2500 – 2600 is down to about 1100 as we speak. On the product side the market was more or less unchanged from the previous quarter that is Q2 of FY14 so not much change in the earnings there if anything marginally weaker. The reason that most people have for this spike in the crude tanker market is that a lot of the Atlantic oil which was not being consumed in the Atlantic basin i.e. Europe and US has found its way to the Far East which of course added a lot of miles to the tons and therefore there was an additional demand for crude oil carriers. The second factor which has not yet been confound with quantities is that the Chinese started filling the strategic petroleum reserves phase 2. An estimate of the additional oil that they folded in, in the last quarter of last year varies between half a million barrels a day and three quarters of a million barrels a day and this gave rise to substantial demand for crude oil tankers and therefore there was a spike.

Now, coming to the net asset value, the standalone net asset value went up to Rs.311 per share mainly as a result of an increase in asset values all round during the quarter on the shipping side by about 5% to 6% and on the consolidated side which is also revaluing the offshore assets went to Rs.539 per share. So in the last one year we have seen about 20% increase in asset prices for tankers and probably 25% plus increase in the prices of dry bulk carriers on a like-for-like basis. Of course you have to take depreciation into account with the passage of time. But benchmark prices have gone up between 20% and 30% for all bulk shipping assets including tankers and bulk carriers. On the dry docks in Great Eastern Shipping we had four dry docks and layups during the quarter and in Greatship we had two of which one was a rig. The rig was dry docked and underwent a special survey as she is approaching five years of age and therefore there is a regulatory requirement on this. She underwent a special survey and therefore had a substantial amount of downtime and substantial amount of expenditure as well and I am happy to report that she has finished her special survey and she is back in operation now on our next contract. The other thing that I would like to point out is, I had mentioned the last time that ordering activity in the first nine months on dry bulk had been quite strong at 46 million dead weight and we were looking at an annualized number at of about 61 million dead weight but the depressing fact there is that we have now seen the numbers for the full year and the total ordering for the year is closed to 80 million dead weight so the last quarter has produced in excess of 30 million dead weight of ordering for dry bulk ships, so ordering activity is very strong which has also resulted in an increase in new building prices. So, with these highlights I would like to now hand it over to you and we are happy to take your questions and try to answer them in the best way we can. Thank you.

Moderator: Ladies and gentleman we will now begin the question and answer session. If you have 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 1 on your phone. Ladies and Gentleman please press * and 1 for questions. We have our first question from Mr. Bhavin Gandhi from BNP Securities, please go ahead sir.

Bhavin Gandhi: Just wanted to reconfirm the consolidated number, is it 589?

G. Shivakumar: 539.

Bhavin Gandhi: 539?

G. Shivakumar: That's right.

Bhavin Gandhi: So, if I look at the standalone accretion it's up from 284 to 311, however, on the consolidated side, just about Rs.7 up from the previous quarter why is that?

G. Shivakumar: Yes, couple of things. One is that there is the flux of time where you have a natural depreciation curve for assets. Second is, a little more conservative valuations on the offshore assets. I have mentioned in the past that it is an important caveat, offshore assets are nowhere as liquid as shipping assets and therefore the valuations are not nearly as accurate as they are and you can't have as much confidence in those as you have in shipping. And therefore they are on a little bit conservative side as compared to the October valuations.

Bhavin Gandhi: If you could comment on the impact that the rig down time had on the numbers. I can see Rs.100 crore kind of drop in the EBITDA offshore, if you could quantify the impact of rig down time here?

G. Shivakumar: Yes the impact of the rig was probably about Rs.60 crores, apart from that we have the currency which is about Rs.25 crores between the two quarters, so between those two Rs.85 crores and then we had some off hire for some of our vessels so the utilization levels for our offshore logistics supply vessels had been quite poor in the last quarter, quite poor in the sense that we are still about 95% but we had a lot more commercial off hire than in the previous quarter. So, we had vessels coming off contract and waiting for the next contract and we also had in two cases vessels coming off contracts from one place and having to move to another location for the contract which is not paid for and therefore having to take no earnings days on those.

Bhavin Gandhi: And this Rs.60 crore impact that you mentioned is just the revenue loss or there is some expenditure also?

G. Shivakumar: Yes, it includes both revenue loss and expenditure. Both of them.

Bhavin Gandhi: But if you look at repair and maintenance expense that does not seem to have gone up substantially so?

G. Shivakumar: It would be up. However, not all of it has been expensed out because it completed in early January so about 50% of the survey cost has been expensed out in the last quarter and the rest will be expensed out in this one.

Bhavin Gandhi: The Rs.60 crore impact that you mentioned is up to January?

G. Shivakumar: No, it is for the P&L of December.

Bhavin Gandhi: Out of which if I see the survey expenses. they are just about up Rs.3 crores?

G. Shivakumar: No there must be some, there is some saving in other places so it's not just 3 crores.

Bhavin Gandhi: And just one final thing, on the other income part, you mentioned in the last quarter, because of the low yields you had booked treasury losses, so how should one be looking at the other income going forward because if I were to look at the yield on cash it seems to be very, very low so how should one look at it in subsequent quarter?

G. Shivakumar: I don't know what that market is going to do but we do have substantial amount of investment in slightly longer duration funds so the average duration of our portfolio is probably four years and therefore it will be affected by how interest rates move. So, you can take your view based on that.

Moderator: Thank you for your question sir. We have our next question from Jinal Sheth from Multi Act, please go ahead.

Jinal Sheth: Just wanted your opinion and your thoughts on how the global outlook is on supply demand of ships and basically how the global trade is panning out, just thoughts on how your target market is panning out and some thoughts on that.

G. Shivakumar: Just to put the numbers in place first. The dry bulk fleet grew by about 6% last year that's calendar 2013 over 2012. Crude and product both grew by approximately 2% plus or minus a little bit. For the coming years we are expecting dry bulks still to grow at about 5% the pace of delivery of new buildings has moderated, we went through three very high years of deliveries and that has now moderated on the dry side which is a good thing. However, it is still at 5% and so the order book is about 20%, we expect net fleet growth to be 5**%** possibly 6% for calendar '14. Within crude we expect much lower fleet growth because the order book there is not very high, we would probably expect about 1% to 2% fleet growth. In product tankers because that market recovered in 2012 itself we have quite a substantial order books so 4% to 5% fleet growth would be expected there. Now, coming to the demand side dry bulk demand remains strong again and lot of Cheap cost iron ore and coal mining projects are coming on stream will be in a position to be Shipped. Even though China is slowing the demand for commodities is still quite high. Last year Chinese seaborne demand for iron ore grew by about 10% which is about 75 million tons. So, demand continues to be strong and on the other side we have supply which is coming on stream and which is cheap supply and therefore this will be transported and it's likely that ton miles will also be pretty strong. Again, whether it's going to be able to match the 5% growth in fleet we don't know but we expect that it should be sort of evenly balanced, one thing is that we think that dry bulk has probably seen the worst of it. We saw first half of last year was very weak and then we had a recovery starting from July, so we have probably passed the worst part of the market but whether we return to significantly profitable levels that remains to be seen because of the way the order book has built up. So, on crude, oil demand is not great, US continues to produce shale oil and it continues to grow but one thing which is happening is that because the consumption is not growing much in the Atlantic Basin, the west African oil is moving more towards the far east and that's leading to an improvement in ton-miles, there are also arbitrage trades in crude oil which is resulting in European oil coming to the Far East. So, though the headline number of demand doesn't look very good still there are little trades which result in little blips in demand and therefore in rates spiking from time to time.

Jinal Sheth: Couple of things that you mentioned the iron ore and coal projects coming on stream, specifically which countries?

G. Shivakumar: This will be Brazil, Australia, South Africa. These are the three big regions and lot of these mining projects which were started off in 2010 – 11 are coming on stream now. Again delivering into a weak market for commodities but and therefore they are not going to make the kind of money that they expected when they started out we presume but it's still going to be pretty low cost so they will be competitive.

Jinal Sheth: Okay and lastly, are you seeing that the demand is still high in China?

G. Shivakumar: Yes, it's still pretty good and that's why their iron ore demand import demand grew by 10% in the year so that's still fairly strong.

Jinal Sheth: So they continue to consume-

G. Shivakumar: That's right and the other big commodity of course is steam coal which we use for power generation where India also has been pretty strong in growth and I think I saw information data somewhere which said that Indian coal imports grew by 25 million tons last year, so it's being pretty strong, Chinese coal imports also were pretty strong. The other factor is grain trade and again people are expecting strong grain exports from the Americas which adds to demand on the market, so broadly demand side doesn't seem to be too much of a concern for dry bulk but supply is still a little bit of a concern. Scrapping was peaking up so we had scrapping of 32 million dead weight in calendar '12. We were going along similar run rate in the first half of calendar '13 to about 15 million tons were scrapped in first half, 14 – 15 million tons but after the market picked up we saw a very little, much less scrapping so second half saw only about 7 to 8 million tons of scrapping. So, the supply side is a little bit of a worry on dry bulk. On the crude it's opposite the supply side is pretty good there is not more than 1% to 2% fleet growth, expected on a net basis but the demand is a little bit of a concern though you still have as I mentioned all those trades which are long haul trades which might help a little bit in demand.

Jinal Sheth: And GE Shipping did some purchasing of fleet in the last one – two years is that right?

G. Shivakumar: That's right.

Jinal Sheth: How many were there?

G. Shivakumar: We bought three second hand vessels in the last one-and-a-half years, one of the fleet was an LPG carrier and two were MR Tankers.

Jinal Sheth: Okay so total five ships?

G. Shivakumar: No, only three.

Anjali Kumar: Also, we bought six new building, of which five are dry bulk and one is product tanker.

Moderator: Thank you for your question sir. We have our next question from Suman Bhatt an Individual Investor, please go ahead.

Suman Bhatt: And I think another satisfactory, not outstanding quarter this time. My question was more related to your previous comments regarding the outstanding orders for bulk and the deliveries to happening. See, 20% of outstanding orders that you mentioned of the total fleet, I think historically that looks fairly low but when you said that about 80 million of that has been added in the last one year which I don't know work's out about 12% or 13% of the total fleet, looks like a really huge number, do you expect that to go on for the coming 12 or 18 months or so, in which case the total outstanding orders on hands would be really high and probably quite worrying?

G. Shivakumar: Yes, couple of things one is I would just like to correct you on the historical order book, it's only if you look back at the last five years that 20% looks like a lowest order book but historically 20% order book is really high so any time prior to 2005 if you have seen 20% you have a thought that that's really bad picture for supply. But yes the pace of ordering which is being seen last year, it's unlikely to be kept up or at least we are hoping that's not the case, already yards are quoting for delivery in second half of 2016 so slot are not easily available so you had to go further and further out now if you want a ship. You never know there is a lot of money coming into shipping last year, I think shipping raised about $9 or $10 billion of equity private and public and if that money keeps flowing in yes you could see a lot more orders, so we are hoping it doesn't happen but we saw that happened in the last quarter and it is definitely a worry.

Suman Bhatt: So, given this situation you are looking towards investing more in the crude and product tankers are you still looking at dry bulk as possible things to acquire more vessels.

G. Shivakumar: It's a possibility to acquire more vessels, everything depends on the pricing that we get so if we get a ship at a reasonable price there to buy. As I mentioned, prices of all assets have gone up so yeah, we will just have to see which one looks most attractive and because prices have gone up across the board, assets are not as attractive as they would have looked few months ago. And ordering has been pretty strong even in crude and product so the numbers don't look as big. The fleet profile is such that you don't have too much scrapping to happen on the tanker side because they had their 2010 deadline for the old vessels and so there wasn't that much of scrapping left to be done for old ships. On dry at least you have that which has to happen which is scrapping. On tankers of course you have always the issue of demand because oil consumption is not growing at the same rate that iron ore and coal consumption are growing so that's always a concern. Bulk trade growth is much faster than tanker trade growth that's one thing that you should remember.

Suman Bhatt: What would be the approximate outstanding orders for new ships on the products and crude side?

G. Shivakumar: Products is about 13% or so and crude probably 10% - 11%.

Moderator: Thank you for your question sir. We have our next question from Mr. Ashish from Morgan and Stanley, please go ahead.

Ashish: My first question is on NAV because sequentially if I see your shipping NAV has gone up a lot more than the consolidated NAV plus your net debt has also now basically gone down on a sequential basis which basically means that on the offshore side it seems like if I am just trying to do the maths -

G. Shivakumar: Ashish, I think you didn't catch Bhavin's question which was the same thing and basically it's slightly more conservative valuations of the offshore assets.

Ashish: Yes, but something must have gone down to explain in the maths.

G. Shivakumar: Yes, it's conservation valuation meaning that they have gone down, there are two things one is that there is year's depreciation which kicks in on 1st of January and second is that it's a little more conservative that's all.

Anjali Kumar: There would also be no trade in some of those larger assets

G. Shivakumar: Yes it is because the liquidity in all these things, it is a little more difficult to value so, it will swing a little bit.

Ashish: Sure and secondly if I look at the offshore logistics business our revenue days are down roughly 600 days on a sequential-

G. Shivakumar: No, Ashish you are seeing the wrong no. , we had made a mistake in the press release last time which we then corrected so the difference is actually about 70 days or so. So, there is a difference of about 70 days or so which is due to poor utilization in the quarter, we had some ships, one ship waiting between contracts and we had two ships which were being mobilized from one contract to another so commercial utilization was lower than the previous year.

Ashish: But if I factor in the impact of the rig, is it right interpretation that the margins in off shore ex rigs have actually gone up on a sequential basis.

G. Shivakumar: There is not being much of re-pricing in the quarter in fact even after the rig you would have lower margins because on the offshore logistics business we had nothing priced up in the quarter.

Ashish: I am talking particularly about the offshore logistics if I take up the rig and the impact of rig.

G. Shivakumar: Yes, even in offshore logistics nothing priced up and we had lower utilizations, so it's unlikely that margins would have gone up we will take a look at it but I would be very surprised if margins have gone up even just for the offshore logistics business?

Ashish: And lastly what would be the survey cost that you say would be booking in, in **Q3?**

G. Shivakumar: We don't give numbers on specific projects.

Moderator: Thank you for your question sir. We have our next question from Mr. Mandar from Prabhudas Lilladher please go ahead sir. I am going up with the next question sir. Mr. Chetan Kapoor from Axis Bank, please go ahead sir.

Chetan Kapoor: My question is regarding the dry bulk space, as you have said there is lot of order book which has come up over the last one year, so could you share some data or some kind of color on whether these new orders be breaking even when they hit sea.

G. Shivakumar: Okay that's forecast of rates but orders have come up and the prices are historically not low but breaking it on these if we just look at today's rates, today's spot rate probably wouldn't break even. Probably just about scrape through if they don't take any debt on those they would probably breakeven and today's spot rate which are $10,000 a day across the board by the way but at today's period rates they would probably be little above breakeven maybe. But people are ordering these for 2016 delivery so they are looking at and I think hoping for slightly better rates then?

Chetan Kapoor: Then it comes to second part of my questions. It seems like there is a fare bit of speculation which is involved in this so what level of financial sector participation would you put in this case rather than just a shipping firms participating in this new order booking?

G. Shivakumar: Lot of it is from traditional shipping firms. Financial Sector participation is there and it gets reported widely and we have seen it. However, it will be very rare to find a fund manager who goes out and books it by himself. So, they will go and team up with shipping players and they go and order ships.

Anjali Kumar: There is a marginal change in the sources of funding for the shipping industry over the last two years so we have seen to some extent bank's participation to come off on the other hand equity component has gone up in a substantial way over the last two years as a source of funding for this order book and we have also seen some private equity in the space. Along with that I think the other third thing which has gone up is the ECA funding which is basically government aided funding, which is export credit agencies.

Moderator: Thank you for your question sir. We have our next question from Mr. Krishna Raj, individual investor, please go ahead.

Krishna Raj: I was expecting that given the nice December month for crude tankers we would have seen higher TCYs because from what I read the Suezmaxes and the Aframaxs rates quite went up, so that I didn't see here and then I was looking at the revenue days, the revenue days on a Y-o-Y basis is lower by about 25% so I just want to get some idea on why we weren't able to encash on or it appears that we haven't been able to encash on the nice rates or are they hidden in the voyage charters that might be showing up in the next quarter.

G. Shivakumar: Two parts to your question, I will take the second one first. These revenue days I think you are looking at the offshore logistics revenues days?

Krishna Raj: No, I am looking at the revenue days for shipping which is owned tonnages-

G. Shivakumar: Yes, we have sold few ships during the year and we had incoming outgoing voyages which you correctly referred to as a voyage charter days so it's just a little bit of blip in the quarter of Q3 of last financial year. So, this one is more representative of the kind of revenue days that we would have so that's one. So, there is a change in the fleet as well as there is the impact of incoming and outgoing voyages so that's the short answer to the question. And coming back to your first question you are right, December rates were very firmed for Suezmaxes and the voyagers did not finished in December so whatever voyages we have fixed in December will finish only in the current quarter. So, they do not affect the accounts of Q3.

Krishna Raj: My next question was what's the dollar amount that you now hold in cash on a consolidated basis?

G. Shivakumar: You mean in dollars?

Krishna Raj: Yes.

G. Shivakumar: It's about $350 million.

Moderator: Thank you for your question sir. We have our next question from Mr. Vikram from Antique Stock Broking, please go ahead.

Vikram: Can you just explain this other operating income part which is bit higher in this quarter compared to previous quarter?

G. Shivakumar: It's just where we had a damage to one of the vessels in an earlier year and there was an insurance claim on that which we received so that's the other operating income.

Vikram: Most part is basically from insurance only?

G. Shivakumar: That's right.

Vikram: Can you just give the revenue days of loss in shipping because of this dry docking of vessels?

G. Shivakumar: One minute, because these are surveys plus dry docking. It's about 60 days.

Vikram: For four vessels?

G. Shivakumar: Yes.

Vikram: I think most of the questions has been answered thank you very much.

Moderator: Thank you sir. We have our next question from Mr. Mandar from Prabhudas Lilladher, Mr. Mandar.

Mandar: You said that there is a spurt in volume in crude tankers so how long do you expect this to be continue and what exactly the demand what you said in Far East, can you please elaborate more about the Far East demand?

G. Shivakumar: Yes, two things it's not so much of spurt in volumes as increase in the ton-mile, crude oil is travelling for longer distances which of course increases the demand for ships. So, basically what's happening is that West Africa was producing crude oil and shipping it to the US and now the US is importing less of it and the West African oil is very much light shale oil in its quality and therefore the West African oil has been reduced in the last two years to virtually zero, i.e. West African to US trade. Now, this oil will still be exported. There are two or three choices it can go, to Europe or it can go to the Far East. European refineries are working at very low utilization levels or shutting down because they are not able to compete against the US products exports therefore these barrels of crude oil have found their way to the Far East. Now, West Africa to US is a shorter trip than West Africa to the Far East/China and therefore the demand for crude ships has increased, so the important thing is not just the number of tons which gets transported but the miles over which they get transported so ton-mile demand has gone up because of this.

Mandar: The second thing which I mentioned is that the Chinese were reportedly filling up the strategic petroleum reserves phase two and this is said to have resulted in an increased demand so that is a real volume demand which could be about half a million barrels a day of imports and these imports mainly coming from the Atlantic Basin. So, again long haul imports of oil going from the Atlantic Basin to the Far East which resulted in increase demand for ships so those are the two things that influenced the crude carrier market.

Mandar: But how long do you expect this to continue?

G. Shivakumar: The market is already down from those levels so the current spot market is back to where it was in the month of October before it took off, so obviously it has been discontinued. So these are short term blips and the only message that they give us is that the market is not heavily oversupplied and therefore there can be some of the short term spikes in rates.

Moderator: Thank you for your question sir. We have our next question from Mr. Amit from Bharti AXA, please go ahead.

Amit Surekha: As you mentioned in the beginning that Baltic Dry Index has fallen very sharply. Last one month it has fallen more than 50% why do you think this has happened because if you look global data US is doing good, Europe is doing different data points.

G. Shivakumar: Okay there are couple of things whether disruptions in Brazil and Australia which are hindering exports and which tends to happen in the first quarter of the year and the second thing is the Chinese New Year in which the imports automatically go down and the activity level goes down, so these two things generally tend to happen in the first part of the year.

Amit Surekha: Okay but these things happen every year but somehow this year the extent of fall is a bit higher than earlier years?

G. Shivakumar: No, I don't think so. In fact this January – February rates have been substantially better than they were in Jan – Feb last year or the year before that so that Capesizes are running maybe $4000 to $6000 a day they are still today earning about almost $10,000 a day on the spot market, so yes the fall has been huge but that's only because we saw a little bit of a recovery in the second half of last year.

Amit Surekha: So, I mean you see the rates again reviving or it is affected to remain at these levels at least in the foreseeable future of next three to four months?

G. Shivakumar: It will probably revive, it depends on how demand plans out now and because China is such a big factor, how they fair with their imports etc is a critical thing, so given the outlook for demand we believe that rates will not remain at these levels. Again as I have mentioned earlier it doesn't mean that there will be very strong rates, there will be a gap on the rates because of the capacity which is coming in but they would probably recover from here maybe not a very strong recovery but we would expect the rates should be higher than what they are currently.

Anjali Kumar: I will add here that even though the rates have come off where they are today, it is still substantially stronger than what it was maybe the average of 2012 or even higher than the average of 2013.

Amit Surekha: So, like you highlighted in the last one year the assets have gone up almost 15% - 20% so post December also has the prices held on or the asset prices have been falling in last one month?

G. Shivakumar: They have not fallen they have held on to there so there is no drop in prices of value.

Anjali Kumar: Asset prices generally fall only with a certain lag, fall or rise with the certain lag.

Amit Surekha: One more last question. I mean can you share of your total fleet how much is on spot right now and how much is on contract?

Anjali Kumar: We have roughly just over about 60% on spot.

Amit Surekha: Okay this is on the overall fleet?

Anjali Kumar: Yes overall fleet.

G. Shivakumar: Most dry bulk and tankers?

Anjali Kumar: Shipping fleets.

Amit Surekha: Yes, shipping fleets okay. So, it means that your spot percentage has gone up in last couple of months from November to now?

G. Shivakumar: No, I don't think that percentage has gone up we have been at much less than.

Anjali Kumar: It's been between 50 and 60.

Amit Surekha: Okay so it has remained in the range of 50 – 60 in last?

Anjali Kumar: Yes, last couple of quarters it's been 50 – 60.

Moderator: Thank you for your question sir. Mr. Suman Bhatt has a question please go ahead.

Suman Bhatt: My question is related to the prices at which we contracted the new businesses which are on order I think maybe five kamsaraxes and one product tankers, just wanted to check at what price levels were these orders placed, I mean now were they may be 10% from the bottom price or was it slightly higher?

G. Shivakumar: Yes, within 10% of the bottom price.

Suman Bhatt: On average for all six...

G. Shivakumar: That's correct.

Suman Bhatt: And the current prices would you be looking at the further acquisitions or wait for to see-

G. Shivakumar: Yes, if we find a suitable project we are always there to do. If we can find a project and make the numbers work we are there to do it but yes we are less enthusiastic than we were when we did those contracts.

Moderator: Thank you for your question sir. We have our next question from Mr. Ashish from Morgan Stanley please go ahead sir.

Ashish: My first question is on CAPEX for all the seven vessels that we have on order what is the total CAPEX that is there plus what is the CAPEX on the rig?

G. Shivakumar: The total CAPEX that we have in the group is about $410 billion.

Ashish: This includes the rig as well?

G. Shivakumar: Yes for the group.

Ashish: And how much of this was already paid out of 410?

G. Shivakumar: Yes, about 25% that's right, about 25% has been already paid.

Ashish: And secondly, for the offshore margin decline you highlighted some Rs.25 crores impact of currency, what exactly is that?

G. Shivakumar: It's the revaluation of the currency in the quarter so we got a positive impact in the previous quarter because it went from 60 to 60.5 and 59.5 to 60.5 and then it reversed a little bit by Rs.1.

Ashish: And then just lastly, early in the call you said that at the current asset prices and the current rates vessels would be just about the breakeven maybe, so given we have also ordered five new vessels. What kind of rate recovery are you expecting by the time these vessels had actually delivered?

G. Shivakumar: Okay one thing, what I mentioned earlier is based on current spot prices. And the current spot prices you should keep in mind are down for cap sizes about 70% from one month ago numbers and for the smaller sizes Panamaxes and Supramaxes is down about 40% from month ago numbers. And therefore spot values are not really indicative of anything really. On time charter rates that you get today they are probably still profitable, they would probably and again it's hypothetical because their shifts are coming two years down the road but current time charter rates, the current time charter rates they would make a positive contribution to profitability.

Ashish: Okay so when you do your maths before say ordering a ship, what kind of ROEs and all do we kind of look into ROE or ROC whatever be the number?

G. Shivakumar: Okay we hope for 10% plus return on capital but it's really tough to be able to justify putting those earnings in any market scenario. So for instance if you are buying ships really cheap and if you were in January last year and you took the current earnings so you would probably have been making negative returns based on the earnings yield so you have to take a little bit of a leap of faith when you make the investment and be able to paint a scenario, a plausible scenario when you could have under which you could have 10% say just as a number 10% ROC. So, that's what we do normally because in most markets you will not be able to find it and in the markets where you are able to show a current yield of say 10% plus, you will probably lose on the asset value this is what happened in 2007 – 2008.

Moderator: Thank you for your question sir. We have our next question from Mr. Bhavin Gandhi from BNP Securities, please go ahead.

Bhavin Gandhi: If you could comment on the utilization now in the OSV side of our fleet how has that been in this quarter?

G. Shivakumar: Yes, it's been worst than the previous quarter and that's a little bit of an issue with the offshore business. So we had about 70 days less in terms of revenue days than the previous quarter, two things one is you go from one contract to the next and you have to move from one place to another and sometimes you just don't get paid for it that's one. Second is, if you work in the spot market and when you are working you get a nice rate and then you sit and wait for the next contract which takes 30 to 60 days.

So, that's something which is a bit of an issue with the offshore business, so when you are running it's a wondering return and then you are just sitting there and earning zero and that's because there is very little liquidity in the spot market, as there is very little liquidity in the sale and purchase market.

Bhavin Gandhi: What about the fourth quarter now has utilization picked up now?

G. Shivakumar: Okay, we have fixed out. so we have four re-pricings during this quarter for offshore vessels we will have four more re-pricings for the rest of this calendar year and we have a rig re-pricing at the end of this year.

Bhavin Gandhi: And could you comment on the rates on the PSV and AHTSV not specifically to our fleet but generally how the rates have moved from previous quarter to this quarter?

G. Shivakumar: Generally they are about flat, as I mentioned the big problem is on the utilization and you can get any rate. It's just an issue of landing that contract, so it's frustrating process because the contract is there, you know that there is a requirement but it just takes time and then the ship is sitting while you are trying to land the contract and then you have to sign on mobilization on the asset etc, you lose time your money is spent for going from place to another. So, pricings has not come down nor had they gone up much.

Bhavin Gandhi: And then finally the issue regarding the DGH circular, are we seeing the impact now or is it still we are not seeing the impact yet?

G. Shivakumar: That's being put in abeyance.

Bhavin Gandhi: It's put in abeyance, is it okay.

G. Shivakumar: This is on the Indian build ships right?

Bhavin Gandhi: Yes.

G. Shivakumar: Yes that's in abeyance.

Moderator: Thank you for your question. Next question from Mr. Ashish from Morgan Stanley, please go ahead.

Ashish: Just one very basic question. For the rig, when there are such downtime like for the survey, are we paid anything by the new contractor or it's complete loss of revenue days for us?

G. Shivakumar: No, we are not paid anything, it's our business to keep the rig with valid certificates so we don't get paid anything to that.

Anjali Kumar: These are mandatory requirements so you budget them in your whole costing anyways-

Ashish: And same for the survey cost as well.

G. Shivakumar: No.

Anjali Kumar: No, nothing.

Moderator: Thank you for your question. Next question is from Mr. Manoj from Mint, please go head.

Manoj: I just wanted to check whether you would be looking at receiving listings from Iran now that the sanctions have been suspended for six months period even though I know there is lack of clarity but will you be comfortable in traveling to Iran for liftings?

G. Shivakumar: It's little early to say I think we need to get a lot more clarity before we can take a decision on that and I think we need to see all the fine print before we can really comment on that or take a decision either way.

Manoj: Another thing that I wanted to ask you is that GAIL is coming out with a tender shortly for some 12 to 14 years LNG ship, will you be looking at LNG sector for this tender?

G. Shivakumar: Yes, okay will look at it like lot of other projects and we will see if it makes sense for us but we are no way near making a decision on that. We have been in before on tenders so we haven't decided whether we are interested in this business or not.

Manoj: You haven't decided, because you have looked at it earlier. I mean amongst the Indian shipping companies only SCI is there in this segment. I was wondering what prevents Great Eastern from looking at this sector, I mean is there any issue involved where you are not very comfortable in entering this segment.

G. Shivakumar: No, it's a good segment so there is no discomfort, it's just that it needs to make commercial sense for us to try to enter it.

Moderator: Thank you for your question sir. We have our next question from Mr. Sumeet Chaudhary from Standard Chartered, please go ahead.

Sumeet Chaudhary: Just one question on the standalone financials, if I look at the revenue, it seems quarter-on-quarter you have had pretty much flat revenue despite the full dry docking. But your EBITDA on the standalone has fallen quarter on quarter, so is there any extra ordinary expense in there for this kind of a drop in EBITDA?

Anjali Kumar: Yes, so net – net the impact was on account of what Shiva mentioned earlier. On one of the insurance claims there was a reversal so that was an extraordinary income of the last Q, which was not there in this Q plus there was some higher port and canal charges which were considerably higher this quarter.

Sumeet Chaudhary: And the insurance claim was how much if you could remind me?

Anjali Kumar: It was roughly about $2 million.

Moderator: Thank you for your question.

Anjali Kumar: Yes we can finish it.

Moderator: Certainly ma'am. You may go ahead ma'am.

Anjali Kumar: As there are no more questions, we will wrap up today. Thank you all for joining us and as usual we will have the transcript uploaded in a couple of days and of course you can feel free to mail our team for any of your queries. Thank you.

Moderator: Thank you ma'am. Ladies and gentlemen this concludes the conference for today. We thank you for your participation and for using Tata Docomo Conferencing Services, you may please disconnect your lines now. Thank you and have a pleasant evening.