Q1 2014 Earnings Call Company Participants

- Spyros Capralos, President, Chief Executive Officer, Director
- Simos Spyrou, Chief Financial Officer

Other Participants

- Unidentified Participant
- Ben Nolan, Analyst
- Harsha Gowda, Analyst

Presentation

Operator

Thank you for standing by, ladies and gentlemen. Welcome to the Star Bulk Conference Call on the First Quarter 2014 Financial Results. We have with us Mr. Spyros Capralos, President and Chief Executive Officer and Mr. Simos Spyrou, Chief Financial Officer of the company. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. (Operator Instructions). I must advise you the conference is being recorded today on, Thursday, May 29, 2014. We now pass the floor to one of your speakers today, Mr. Spyros Capralos. Please go ahead, sir.

Spyros Capralos, President, Chief Executive Officer, Director

Thank you, Operator. I'm Spyros Capralos, President and Chief Executive Officer of Star Bulk Carriers, and I would like to welcome you to the Star Bulk Carriers first quarter 2014 financial results conference call. Along with me today to discuss our financial results is our CFO, Mr. Simos Spyrou.

Before we begin, I kindly ask you to take a moment to read the Safe Harbor statement on slide number two of our presentation.

Since you are all quick readers now that we have done with slide number two. I would like to summarize the business strategy as presented on slide number four. Star Bulk is executing an aggressive fleet expansion and renewal strategy, with 11 fuel-efficient new buildings from top class yards as well as opportunistic acquisitions of premium second-hand tonnage.

Having invested at essentially the bottom of the cycle, we secured compelling delivery slots in 2015 and early 2016 now worth $80 million above the contract cost. Our commercial strategy allows us to maintain spot market exposure taking advantage in the future of a market recovery and of the savings from our fuel efficient new buildings.

We have diversified the composition of our fleet by weighing more on larger vessels, that will benefit mostly from a broad market recovery due to the economies of scale they offer on a fleet per ton basis and the increase in long-haul shipments.
On a fully deployed basis, we will own 12 Capesizes in Newcastlemax vessels out of a fleet of 28 vessels in total. Furthermore, we have leverage our sponsor's vast experience in shipping, involving acquiring, operating and successfully disposing vessels along various stages of the shipping cycle, the benefits of the above span across various areas from access to first year shipyards to long-term relationships with charters and brokers.

Finally, despite being in a growth mode, we remain committed to the cornerstone of our goals that is maximizing total return to our shareholders. As our fleet expands and the dry bulk market recovery is established, we will evaluate favorably the potential return of capital to our shareholders in a manner consistent with our overall business strategy, cash flows and liquidity position.

Please turn now to slide number five for a brief review of our recent key corporate developments during this quarter. On a corporate level. As we previously announced, we acquired 33% of the share capital of Interchart Shipping in exchange for $200,000 in cash and 22,598 shares of Star Bulk. In the chart shows us, is our chartering broker. So, we simultaneously answered the service agreement whereby chartering services will be provided for a fixed scalable fleet. Initially set at 685,000 per annum versus the previous variable compensation model of 1.25% on our gross rates revenues. This acquisition provides us with operational control as well as significant cost savings in the future.

On the operational side, we have taken delivery of our two last vessels acquired Star Big and Star Sirius in February and March, respectively. Upon their delivery both vessels assume, there long-term charter will Glocal Maritime at
$15,000 per day until mid-2016. One of our Supramax vessels, Star Epsilon underwent its periodic dry docking from the middle of March until early April.

On the financing side, during the first quarter of 2014. We have drawn a total of $74 million related to the previously announced facilities with HSH and Deutsche Bank. So, as to finance a second -- for second hand vessels acquired.
Finally, we have entered into swap agreements. So as to mitigate our floating interest rate exposure in the future.

Specifically, with hedge forward 50% of the new debt facility of HSH starting September 30, 2014. For a period of four years at the fixed rate of 1.765% per annum. We use these as a necessary, given the anticipated US interest rate assessment. Currently, approximately 30% of our interest rate exposure in 2015 is hedge at an average fixed rate of 1.7%.

Overall, as you can see, we have been continuing implementation of our state to strategy with 28 vessels fleet on a fully deployed basis and by consolidating our resources and optimizing our capital structure and financing costs we are clearly well positioned to benefit from the attracting fundamentals of the dry bulk market.

And now I'll ask, Mr. Simos Spyrou our CFO to give you an update on the financial results. Please go ahead, Simos.

Simos Spyrou, Chief Financial Officer

Thank you, Spyros. Let us now turn to slide number seven of the presentation. For a review of our first quarter 2014 financial highlights in comparison to last year's respective quarter. In the three months ended March 31, 2014, net revenues amounted to $19.3 million, 11% increase versus the respective figures during the first quarter of 2013. Net revenue represent our total revenues adjusted for non-cash items less voyage expenses, the reason we refer to our net revenues is because this figure nets out any difference in the number of voyage charters we performed in each period and therefore is directly comparable to other periods.

The increase in our net revenues, is attributed mainly to the addition of the Post-Panamax vessels in our fleet as well as the increase in the management fee income earned. Adjusted EBITDA for the first quarter of 2014 was $7.8 million decreased by 10.7% versus last year's respective figure. The decrease is attributed to the higher dry docking expenses, which amounted to $700,000 this quarter versus $200,000 during the first quarter of 2013. We're buying no vessel was dry-docked. Furthermore, prior year's quarterly figure also incorporated an amount of $700,000 of net operational gain, which was related to claims settlement payments which is not recurring this quarter.

Overall, during the first quarter of 2014, the company had a net loss of $900,000 compared to a net profit of 1.2 million in the first quarter of 2013. Excluding the non-cash items, our adjusted net income for the first quarter amounted to $1.7 million gain compared to, an adjusted net income of $2.8 million in the first quarter of 2013.

Our time charter equivalent rate during this quarter was $14,343 per day per vessel essentially in line with the $14,316 per day per (Technical Difficulty) to the pre-delivery expenses for this four second hand vessels acquired.

The average daily operating expenses in the first quarter of 2014 were $5,342 per vessel versus $5,531 per vessel during the same quarter last year representing a 3.4 decrease year-on-year. The adjusted net income of $1.7 million represents an adjusted EPS of $0.06 per share versus an adjusted net income of $0.51 per share during the respected period in 2013. However, I would like to note that the substantial decrease in the earnings per share is mostly attributed to the increase in the weighted average number of shares outstanding. From $5.4 million to $28.8 million during the first quarter of 2014. So, as to account for the two equity offerings conducted in the second half of 2013.

Please turn now to slide eight, to discuss our balance sheet profile. Currently, our total debt stands at $255.1 million, our total cash position at $57.8 million and our net debt at $197.3 million. Furthermore, the market value for our fleet in the water stands currently at $420.5 million in addition, our 11 new buildings currently were $562.8 million, $80 million[ph] or 16% above their contracted price bringing our fully delivered fleet value close to $1 billion.

We have paid $79.8 million in the form of advance payments for the 11 vessels on order so far. Taking all the above into account, we calculate our NAV per share on the charter free basis, at $13 per share a level at which our current stock price implies at 15% discount. Going forward, as you can see from the bottom left graph. Our principal repayment, so far this year stands at $9.2 million, while our remaining schedule principal repayments for 2014 and 2015 stand up $13.2 million and $34 million respectively.

As it is evidence from the graph in the right bottom. Assuming 60% debt financing, we essentially have no remaining equity CapEx payments for 2014, while for 2015 and 2016 the respective obligation stands at $77.2 million and $15.7 million respectively. So overall, we have a smooth debt repayment profile over the next two years, while our remaining CapEx obligation are tail headed providing a substantial flexibility in managing our cash flows.

I would like now to pass the floor back to Spyros, so as to provide you with an update in our fleet's strategic operational and commercial developments.

Spyros Capralos, President, Chief Executive Officer, Director

Thank you, Simos. Slide 10, gives you a brief review of our fleet profile. We currently own 17 drybulk vessels, five of Capesizes, two Post Panamax, two Ultramax and eight Suparmaxes. With a total deadweight capacity of 1.6 million deadweight tons, in an average age of about nine years. We have in addition a new building program consisting of 11 fuel efficient eco-friendly vessels and there order in first class shipyards consisting of five Newcastlemaxes, two Capesizes and four Ultramaxes. With delivery spanning between 2015 and early 2016. Upon full delivery of our new buildings we own a total of 28 vessels from 17 vessels today. The fleet is managed internally, which provides full efficiency and transparency to our shareholders. Aside from the management of our own fleet, we also provide ship management services today to 14 third-party vessels for a daily fee of $750 per day.

On the bottom left graph, you can see that upon completion of our new building program, we will have grown our total fleet under management to more than 8 million deadweight tons representing a 35% compounded annual rate of growth on deadweight basis from 2009.

Please turn to slide 11, to discuss commercial performance. Since 2009, both Capesize and Supramax vessels have outperformed the market. Specifically, our Capesize fleet has outperformed the Baltic Capesize Index by 61% on average during this period. During Q1, 2014, our Capesize vessels earned an average daily TCE of $23,108, 41% higher than the 16,370 per day, that's the BCI has averaged over the same period.

The performance was positively affected due to the decision we took at the beginning of the year to repositions Star Borealis to Brazil. For the later, I would like to note that we have arranged a voyage charter at gross rate of $27.75 per ton right before the market reversed to today's levels of about $18 to $19 per ton. As you can appreciate, this difference implies there 1.7 million in addition revenues for this voyage.

Our Supramax fleet has also been outperforming the BSI Index by 25% on average since 2009. During Q1, 2014, our Supramax vessels earned an average daily TCE of $10,597, 4% higher than the $10,207 per day that the BSI had averaged over the same period. This performance includes the results of the Ultramax vessels that joined our fleet in late 2013.

Please turn to slide 12, for an overview of our fleet employment and our charter counterparts. Currently, we have secured 57% of our available days in 2014, 18% in 2015, and 6% in 2016. Specifically, our time charter coverage in the Capesizes is 59% for 2014 and 19% for 2015. At an average gross daily rate of $24,019. While our Supramax which are likely to be a 100 more. While our Supramax coverage stands at 48% for 2014. At a gross daily rate of $12,736. On Panamaxes we are fully covered for the next two years. While we have secured 62% of our available days in 2016.

As we have previously announced gross charter rate of 15,000 per day. Overall as of today, our total contracted revenue amounts approximately $42.3 million equal to an average gross daily fixed rate of $17,143 over an average remaining charter duration of approximately 0.4 years on a fleet wide base.

As we have stated before our adaptive flexible commercial strategy mostly focuses on short-term time charter employment maintaining increase exposure to a long-term recovery in freight rates. This allows us to relatively insulate our fleet from our addressed market movements in the short term. While maintaining our upside potential on the firming freight market.

Let's now turn to slide 13, so as to briefly explain how the increase spot exposure of our fleet is translated into an upside earnings and cash flow potential for our investors. First, of all the current spot exposure of our fleet is considerably expected to increase over the next three years. As our 11 fuel-efficient new buildings are delivered, in particular the 2,549 spots days in 2014. We search to over 10,000 days upon full deliver of our new building.

Furthermore, our exposure to the larger, higher margin vessels will increase as well. We currently have 26% of our spot exposure attributed to Capesize vessels, which will increase to 43% on a fully delivered basis with the addition of our two Capesize and five Newcastlemax, new buildings. So, currently for every 10,000 increase in Capesize TCE rates and correlate the increases, in the Panamaxes and Supramaxes TCE rates. Our EBITDA, free cash flow and earnings for 2014 are increased by $14.3 million. On a per share basis this is equal to $0.49 cents change in EPS or 4.5 percent of our stock price. However, the delivery of our 11 new buildings with a result in a respective upside of essentially four times larger than the current one as the same increase of $10,000 in TCE

Capesize rates. Will result in improvement of EBITDA, free cash flow and earnings of $66.4 million on a fully delivered bases. On a per share basis is equal to $2.28 earnings per share or 20% of our stock price.

Slide 14, in slide 14 we try to evaluate our operational performance over the last five years. As a general comment, our cost cutting efforts in our operating and G&A expenses have played there important role in our financial and operating performance in the challenging market environment over the past five years. This of course has been achieved without the compromise in our high quality and operational standards.

On the left graph you can see the evolution of our average daily operating expenses. Since 2009, our daily operating expenses have been reduced from 6903 to 5,629 the first quarter of 2014. And 18.5% cumulative decrease, furthermore if we adjust the 4000 of pre-delivery expenses incurred in connection with the four -- second hand vessels acquired.

Average daily OpEx for the first quarter of 2014 were $5,342 per vessel, 4% reduction versus Q1 2013 respective figures.

Our continuous cost efforts are very fine if you compare our performance against industry benchmarks such as the industries published by most events. In particular for 2012. Our average daily OpEx per vessel where safely below the respective benchmarks OpEx of the industry. While the same applies to our 2013 average daily OpEx per vessel figures if the guidance provided by most events of 3% expected cost increase is applied to the 2012 OpEx benchmark.

On the bottom right graph you can see the total carrying capacity of our managed fleet versus our G&A expenses which excludes one-off severance payments and stock-based compensation. The G&A expenses are of course reflective of the in-house vessel management capabilities we have developed since our inception. As you can see the annualized G&A expenses excluding non-cash items for the first quarter of 2014 are approximately $11.5 million, 38% higher than 2013, while in the same time, our total fleet under management for 2014 will be increased by 52% on the deadweight tonnage basis.

Moving forward, we expect the expanded size of our operating fleet to provide us with further economies of scale and cost synergies to the benefit of both our owned and our managed fleet and clearly to our shareholders.

And now, I'll ask again Simos to give you an update on the market developments. Floor is yours again Simos.

Simos Spyrou, Chief Financial Officer

Thank you, Spyros. On slide 16, we summarize the dry bulk trade demand dynamics. First of all, let's talk about Iron Ore perhaps the most important commodity in the dry bulk shipping space, it is apparent that the international iron ore market will see substantial additional supply coming in from producers that have the ability of predatory pricing in order to capture more international market share. This is expected to drive the international iron-ore price to remain at the current low levels, high at approximately $100 per ton, a level at which the majority of small private Chinese producers are non-competitive.

Therefore, we believe that the substitution of the expensive Chinese iron ore production with important ore can provide a significant support to iron ore trade even with zero steel production growth. Regarding now coal trade, as you can see on the left bottom graph, Chinese coal trade has evolved tremendously for the last eight years. China's increased energy needs have turned the country from the traditional coal exporter to the single biggest coal importer in the world in half of the case.

From significant coal trade surplus is up until 2005 China had the coal trade deficit of around 314 million tons during the last 12 months. Similar to China, Indian coal imports have increased with a compound annual growth rate of 25% during the period between 2006 and 2012 reaching 157 million tons per annum. Going forward, according to Clarksons, India is expected to reach 191 million tonnes per annum of coal imports in 2014, an increase of 21% versus 2012 levels. Lastly, as the grain season kicks off in the second quarter of 2014, we expect this to provide an additional uplift in Panamax and Supramax freight rates.

Grain is a commodity that is carried mostly by Panamaxes and Supramaxes, and according to Clarksons, grain exports are expected to increase by 3% this crop season versus 2013 levels due to higher crop yields and production in US and Canada.

On slide number 17, we are trying to do an update on the supply side. Dry bulk vessel deliveries have peaked in January and March of 2014 and currently stand at 19.4 million deadweight tonnes. This is however expected as ship owners tend to prefer and push for having their vessels delivered on January of the New Year. As you can see on the top right-hand graph, deliveries in the period between 2008 to 2012 had an average slippage rate of around 30%. This respective figure for 2013 was close to 40%, while the annualized year-to-date deliveries imply at 23% slippage rate substantially decreased and below historical average.

Overall, as you can see from the top right graph, putting the forward scheduled deliveries into historical context clearly demonstrates that the worst has past due for the dry bulk industry. The nominal order book stands at approximately 22% of our fleet, substantially lower from the peak 80% in 2008. Furthermore, if the nominal order book is adjusted for orders originally placed before 2012, it is reduced to a 17%, a level that can be more smoothly digested by the market and in line with historical levels.

On the bottom right-hand graph, we also provide the order book for the remainder of 2014, 2015 and 2016, broken down in vessel classes. At this point in time, we can safely say that the order book for 2014 and 2015 speaks [ph].

Finally, what is important and encouraging is the fact that bulk carriers demolition has stayed at record high levels in the last couple of years. 2013 scrapping activity of 22.2 million deadweight tonnes was very close to the second highest all-time level of 23.2 million deadweight tonnes in 2011. Going forward and given the firming of freight market, we expect this scrapping activity to be reduced, but still present since 9% of the fleet is above 21 years freight.

Please turn now on to slide 18, to summarize the effect of the above on the future of the dry bulk shipping. Overall, while the first quarter was regionally soft quarter it has been better than last year. We've spot rates being 56% up versus the respected levels in the first quarter of 2013.

The current outlook, however remains competitive. As the rainy season unfolds and iron ore purchasing activity continues its exponential growth we will enter into a tightening freight rate environment expected to be towards the end of the year. Clearly the catalyst to the strength of the freight rates firming over the next quarters will be the presence of Brazilian iron ore exports to China which will helps the multiplying effect on the growth of seaborne trade on a tonne per mile basis.

Overall, the analyst consensus in the demand growth will outpace supplies growth in 2014, while for 2015 this gap is expected to increase even.

I would like now to pass the floor back Spyros for his closing remarks.

Spyros Capralos, President, Chief Executive Officer, Director

Thank you Simos. In conclusion we believe that investing Star Bulk as is depicted on slide 19 or for a certain distinct benefits. First of all, for our flexible charging strategy our fleet is poised to benefit from the drybulk market recovery while we do have the financial power to capitalize on many distressed opportunities that might arise.

Secondly, our investors get exposure to superior assets with a diverse quality modern fleet including 11 top "ECO" (inaudible) all though the first three yards in Japan and China. Furthermore, we focus on what we do best. That is owning and operating dry bulk vessels, while we have diversified our asset base to higher margin vessels such as Newcastlemax.

We experienced fleet managers led by Chairman, Petros Pappas. We have expanded our shareholder base to upgrade the institution such as Oaktree and Monarch, clearly a vote of confidence in our transparent and efficient operations.

Lastly, we possess strong transparent in house, commercial and technical management capabilities of which we take full advantage by managing third party vessels as well. These activity generates this riskless revenue diversifying our consolidated cash flows.

Furthermore, as the size of our operating fleet increases, we enjoy substantial economies of scale and cost synergies, benefiting both the third-party vessels on the management as well as our own vessels equitably. Overall, we believe Star Bulk will be able to favorably compete and ultimately shine and prosper in tomorrow's dry bulk market. I would like to thank our shareholders for their ongoing support and loyalty and we assure them that we will continue our efforts to ensure the company's long-term viability and enhance shareholders' value.

Without taking any more of your time, I will now pass the floor over to the operator and in case you have any questions, both Simos and myself will be very happy to answer them.

Questions And Answers

Operator

Thank you very much, sir. And your first question today comes from the line of Ben Nolan from Stifel. Please go ahead. Ben Nolan, your line is open. Please go ahead.

Ben Nolan, Analyst

Yeah, thank you, guys. My first question has to do with something as Spyros that you mentioned, you guys are calculating your NAV to be about $13 a share, obviously premium to where the shares of trading at the moment, but by the same token [ph], you've been $80 million and above market newbuilding contracts. Can you give any thought to the idea of maybe selling one or two of those to monetize on that difference and both to reduce your CapEx commitments, but then also to close the gap between whether the share price is trading in that (inaudible)?

Simos Spyrou, Chief Financial Officer

That's the only answer, the only question, then I can't reply to Nolan, to Ben. Ben, right now, we haven't talked about selling of any of our vessels. Right now, the market after the first quarter that there was a synergy in prices. Right now, prices of vessels are in the -- new buildings are also in the second-hand vessels is quite softer. And therefore, I don't think it is the right time to sell any of the vessels that are under construction. We feel that we have synergy at certain point and the recovery in the charter rates that prices of vessels will also get the benefits from that.

Ben Nolan, Analyst

Okay. Well, that's helpful. And that leads to sort of the next my question. Obviously, you guys don't have any capital commitments -- on funding capital commitment this year, but they are starting next year does move up to I think you said $77 million. How are you thinking about funding those commitments?

Spyros Capralos, President, Chief Executive Officer, Director

Well, as you said that correctly, for this year, there is no capital expenditure commitments. Now for next year -- starting in the middle of next year, we expect and we have the possibility from now until that time at a certain point when the market is better, I think that will have the possibility, either to find ways and finance our new building program or raise equity at a certain point. But I think that the commitment that we have are not such a huge that would create any difficulties in the company in raising the money.

Ben Nolan, Analyst

Okay. Well, that's helpful. And then my last question has to do with the G&A. I know that you guys have hired a larger land based office while more employees on the land side to facilitate all of the new buildings that are coming on, and that's completely understandable. I guess my question now is, should we assume that the G&A rate you guys had in the first quarter here is a pretty good run rate for it should be subsequent quarters?

Spyros Capralos, President, Chief Executive Officer, Director

Ben, I know that the G&A is something important for us and we have shown a commitment to reduce always our G&A costs. With the assumption of additional vessels under management, you have to hire the people in advance to make sure that those vessels will be properly managed. And I think going forward, I think the G&As and G&As per vessel will continue coming down, even though in this first quarter, it has come down, but not as much as we would like them to come down. We have a goal to do have G&A expenses at lower levels than what we currently have.

On the previous question also about the raising, how we are going to finance the capital expenditure program? Of course, that depends also on the market developments and the charter rates that we're going to achieve because the company is also generating a nice cash flow from the operation of the existing fleet that we have in the water.
Therefore, the higher the charter rates especially because we are mostly spot, the more cash will be generating and then the lower the capital expenditure financing requirements would be.

Ben Nolan, Analyst

Okay. That make sense. And that does for my question. I appreciate it.

Spyros Capralos, President, Chief Executive Officer, Director

Ben, just to summarize on the G&A expenses, what we do internally is actually in order to be compatible with previous quarters we subtract from the G&A expenses, the revenue that we have from management of third-party vessels because actually in order to manage third-party vessels, the only additional cost that we have is the wages. So, it's G&A expenses basically. So, to have a real comparison, we subtract from G&A expenses, the management fee income. So, if you applied this net G&A expenses to the owned vessels this year from last year, the year-on-year reduction is about 2%.

Obviously, it's not too much that you know it's to the right direction and you have to keep in mind that when we are preparing for further growth for manage vessels capabilities, we are hiring people in advance of getting the vessels. So, basically this is a cost that we have to take now in order to be able in the next quarter or in two quarters from now to manage the additional vessels that we come to our fleet.

And we still believe that the G&A expenses per vessel we go further down from the first quarter 2014 levels.

Ben Nolan, Analyst

Okay. That's helpful. Thank you.

Operator

Thank you. And your next question comes from the line of Harsha Gowda from Blue Shore. Please go ahead.

Harsha Gowda, Analyst

Good evening gentlemen, how are you?

Simos Spyrou, Chief Financial Officer

Hello.

Harsha Gowda, Analyst

Hi, how are you? so I have three questions for you. Number one, let me just thank you for the great detail you went through in the presentation, it was very helpful and it really shows how much you've achieved in the past few years so, thank you for that.

My first question is in regards to one of your competitors announced that they're working on a settlement with STX Pan Ocean for charter hire termination and they were going to receive cash and stock and roughly they could sell those stock and get about 20% minimum compensation on the entire claim. Have you been proceeding with that also on the broken charter [ph], I think it was on the Borealis from last year?

Spyros Capralos, President, Chief Executive Officer, Director

Harsha, yes, we have -- as you can understand, we have a quite substantial claim for STX Pan Ocean from Star Borealis. This has gone into court because we have not managed to find an amicable solution with the STX Pan Ocean. The case was discussed actually yesterday in the court in Korea. There was no amount that has been adjudicated because the court has requested STX to provide more evidence on their numbers. I suspect that we're going to have a number adjudicated to us, but I cannot say more about what these numbers going to be.

Harsha Gowda, Analyst

Okay. The reason as I saw in Western Bulk's recent presentation that they -- I guess they came to settlement with a breakdown in shares, and cash and there was a decent accounting effect and considering how much the claim is that could be a nice chunk of cash that will help with the capital raising for next year. So I hope that goes well.

Simos Spyrou, Chief Financial Officer

Harsha, they are not -- all the claims are not adjudicated by the court at the same time. And some of the owners have decided to settle with STX outside of the court. In our case, it was suppose that our claim to be discussed yesterday, but there was not a decision. Still you have to keep in mind that if and when this is going to be adjudicated, it's going to be a settlement over -- or not immediate, actually it's going to be a settlement over the next 10 years. And it's going to be 30% so percent in cash and the remaining in equity. This is what we've been advised actually by the Korean lawyers.
And most of the cash is going to be tail-heavy, but still we are expecting from the court to get the final decision.

Harsha Gowda, Analyst

Okay. And just to be sure, the total claim is roughly about 70 million, correct?

Spyros Capralos, President, Chief Executive Officer, Director

Yes, this is what we are claiming but, of course, it's not -- we were not talking about -- we cannot say more about and discuss more about this claim, while this whole claim is in court.

Harsha Gowda, Analyst

Okay. Okay, great. That's I just wanted to see if that was proceeding, it looks like it is. My next two questions are more industry focused. One of your competitors in their call they were talking today recently about the slowdown in the Atlantic basin in the second quarter, which was just -- for the first time and I guess they said in 30 years they had seen relative weakness versus the Pacific and mostly came down through South American grain season not panning out like everyone expected.

However, they said that because this will eventually come on the market and most likely in the next few months, that there could be a more positive impact due to the fact that it will coincide with other seasonal aspects, such as the US grain season. Do you think that -- is that your view? How do you look at that in the near-term?

Spyros Capralos, President, Chief Executive Officer, Director

We are happy if something like that happens. We do not base our calculations on that. We have also suffered the weakness in the Atlantic, because also like many other people, we had repositioned some of our Supramaxes from the Pacific to the Atlantic. So, that we are fully balanced. But both markets were very weak and we suffered, then I think we suffered those in the second quarter of this year because of the continued pressure on the Capesize rates, mainly because -- despite the fact that China imported a much more iron ore this year than last year.

Still, most of those imports came from Australia while Brazil was down in volume of iron ore exports to China. And therefore the ton miles were reduced. And that's why we think that the weakness of the market on the Capesize -- that's why it's resulted in the weakness. But we expect that Brazil will pick up in the second half of this year and that's why we are quite optimistic about Brazil's iron ore exports to China.

Harsha Gowda, Analyst

Okay, great. And my final question is a little bit more general, but considering the recent election of very
business-friendly politician and party in India and you know the polarity that they have to get things done, are you starting to hear about or seeing any increased import demand or shipping demand because this specifically said the first thing they're going to do is increase infrastructure spending and considering how weak India has been the last few years, you know that could be hitting very soon, I just wanted to, if you've heard anything about that increased coal or iron ore or anything like that?

Spyros Capralos, President, Chief Executive Officer, Director

I think that's a very important point that you make. We have all been very happy with the changes and listening to what's happening with India, we haven't felt yet in the market, but we think it's a matter of time that India will start importing more and on the coal side, but also that I think with the declarations that infrastructure projects will start. I think that will give another boost in our markets because up to now we have China, India was lagging but India will also be an additional source of increased rate.

Harsha Gowda, Analyst

Great, thank you. That's all my questions. Thank you gentlemen.

Spyros Capralos, President, Chief Executive Officer, Director

Thank you.

Operator

Thank you. (Operator Instructions). And your next question comes from the line of (inaudible). Please go ahead.

Unidentified Participant

Good evening, gentlemen.

Spyros Capralos, President, Chief Executive Officer, Director

Hello.

Unidentified Participant

Hello. I will be very, very quick. Most of my questions have actually already been answered. And returning to the market and your expectations now for the latter half of the year, if the market moves in -- moves higher as you'd expect, will you consider fixing some of your vessels on longer time charters or believe continue riding the spot market and compelling them in the shorter term at this market?

Spyros Capralos, President, Chief Executive Officer, Director

That's also a good question because we discussed this on our weekly meeting, and weekly management meeting about what level would be a level that would start considering chartering vessels longer term, but for the time being, we don't have this problem because the charter rates remain quite low -- remain quite low compared also to the 10-year average, if you exclude those are the two years of the super-cycle steel we are much below these levels on the case, but of course if the market picks up and we see market rates to be at the level where we feel confident that it's worth start hedging our position and as we are doing for the interest rate will be doing also for the charter rates and probably will start chartering vessels longer term. But not at these point.

Unidentified Participant

Will this year, what levels you then thinking about?

Spyros Capralos, President, Chief Executive Officer, Director

Well I think, we will demonstrate that, but at this point when you have one and two year rates for capex that little bit below 25,000, we don't feel that's an appropriate level to charter.

Unidentified Participant

Fair enough. Thank you very much gentlemen.

Spyros Capralos, President, Chief Executive Officer, Director

Thank you.

Operator

Thank you. (Operator Instructions). It seems to be no further questions at this time, gentlemen. I'd now like to pass the floor back to speakers today for any closing remarks. Thank you.

Spyros Capralos, President, Chief Executive Officer, Director

Thank you. Well thank you very much for attending the call and our Q1 results. Next week is (inaudible)week in Greece where many people are coming forward around the world, I think it's going to be an important meeting over the shipping world and many positive news will come out from (inaudible) and for the market going forward. Thank you very much for attending the call.

Operator

Thank you, ladies and gentlemen, this concludes our conference for today. Thank you all for participating and you may now disconnect.