

**Operator**

Good evening, 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 a listen-only mode. Later we'll conduct a question-and-answer session. I now hand over the conference 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, Chief Financial Officer**

Hi, this is Shiv here. I'd like to just start off the conference call with some -- with a brief roundup of where the markets were in the quarter. Dry bulk remained strong through the quarter, through the October-December quarter and this market had 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 down to the low levels seen in October and before.

On the dry bulk side, the markets have dropped back to the levels seen in July last year. So just to give you an idea, the BDI which peaked at about 2,500, 2,600 is down -- back down to about 1,100 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 the spike in the crude tanker markets is that a lot of the Atlantic oil which was not being consumed in the Atlantic Basin, i.e., Europe and U.S. found its way to the Far East, which of course added a lot of miles to the tonnes and therefore there was a demand -- additional demand for crude oil carriers.

The second factor which has not yet been confirmed with quantities is that the Chinese started filling the strategic petroleum reserves, phase two of their strategic petroleum reserves. Estimates of the additional oil that they pulled in the last quarter of last year varies between 0.5 million barrels a day and 0.75 million barrels a day. And this gave rise to substantial demand for crude oil tankers and therefore there was the spike.

Now coming to the net asset value, the standalone net asset value went up to INR311 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 INR539 per share, the net asset value. And so in the last one year, we have seen about a 20% increase in asset prices for tankers and probably a 25%-plus increase in price for -- 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 lay-ups during the quarter. And in Greatship, we had two of which one was a rig, I had mentioned this in the last conference call, and the rig was dry-docked -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 a substantial amount of expenditure as well. And I am happy to report that she has finished that special survey and she is back in operation now on our next contract.

And the other thing that I'd 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 deadweight, and we were looking at an annualized number of about 61 million deadweight. And the depressing fact there is that we have now seen the numbers for the full year and the total ordering for the year is close to 80 million deadweight. So the last quarter has produced in excess of 30 million deadweight 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'd like to now hand it over to you and you can -- we are happy to take your questions and try to answer them in the best way we can. Thank you.

**Questions And Answers**

## **Operator**

Ladies and gentlemen, we'll now begin the question-and-answer session. We have our first question from Mr. Bhavin Gandhi from B&K Securities. Please go ahead, sir.

## **Bhavin Gandhi, Analyst**

Good evening, sir. Sir, just wanted to reconfirm the consolidated NAV number. It's 589?

## **G. Shivakumar, Chief Financial Officer**

539.

## **Bhavin Gandhi, Analyst**

539.

## **G. Shivakumar, Chief Financial Officer**

That's right.

## **Bhavin Gandhi, Analyst**

So has there been any -- I, mean if you look at -- if I look at these standalone accretion, from 284, it's moved up to 311.

## **G. Shivakumar, Chief Financial Officer**

Yeah.

## **Bhavin Gandhi, Analyst**

On the consolidated side, it's just about INR7 up from the previous quarter. Why is that, sir?

## **G. Shivakumar, Chief Financial Officer**

Yeah. Couple of things. One is that there is the flux of time where you have a natural depreciation curve for assets. Second is that a little more conservative valuations on the offshore assets. I have mentioned in the past that this important caveat for offshore, the assets are nowhere near as liquid as they are for shipping, and therefore the valuations are not nearly as accurate as they are as -- you can't have as much confidence in those as you have in shipping and therefore they have gone down a little bit as compared to the October valuations.

## **Bhavin Gandhi, Analyst**

Okay. And sir, if you could comment on the impact that the rig downtime had on the numbers. I can see a 100 crore kind of drop in the EBITDA of offshore. If you could quantify the impact of rig downtime here.

## **G. Shivakumar, Chief Financial Officer**

Yeah, the impact of the rig was probably about 60 crores in that. And apart from that, we have the currency, which is about 25 crores between the two quarters. So that's the big -- between those two, you -- our 85 crores, and then we had some off-hire for some of our vessels. So the utilization levels for our offshore logistics fleet, the supply vessels has been quite poor in the last quarter, quite poor in the sense that we are still above 95%, but we had a lot more commercial off-hire than in the previous quarter.

So we had vessels coming off contracts 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 earning days on those.

**Bhavin Gandhi, Analyst**

Okay. And sir, this 60 crore impact that you mentioned is just the revenue loss or is there some expenditure also?

**G. Shivakumar, Chief Financial Officer**

Yeah, it includes both revenue loss and expenditure, both of them.

**Bhavin Gandhi, Analyst**

But sir, if I look at repair and maintenance expense, that does not seem to have gone up substantially. So --

**G. Shivakumar, Chief Financial Officer**

So -- one moment, why is that not up? It would be up. There is -- it has been expensed out -- okay. Most of it has not been -- 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, Analyst**

So the 60 crore impact that you mentioned is up to January.

**G. Shivakumar, Chief Financial Officer**

That's right. It's only -- no, is for the P&L of December.

**Bhavin Gandhi, Analyst**

It's for the P&L of December only. Out of which, if I see the survey expenses, they are just about up 3 crores.

**G. Shivakumar, Chief Financial Officer**

Okay. No, there must be some -- there is some saving in other places. So it's not just 3 crores.

**Bhavin Gandhi, Analyst**

Okay, okay. Got it, sir. And sir, just one final thing. On the other income part, you mentioned in the last quarter because of the lower yields you had booked some treasury losses.

**G. Shivakumar, Chief Financial Officer**

That's right.

**Bhavin Gandhi, Analyst**

So how should one look -- be looking at the other income going forward because the other income, I mean, if you -- if I were to look at the yield on cash, it seemed to be very, very low. So how should one look at it in the subsequent quarters?

**G. Shivakumar, Chief Financial Officer**

Okay. I don't know how that market is going to do, but we do have a 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. And so you can take your view based on that.

## **Bhavin Gandhi, Analyst**

Sure, sure. That's helpful. Thank you, sir.

## **G. Shivakumar, Chief Financial Officer**

Thank you, Bhavin.

## **Operator**

Thank you for your question, sir. We have our next question from Jinal Sheth from Multi-Act. Please go ahead.

## **Jinal Sheth, Analyst**

Good evening, sir. 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. Sir, just thoughts on how your target market is panning out and some thoughts on that.

## **G. Shivakumar, Chief Financial Officer**

Yeah, hi. Just to put the numbers in place first, the dry bulk fleet grew by about 6% last year. That's calendar 2013 over '12. Crude and product both grew by approximately 2% plus or minus a little bit. For the coming years, we are expecting dry bulk 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%. The order book is at 20%. We expect net fleet growth to be maybe 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 book, so 4% to 5% fleet growth would be expected there.

Now coming to the demand side, dry bulk demand remains strong. Again, a lot of iron ore and coal mining projects which are coming on stream, which will have pretty cheap costs and they will be in a position to ship and they will produce and they will ship. And demand, even though China is slowing, the demand for commodities is still quite high. Last year, Chinese demand for iron ore -- seaborne demand for iron ore grew by about 10%, which is about 75 million tonnes. 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 tonne miles will also be pretty strong. Again, whether it's going to be able to match the 5% growth in our 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 is probably -- 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 are probably past the worst part of the market, but whether we return to significant -- significantly profitable levels, that remains to be seen because of the way the order book has built up.

So on crude, it's -- oil demand is not great. U.S. continues to produce shale oil and it continues to grow, but one thing which is happening is that because there is -- 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 tonne 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, Analyst**

A couple of things that you mentioned, iron ore and coal projects coming on stream. Specifically where are you talking about, which area?

## **G. Shivakumar, Chief Financial Officer**

These would be Brazil, Australia, South Africa, these are the three big regions.

### **Jinal Sheth, Analyst**

Okay.

### **G. Shivakumar, Chief Financial Officer**

And a 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 -- they're still going to be pretty low cost, so they will be competitive.

### **Jinal Sheth, Analyst**

Okay. And lastly, when you said the Chinese demand is -- are you saying that the demand is still high in China?

### **G. Shivakumar, Chief Financial Officer**

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, Analyst**

So they continue to consume as what you've said?

### **G. Shivakumar, Chief Financial Officer**

That's right. And the other big commodity, of course, is steam coal which is used for power generation where India also has been pretty strong in growth. And I think I saw information -- data somewhere which said about 25 million tonnes is the growth in Indian coal imports last year. So it's been pretty strong. Chinese coal imports also were pretty strong. The other factor is for -- depending on, again, the grain output, and again, people are expecting strong grain exports from the Americas and that's the other factor which adds to demand on the market.

### **Unidentified Participant**

Okay and --

### **G. Shivakumar, Chief Financial Officer**

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 picking up. So we had scrapping of 32 million dwt in calendar '12 which we were going along a similarish run rate in the first half of calendar '13. So about a 15 million tons were scrapped in first half, 14-15 million tons. But after the market picked up the we saw a very little scrapped, a much less scrapping.

So second half saw only about 7 million to 8 million tons of scrapping. So that's, so the supply side is a little bit of over worry on Dry Bulk. On the crude, it's the opposite, which is that the supply side is pretty good, there's 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 the month.

### **Unidentified Participant**

Okay. And just GE shipping did some purchasing of fleet in the last one, two year, is that right?

### **G. Shivakumar, Chief Financial Officer**

That's right.

**Unidentified Participant**

How many were there?

**G. Shivakumar, Chief Financial Officer**

We bought a three second-hand vessels in the last one and half years, one of which was an LPG carrier and two were MR tankers.

**Unidentified Participant**

Okay. So totaled five ships

**G. Shivakumar, Chief Financial Officer**

No, three -- only three vessels.

**Unidentified Participant**

Okay. Three vessels, okay, two other than

**G. Shivakumar, Chief Financial Officer**

--in the last 18 months or so. And we also have an order book for some more vessels.

**Unidentified Speaker**

Six new buildings we boughted.

**Unidentified Participant**

Six new buildings

**Unidentified Speaker**

Of which five are Dry Bulk and one is our product tanker.

**Unidentified Participant**

Okay, perfect. Thanks a lot.

**Operator**

Thank you for your question. We have the next question from Suman Bhat from Individual Investor. Please go ahead.

**Suman Bhat, Analyst**

Hello.

**G. Shivakumar, Chief Financial Officer**

Yeah, hi.

## **Suman Bhat, Analyst**

Yeah. Good evening sir and team. And I think another satisfactory is not in our outstanding quarter this time. My question was more related to your previous comments regarding the outstanding orders for deposits and deliveries which are happening see a 20% of outstanding orders that you mentioned of the total fleet. I think historically that looks fairly low but then you said that about -- million of that has been added in the last one year which is -- what sort of about 12% or 13% of the total fleet which 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 hand would be really high and probably quite worrying?

## **G. Shivakumar, Chief Financial Officer**

Yeah, a couple of things. One is, I'd 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 lowish order book, but historically 20% order book is really high. So any time prior to 2005, if you'd seen 20%, you would have thought that that's really bad picture for supply.

But yes, the pace of ordering, which has been seen last year, it's unlikely to be keep up or at least we are hoping that it's not kept up. Already yards are quoting for delivery in second half of 2016. So slots are not easily available. So you had to go further and further out now if you want a ship. You never know. There are -- 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 happen in the last quarter and it is definitely a worry.

## **Unidentified Participant**

So given this situation, are you all looking towards investing more in the crude and tankers or are you still looking at drybulk as a possible place to acquire more vessels?

## **G. Shivakumar, Chief Financial Officer**

It's a possibility to acquire more vessels. It's -- everything depends on the pricing that we get. So if we get a ship at a reasonable price, we're there to buy, as I mentioned earlier. Yes, prices of all assets have gone up. I mentioned that earlier. Prices of all assets have gone up. So it's -- yeah, we'll just have to see which one looks most attractive and because they've gone up, they are looking across the board not as attractive as they would have looked a few months ago.

And ordering has been pretty strong even in crude and product. So though 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 -- there isn'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 the scrapping. So you have that as well.

And 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. Trade growth is much faster than tanker trade growth. That's one thing that you should remember.

## **Unidentified Participant**

What would be the approximate outstanding orders for new ships on the dry -- sorry, on the product and crude side?

## **G. Shivakumar, Chief Financial Officer**

Products should be about 13% or so and crude probably 10%, 11%.

## **Unidentified Participant**

Okay. Okay. That's it from me. Thanks.

## **G. Shivakumar, Chief Financial Officer**

Thank you.

## **Operator**

Thank you for your questions, sir. We have our next question from Mr. Ashish from Morgan Stanley. Please go ahead.

## **Ashish Jain, Analyst**

Yes, hi, good evening, sir. Sir, my first question is on NAV because sequentially if I see, your shipping NAV has gone up lot more than the consolidated NAV, so which means that -- and plus your net debt, your net debt has also basically gone down on a sequential basis. Then -- which basically means that on the offshore side, it seems like -- if I just try to do the maths, looks like the --

## **G. Shivakumar, Chief Financial Officer**

Yeah, Ashish, I think you didn't catch Bhavin's question which was the same thing. And basically it's on slightly more conservative valuations of the offshore assets. And there is also --

## **Ashish Jain, Analyst**

No, I got that. But something must have gone down to kind of math.

## **G. Shivakumar, Chief Financial Officer**

Yeah, yeah. Conservation valuation meaning that they have gone down. It is 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.

## **Unidentified Speaker**

There were also no trades some of the --

## **G. Shivakumar, Chief Financial Officer**

Because the liquidity in all these things, they -- it's a little more difficult to value those. So it'll be a little -- it will swing a little bit.

## **Ashish Jain, Analyst**

Sure. Okay. And secondly, if I look at the offshore logistics business, our revenue days are down roughly 600 days on a sequential --

## **G. Shivakumar, Chief Financial Officer**

No, no, Ashish, you're seeing the wrong one. We had made a mistake in the press release the last time, which we then corrected. So the difference is actually about 70 days or so.

## **Ashish Jain, Analyst**

Okay. Okay, fine.

## **G. Shivakumar, Chief Financial Officer**

So there is a difference of about 70 days or so which is due to poorer 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 Jain, Analyst**

But this is -- if I factor in the impact of these rig, is it right interpretation that the margins in offshore ex-rigs have actually gone

up on a sequential basis?

**G. Shivakumar, Chief Financial Officer**

They haven't gone up. There has not been much of repricing in the quarter. In fact even after the rig, you would have lower margins because even on the offshore logistics business, we had -- nothing priced up in the quarter.

**Ashish Jain, Analyst**

Shiv, I'm talking particularly about the offshore logistics. If I take out the rig and the impact of rig.

**G. Shivakumar, Chief Financial Officer**

Yeah, you know and even in offshore logistics nothing priced up.

**Unidentified Participant**

Nothing is priced up?

**Unidentified Speaker**

No. So, and we had a lower utilizations. So it's unlikely that margins would have gone up. We'll take a look at it, but that would be very surprised margins have gone up even just for the offshore logistics business.

**Unidentified Participant**

Okay. And lastly, what would be the survey cost that you say, would be booking in Q4?

**Unidentified Speaker**

No. we don't give numbers on specific projects.

**Unidentified Participant**

Okay fine. That's all from my side. Thank you.

**Unidentified Speaker**

Thank you.

**Operator**

Thank you for your question, sir. We have our next question from Mr. Mandar from Prabhudas Lilladher. Please go ahead sir.

**Unidentified Speaker**

I think he's not there.

**Operator**

Mr. Mandar? I'm going with the next question sir.

**Unidentified Speaker**

Yeah. Please.

## **Operator**

Chetan Kapoor from Axis Bank. Please go ahead sir.

## **Chetan Kapoor, Analyst**

Hi sir.

## **Unidentified Speaker**

Yeah, hi.

## **Chetan Kapoor, Analyst**

My question is regarding the dry bulk space. As you have said sir, there is a lot of order book, which has come up over the last one year. Sir, could you shed some -- share some data or some kind of a color on whether these kind of -whether these new orders which are coming up, whether they be breaking even when they hit seas, when these ships will be hitting sir?

## **Unidentified Speaker**

Okay. That's a forecast of rates, but orders have come up and the prices are historically not (inaudible). But breakeven on these. If you just look at today's rates, at today's spot rates, they probably wouldn't break even. Now they probably beat just about just crapping through if they don't take any debt on those, they probably break even at 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 a little above breakeven maybe. But the people are ordering these for 2016, delivery. So they are looking at adding -- hoping for slightly better rates there.

## **Chetan Kapoor, Analyst**

Then it comes to second part of my question, sir. It seems like there is a fair bit of speculation, which is involved in this. So what level of what you say, financial sector participation, would you put in this case rather than just the shipping firms participating in this new order booking?

## **Unidentified Speaker**

Yeah. A lot of it is from traditional ship firms. Financial is there and it gets reported widely. And we've seen it, the financial That there no fund managers who go and it's very rare to find a fund manager who goes out and the books it shift and by shift. So they've got team up with the players, with shipping players and they go and order ships. Yeah, so there is --

## **Unidentified Speaker**

There is a -- that 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 participation come of and the equity is the other one component, which has gone up in a substantially way over the last two years. As a source of funding for this order book and we have also seen some private equity in this space. Along with that, I think that the other third thing which is -- which has gone up is the ECA[ph] funding which is basically government-aided funding.

## **Unidentified Participant**

Which maybe in --

## **Unidentified Speaker**

Which is export credit agencies basically --. Yeah.

### **Unidentified Participant**

Right, sir. That's it from my side. Thank you.

### **G. Shivakumar, Chief Financial Officer**

Thank you.

### **Operator**

Thank you for your question, sir. We have our next question from Mr. Krishna Raj, Individual Investor. Please go ahead.

### **Krishna Raj, Individual Investor**

Yeah. Hi, thanks for taking my question. I was expecting that given the nice December month for Crude Tankers, we would have seen higher TC wise in because this -- from what I read this was maxs and the after maxs rates quite went up. So, max, I don't see that here and then I was looking at that revenue days, the revenue days on a Y-o-Y basis is lower by about 25%. So I just wanted to get some idea on, why we weren't able to encash on or it appears that we haven't been able cash on the nice rates or are they hidden in the voyage charter that might be showing up in the next quarter?

### **G. Shivakumar, Chief Financial Officer**

Yeah, two parts to your question, I'll take the second one first. This revenue days I think you are looking at the offshore Logistics 7 revenue days.

### **Krishna Raj, Individual Investor**

No I'm looking at the revenue days for shipping which is owned tonnages --

### **G. Shivakumar, Chief Financial Officer**

--which is the previous year yeah, okay. We have sold a few ships during the year and we had incoming, outgoing voyages which you correctly referred to as the voyage chartered days. So it's just little bit over 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're right, December rates (inaudible) for Suezmaxes and it's going to -- these voyages did not finish in December. So whatever voyages we've fixed in December will finish only in the current quarter.

### **Unidentified Participant**

Okay, okay.

### **G. Shivakumar, Chief Financial Officer**

So they do not affect the accounts of Q3 sure.

### **Unidentified Participant**

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

### **G. Shivakumar, Chief Financial Officer**

You mean in dollars?

**Unidentified Participant**

Yeah. In dollars.

**G. Shivakumar, Chief Financial Officer**

Which is held in dollars. It's about 350 million.

**Unidentified Participant**

Okay. Okay. Fine. Those were my questions. Thanks for answering.

**G. Shivakumar, Chief Financial Officer**

Thank you.

**Operator**

Thank you for your questions sir. We have our next question from Mr. Vikram from Antique Stock Broking.

Please go ahead.

**Vikram Suryavanshi, Analyst**

Yeah, hi, good evening, sir, Sir, can you just explain this other operating income part, which is a bit higher in this quarter compared to previous quarter?

**G. Shivakumar, Chief Financial Officer**

Yeah, hi, Vikram. No, it's just where we had a damage to one of the vessels in an earlier year and it was -- there was an insurance claim on that which we received. So that's the other operating income.

**Vikram Suryavanshi, Analyst**

Okay. So most of --

**G. Shivakumar, Chief Financial Officer**

Hello.

**Operator**

Mr. Vikram?

**Vikram Suryavanshi, Analyst**

Yeah.

**G. Shivakumar, Chief Financial Officer**

Yeah, so you were saying.

**Vikram Suryavanshi, Analyst**

So most part is basically from insurance only.

**G. Shivakumar, Chief Financial Officer**

That's right.

**Vikram Suryavanshi, Analyst**

Okay. And can you just give the revenue days of loss in shipping because of this poor dry-docking vessel?

**G. Shivakumar, Chief Financial Officer**

One moment, because these are surveys plus dry dockings, yeah, it's about 60 days.

**Vikram Suryavanshi, Analyst**

For four vessels?

**G. Shivakumar, Chief Financial Officer**

Yeah.

**Vikram Suryavanshi, Analyst**

Okay, sir. I think most of the questions have been answered sir. Thank you very much.

**G. Shivakumar, Chief Financial Officer**

Thank you.

**Operator**

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

**Mandar Dhavle, Analyst**

Yeah. Hello, can you hear me?

**G. Shivakumar, Chief Financial Officer**

Yeah. Hi, Mandar.

**Mandar Dhavle, Analyst**

Yeah. Sir, you said that there is a spurt in volume and crude tankers. So how long do you expect this to be continued and what exactly the demand what you said in Far East? Can you please elaborate more about the Far East demand?

**G. Shivakumar, Chief Financial Officer**

Yeah, two things. It's not so much a spurt in volume as increase in the ton miles which is that the oil is traveling 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 U.S. And now the U.S. is importing less of it and the West African oil is very much like shale oil in its quality and

therefore the West African oil has been reduced in the last two years to virtually zero, West Africa to U.S. trade.

Now because oil will still be exported. Yeah, there two or three choices it can go to Europe or it can come to the far East. European refineries are working at very low utilization levels or shutting down because they are not able to compete against Europe, US product exports. Therefore these barrels of crude oil have found their way to the far East.

Now just as we got to US is a shorter trip than West Africa to the far East, to China and therefore the demand for crude ships has increased. So that's one factor. So the important thing is not just the number of tonnes which get transported but the miles over -- transported. So ton-mile demand has gone up because of this.

The second thing is that, which I mentioned is that the Chinese were reportedly filling up the strategic petroleum reserves Phase II, 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 increased demand for ships.

So those are two things that influence the crude carrier market.

## **Unidentified Participant**

Okay. But sir how long do you expect this to continue?

## **G. Shivakumar, Chief Financial Officer**

Okay it's 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.

## **Unidentified Participant**

Okay.

## **G. Shivakumar, Chief Financial Officer**

So obviously it hasn't continued. 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 spike in trades.

## **Unidentified Participant**

Okay, thank you sir.

## **G. Shivakumar, Chief Financial Officer**

Yeah. Thank you.

## **Operator**

Thank you for your question, sir. We have our next question for Mr. Amit from Bharti AXA Life. Please go ahead, sir.

## **Amit, Analyst**

Yeah, thanks. Hello, sir this is, Amit Sureka here. As you mentioned in the beginning that -- index has fallen very sharply in fact in last one month it has fallen more than 50%. Why do you think this has happened because if you look at global data US is doing good, Europe is given decent data points.

## **G. Shivakumar, Chief Financial Officer**

Okay. Couple of things, weather disruptions in Brazil and Australia, which are hindering exports and which tends to happen in the

first quarter of the year. Yeah and the second thing is that 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.

### **Unidentified Participant**

Okay. But sir, sir these things happen every year, but somehow this year, the extent of fall is a bit higher than earlier years.

### **Unidentified Speaker**

No, I don't think so. In fact this January, February the rates have been substantially better than they were in Jan, Feb last year or the year before that. So that time capsizes were earning maybe \$4,000 to \$6,000 a day. They're still today earning and what almost \$10,000 a day on the spot market. So it's okay, 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.

### **Unidentified Participant**

Okay. So, I mean you see the rates again reviving? Or it's expected to remain at these levels at least in the foreseeable future of next three to four months.

### **Unidentified Speaker**

It'll probably revive. It depends on how demand pans out now and because China is such a big factor here, how they deal with their imports, etcetera is a critical thing. So, but rates, we believe that rates given the outlook for demand, we believe that rates will not remain at these levels forever. Again, as I've 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 there we would expect the rates to be higher than they are currently.

### **Unidentified Participant**

Okay. And how

### **Unidentified Speaker**

And even though the rates have come off, where they are today is still substantially stronger than what it was maybe the average of 2012 or even higher than the average of 2013.

### **Unidentified Participant**

Okay. So it means that, like you highlighted that in the last one year the asset prices 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?

### **Unidentified Speaker**

They have not fallen. They've held on to their, so there is no drop in price of the value.

### **Unidentified Speaker**

Right. Asset price is generally fall only if there been a certain lag. Fall or rise with a certain lag.

### **Unidentified Participant**

Okay. Okay, sir, one more last question. I mean can you share of your total fleet, how much is on if spot right now and how much is

on contract?

**Unidentified Speaker**

We have roughly just over about 60% on spot.

**Unidentified Participant**

60% on spot. This is on the overall fleet.

**Unidentified Speaker**

Yeah. Over all fleet.

**Unidentified Speaker**

That's dry bulk and tankers.

**Unidentified Speaker**

Shipping fleet.

**Unidentified Participant**

Yeah, yeah shipping fleets. Okay. So it means that your export percentage has gone up in last couple of months from, November to now? Hello?

**Unidentified Speaker**

Yeah, just a moment. No, I don't think that percentage has [ph] gone up, we've been at much less than--

**Anjali Kumar, Head of Corporate Communications**

Between 50 and 60.

**G. Shivakumar, Chief Financial Officer**

Yeah.

**Unidentified Participant**

Okay. So it has remain that the range of 50, 60 in last --.

**Anjali Kumar, Head of Corporate Communications**

Correct. Last two couple of quarters it has been in the range.

**G. Shivakumar, Chief Financial Officer**

Yeah.

**Unidentified Participant**

Okay, thanks. Thanks a lot.

**G. Shivakumar, Chief Financial Officer**

Thank you.

**Operator**

Thank you for your questions sir. Mr. Suman Bhat has a question. Please go ahead.

**Suman Bhat, Analyst**

Yeah. Suman here once again. My question is related to the prices at which we will be contacted in a new build which are on order. I think we have five -- and one -- product tanker[ph]. I just wanted to check, at what price levels for these orders placed[ph]. I mean where they maybe 10% from the bottom price or was it slightly higher like the last quarter.

**G. Shivakumar, Chief Financial Officer**

**Suman Bhat, Analyst**

-- was about?

**G. Shivakumar, Chief Financial Officer**

Yeah, Within 10% of the bottom price.

**Suman Bhat, Analyst**

Okay. On average for all six new --.

**G. Shivakumar, Chief Financial Officer**

That's correct.

**Suman Bhat, Analyst**

Okay. And at the current price is, would you be looking at further acquisitions or you know, I'm going to wait for --.

**G. Shivakumar, Chief Financial Officer**

Yeah, 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.

**Suman Bhat, Analyst**

--All right. Thanks.

**G. Shivakumar, Chief Financial Officer**

Thank you.

## **Operator**

Thank you for your question. We have our next question for Mr. Ashish from Morgan Stanley. Please go ahead.

## **Ashish, Analyst**

Sir, my first question is on CapEx for all seven vessels that we have an order. What is the total CapEx -- that is their plus, what is the CapEx on the rig [ph]?

## **G. Shivakumar, Chief Financial Officer**

And the total CapEx that we have in the Group is about 400. Yeah is about \$40 billion. Yeah.

## **Ashish, Analyst**

## **G. Shivakumar, Chief Financial Officer**

--Yeah 415.

## **Ashish, Analyst**

This include the rig as well or?

## **G. Shivakumar, Chief Financial Officer**

Yeah for the group.

## **Ashish, Analyst**

Okay. And how much of this is already paid out of four and five?

## **G. Shivakumar, Chief Financial Officer**

So, good question. How much is -- again.

## **Anjali Kumar, Head of Corporate Communications**

Roughly 20% of 15% to 20%.

## **G. Shivakumar, Chief Financial Officer**

Yeah 699[ph] --which is 110[ph]. Yeah, above 25%. That's right. Above 25% is already paid.

## **Ashish, Analyst**

Okay. And then secondly, for the, for the offshore margin decline you highlighted some 25 -- include impact of currency. What exactly is that?

## **G. Shivakumar, Chief Financial Officer**

Is the revaluation of the currency in the quarter. So we got a positive impact in the previous quarter because it went from 60 to 62.5 and.

## **Ashish, Analyst**

Okay.

## **G. Shivakumar, Chief Financial Officer**

And 59.5 for 62.5[ph]. And then it reverse the little bit by INR1.

## **Ashish, Analyst**

And then just lastly, early in the call, you said that you know on at the current asset prices -- all the asset prices which are -- and the current rates there is no vessels would be just about be breakeven maybe. So, but given we have also ordered five new vessels. What kind of rate recovery are you expecting or you know by the time these vessels are actually delivered.

## **G. Shivakumar, Chief Financial Officer**

Okay. One thing I mentioned is that is based on current spot prices and the current spot prices you should keep in mind, down for Capesize is about 70% from one month ago numbers. And for the smaller sizes Kamsarmax and Supramax 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 sell and again it's hypothetical because the ships are coming two years down the road. But current time charter rates, at current time charter rates they would make a positive contribution to profitability.

## **Ashish, Analyst**

Okay, but what kind of --so when you do your maths before say ordering a ship. Yeah. What kind of ROEs and all do we kind of look into the ROE or ROC whatever be the number.

## **G. Shivakumar, Chief Financial Officer**

Okay. We hope for 10% plus return on capital.

## **Ashish, Analyst**

Okay.

## **G. Shivakumar, Chief Financial Officer**

But it's really tough to be able to justify putting those earnings in any market scenario. So for instance if you're buying ships really cheap and if you are in January last year, and you took the current earnings. So you would probably have been making negative returns.

## **Ashish, Analyst**

Okay.

## **G. Shivakumar, Chief Financial Officer**

Based on the earnings yield. So you have to take a little bit of a leap of faith when you making investment and be able to paint a scenario a possible scenario when you could have -- under which you would have a 10% say just as the number, 10% ROC.

## **Ashish, Analyst**

Okay.

## **G. Shivakumar, Chief Financial Officer**

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 our current yield of say 10% plus, you will probably lose it on the asset value. This is what happened in 2007-2008.

## **Ashish, Analyst**

Okay, got it. Great. Sir, that's useful. Thank you very much.

## **G. Shivakumar, Chief Financial Officer**

Thank you Ashish.

## **Operator**

Thank you for your question, sir. Sir, we have our next question from Mr. Bhavin Gandhi from B&K Securities. Please go ahead.

## **Bhavin Gandhi, Analyst**

Sir, just if you could comment on the utilization now in the OSV[ph] side of our fleet, how has that been post this quarter.?

## **G. Shivakumar, Chief Financial Officer**

Yeah, it's been very poor, worst than the previous quarter and that's 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 you -- if you work in the spot market and when you're working, you get a nice rate. And then you sit and wait for the next contract which takes 30 days to 60 days.

## **Unidentified Participant**

Sure.

## **Unidentified Speaker**

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

## **Unidentified Participant**

And sir, what about the fourth quarter now? Have utilization, as utilization picked up or?

## **Unidentified Speaker**

Okay we fixed out. So we have four re-pricings during this quarter.

## **Unidentified Participant**

Okay.

## **Unidentified Speaker**

For offshore vessels. We will have four more re-pricings for the rest of this calendar year though you didn't asked four more during

this year.

### **Unidentified Participant**

Okay.

### **Unidentified Speaker**

And we have a rig re-pricing at the end of this year.

### **Unidentified Participant**

Okay. Sure. And could you comment on the rates on the PSV and (inaudible) not specifically to our fleet, but generally how the rates have moved from previous quarter to this quarter?

### **Unidentified Speaker**

Generally they are about flat. As I mentioned the big problem is on the utilization and you can get any rate and the period rates haven't gone up. They haven't gone down either.

### **Unidentified Participant**

Okay, But, it's just an issue lending that contract and it's -- so it's frustrating process lending a contract, because it's there, that there is a requirement, but it just takes time to lend and then the ship is sitting while you're trying to the lend the contract. And then you had mobilizing the assets etcetera, you lose time if your money is spent for going from one place to another.

### **Unidentified Speaker**

So pricings have not come down, nor have they gone up much.

### **Unidentified Participant**

And sir, finally just the issue regarding the (inaudible) circular, what are we seeing the impact now or is it still you're not seen the impact yet.

### **Unidentified Speaker**

That's been put in abeyance.

### **Unidentified Participant**

Okay. With put in abeyance.

### **Unidentified Speaker**

Yeah.

### **Unidentified Participant**

okay, okay.

### **Unidentified Speaker**

This is on the Indian base ships right?

## **Unidentified Participant**

Yeah.

## **Unidentified Speaker**

Yeah that's in abeyance

## **Unidentified Participant**

Okay, thank you.

## **Unidentified Speaker**

Thank you.

## **Operator**

Thank you for your question. Next question is from Ashish from Morgan Stanley. Please go ahead.

## **Unidentified Participant**

Hi, Sir, just one very basic. For the rig and all, when there are such a downtime like for survey and all. Are we beat anything by the new contractor or its complete loss of revenue days for us?

## **Unidentified Speaker**

No. we don't get paid anything. It's our business to keep the rig and with the certificates valid. So we don't get paid anything

## **Unidentified Speaker**

These are mandatory requirements

## **Anjali Kumar, Head of Corporate Communications**

and so you budget them in your anyway -- forecasting anyway.

## **Ashish, Analyst**

Okay. And same is to for the survey cost as well.

## **G. Shivakumar, Chief Financial Officer**

Sorry.

## **Anjali Kumar, Head of Corporate Communications**

No, you don't get it.

## **G. Shivakumar, Chief Financial Officer**

No, nothing.

## **Anjali Kumar, Head of Corporate Communications**

Nothing.

## **Ashish, Analyst**

Okay, thank you very much.

## **G. Shivakumar, Chief Financial Officer**

Thank you Ashish.

## **Operator**

Thank you for your question. Next question from Mr. Manoj --. Please go ahead.

## **Unidentified Participant**

Good evening, sir. How are you?

## **G. Shivakumar, Chief Financial Officer**

Yeah, hi.

## **Unidentified Participant**

Sir I just wanted to check whether you would be looking at presuming liftings from Iran, now that the sanctions has been suspended for a six month period. Even though I know there is lack of clarity, but will you be comfortable in travelling to Iran for liftings?

## **G. Shivakumar, Chief Financial Officer**

It's a little early to say, I think we need to see 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.

## **Unidentified Participant**

Also on another thing that I wanted to ask is what you know you must be aware that -- is coming out with the tender shortly for some 12 to 14 LNG ships. Will you be looking at LNG sector for this tender?

## **G. Shivakumar, Chief Financial Officer**

Yeah, okay. We are not -- we look at it like a lot of other projects and we'll see if it makes sense for us. But we are nowhere near making a decision on that we've been -- we've been before on tenders. So we haven't decided whether we are interested in the business or not.

## **Unidentified Participant**

You haven't decided because you know you haven't looked at it earlier amongst the Indian shipping companies only CI is there in this segment.

## **G. Shivakumar, Chief Financial Officer**

That's right.

## **Unidentified Participant**

-- we know what prevents Great Eastern from looking at this sector I mean is there any issue involved where you're not being comfortable in entering this segment?

## **G. Shivakumar, Chief Financial Officer**

No, no it's a good statement, at there is discomfort it's just that we need to -- needs to make commercial sense for us to try to enter it.

## **Unidentified Participant**

Right. Thank you.

## **G. Shivakumar, Chief Financial Officer**

Thank you very much.

## **Operator**

Thank you for your question, sir. We have our next question from Mr. Sumit Chaudhary from Standard Chartered. Please go ahead.

## **Sumit Chaudhary, Analyst**

Yes, good evening. Just one question on the standalone financials. If I look at the revenues, it seems quarter-on-quarter, you have had pretty much flat revenue despite the four Dry docking, which remains. But your EBITDA in the standalone future fallen by a quarter over the -- in over the previous quarter. So is there any extraordinary expense in that for this kind of a drop in EBITDA.

## **Anjali Kumar, Head of Corporate Communications**

There was an extraordinary expenses of roughly about

## **G. Shivakumar, Chief Financial Officer**

Extraordinary income.

## **Anjali Kumar, Head of Corporate Communications**

Yes. So the net-net, that the impact was about on account of what Shiv mentioned earlier was on one of the insurance claims. There was a reversal. So that was an extraordinary income of last Q, which was not there in this Q. Plus there was some higher port and Canal charges, which are considerably higher this quarter.

## **Sumit Chaudhary, Analyst**

Okay. And the insurance claims was for how much, if you could remind me?

## **Anjali Kumar, Head of Corporate Communications**

It was roughly about 2 million.

**Sumit Chaudhary, Analyst**

\$2 million.

**Anjali Kumar, Head of Corporate Communications**

Dollars. Yeah.

**Sumit Chaudhary, Analyst**

Okay, alright. Thank you.

**Operator**

Thank you for your question.

**Anjali Kumar, Head of Corporate Communications**

Yeah, we can finish it.

**Operator**

Certainly, ma'am. You may go ahead ma'am.

**Anjali Kumar, Head of Corporate Communications**

As there are no more questions, we'll 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.

**Operator**

Thank you, ma'am. Ladies and gentlemen, this concludes the conference for today. 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.