



“Shreyas Shipping and Logistics Ltd. Q4 FY16 Earnings Conference Call”

May 27, 2016



MANAGEMENT: CAPT. V. K. SINGH – CEO, SHREYAS SHIPPING AND LOGISTICS LTD.

MR. RAJESH DESAI – CFO, SHREYAS SHIPPING AND LOGISTICS LTD.

MODERATOR: MR. KSHITIZ PRASAD – EMKAY GLOBAL FINANCIAL SERVICES LIMITED

Moderator: Ladies and Gentlemen, welcome to the Q4 FY16 results for Shreyas Shipping Limited hosted by Emkay Global financial services. We have with us today Captain V.K.Singh – CEO and Mr.RajeshDesai – CFO. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kshitiz Prasad of Emkay Global. Thank you and over to you Mr. Prasad.

Kshitiz Prasad: Good afternoon everyone, I would like to welcome the management and thank them for giving us this opportunity. I would now hand over the call to Capt. V. K. Singh for his opening remarks. Over to you sir.

Capt. V. K. Singh: Good morning Ladies and Gentleman. I just go ahead with the brief update on our performance. Initially I will just update for the market situation overall. As you know the global melt down and reduced market demand coupled with excess capacity has led to drop in freight levels globally. Container Index of course has been flat since beginning of the year and ranging between 441 and 453 points right through the quarter. Also the PMI, i.e., Purchasing Managers Index during the quarter was at its weakest level since second quarter of 2013. Similar effect felt even on the cost and we faced depressed and challenging market conditions during the quarter. In view of the prevailing market situation our company faced challenging condition due to reduction in volume and freight for the EXIM cargo as well as reduction in freight for the domestic cargo. However overall we have done with increase in volume on the domestic cargo our performance has been much better than the previous quarter. Just go through the performance of the quarter for the company as you know we operated all 8 vessels continue to be deployed on the existing services during the quarter.

In order to strengthen the PIX 2 Service that is on East Coast of India had to operate the service on a fixed day weekly frequency company acquired and 9th vessel to the fleet. The vessel name SSL Visakhapatnam was acquired and deployed on the east coast service on 16th of March. The vessel was purchased at a competitive market price of USD 2.7 million. With this addition of course the total carrying capacity has increased by 13% and fleet has increased to 9 container vessels with total capacity of 13,567 TEUs and 192,771 MT dead weight.

The total growth in capacity during the year has been 63% and the current average age of the fleet is 19.6 years. Since the ship days of 746 was operated during this quarter is very similar to the earlier quarter and also tonnage operated were same. Hence provides a good comparative for the performance between the two quarters. The volume increased during the quarter was around 12 % as compared to earlier quarter while the stand alone operating cost for the quarter reduced by 6.7% but our consolidated basis increased by 12% as against the previous quarter in view of the additional volumes which we kept. Standalone operating revenue increased by 11.5% and on a consolidated basis the revenue increased by 23% as against the previous quarter.

The total volume handled by the company as progressively gone up which each quarter and volume growth has been 29% during this quarter as against the first quarter of the financial year. We maintained our market share of domestic volumes at 58% average utilization level on north to south and west to east was 93% during the quarter as against 79% in the previous quarter and on the reverse leg it was 54% as against 42% in the previous quarter.

The domestic volume was 40% and other volume was 60% in the Q1 which actually reversed in Q4 to 60% of domestic and 40% for others. So basically domestic volume is mainly grew during this quarter and they have been dropped in the EXIM volume.

Average operating yield per day for the vessel for the quarter increased by around 20% as against the previous quarter. So the overall performance for the quarter has been quite satisfactory and we expect to grow with such increase on quarter to quarter basis because we have now established all our services with the required tonnage. For the future outlook while all our efforts being made to increase the volume and utilization level which we have with that but freight rates definitely the market driven and not very much in our control. We continued to look out ways for reducing the operating cost wherever possible without compromising on the service levels. We have also discussed and agreed with SCI to go ahead with VSA, i.e., Vessel Sharing Arrangement on two of the coastal services going to middle east one of each one operated by us and one was being operated by SCI which we will put in place shortly by mid of June which gives us the strength of increase in additional volume and adding the top line. While we continue to strengthen the strategy to face the challenging market situation we also continue our study to look out for new market and new business potential for the future. Thank you very much from our side.

Rajesh Desai:

Good afternoon. Now I think you can go for questions and answers. Rajesh Desai is here.

Moderator:

Thank you very much. Ladies and Gentlemen, we will now begin the questions and answer session. The first question is from the line of Vikram Suryavanshi from PhilipCapital. Please go ahead.

Vikram Suryavanshi:

Good afternoon sir. We have seen good recovery in quarter on quarter basis in numbers and operating performance. I just wanted to know fuel cost on quarter-on-quarter, if you look at the last quarter we have 25 crores and this quarter 19 crores. There has been relatively decline so are we getting any benefit in this quarter duties or something?

Capt. V. K. Singh:

Well. Fuel cost if you see this quarter we had a decline because the cost of the fuel also declined virtually. Although the quantity did not reduce because we have been operating on the more or less same sector with same tonnage so there was not much of differences in quantity and it is likewise comparative with as against the previous quarter. But the fuel prices came down during this quarter that has given us reduction in our cost. Of course the price is slightly again varying gone up in the latter part. But this quarter definitely we have an advantage of that. And also as you said we had also taken advantage of the government policy for which they have for tax free, duty free, fuel on the coastal container vessels which we have taken certain advantage

on that. And that definitely continues to be there.

Vikram Suryavanshi: Yes. Because this quarter we have lower EXIM business so that is what I was wondering.

Capt. V. K. Singh: No. It is only EXIM containers are lesser in this quarter but definitely in the trade we were same it is not that does not depend on the EXIM volume as such. It is only the cost of the fuel is on depends on the service pattern and whether we use the coastal fuel or foreign fuel but definitely we have got the advantage of government policy on the coastal fuel.

Vikram Suryavanshi: And can you just explain this dry dock reversal 4 crores around amount?

Capt. V. K. Singh: Basically if we see like earlier we used to apportion on the dry dock cost over the period but again SEBI has again told us and all that entire episode i think you are already aware. So but which is more correct so that is why again with effect from 1st april 2015 because of the componentization dry dock is a separate component and which has to be accounted as separately to be depreciated over the period of next dry dock. Therefore, in the first quarter we have accounted that time that entire thing was not pretty clear and the auditor did not allow us to apportion that over the period and we have taken the entire cost in the first quarter and by 31st march the entire thing we had lot of discussion and finally it got cleared. And it is utilized at the componentizations. Therefore, the entire dry dock cost is now apportioned over the period of its next dry dock. That is the reason there was like whatever benefit or what the reduction in cost to that extent also is accounted in the current quarter. But at the same time because we have taken a depreciation hit, the depreciation is more by around 6 crores that also like some factor that additional depreciation something around 2.2 to 2.5 crores pertain to that.

Moderator: Thank you. Next question is from line of Nehal Jham from Edelweiss. Please go ahead.

Nehal Jham: Hi Sir. Good afternoon and congratulation on this good set of numbers. If I understand the yield that you calculate is that just may be the revenues or is it net of the revenues and fuel cost? Because you mentioned it is grown 20% Q on Q so just wanted to understand that.

Capt. V. K. Singh: It is like charter hire is what you really get on the vessels basically on per day basis we calculate on taking into account the revenue and operating cost. So basically the left over the profitability per day operating level that is what we call it as yield on the vessel.

Nehal Jham: Is the 20% improvement mainly related to fuel cost then?

Capt. V. K. Singh: 20% improvement that is not only related to fuel cost but also related to increase in revenue and decrease in cost. If you see as I said the stand alone on the vessel part, we have reduced our cost by 7.1% but at the same time we have increased our revenue by almost 12%.

Nehal Jham: Fine. And we mentioned in the volumes have increased 12% in Q on Q. Is it possible to get breakup how domestic and EXIM move separately?

Capt. V. K. Singh: Yes. We can say that is where I said if you take into account because this change has been going on right from the first quarter and as you know the global market is depressed and feeder volume and international volume has been dropping. That is the effect we felt and that is where we have taken our whatever drop was there and with that drop plus increase volume which we got is out of the domestic cargo and that is where I said like you know in the first quarter we were 40% domestic volume and 60% feeder volume while in the fourth quarter now we have reversed that. And our total volume 60% is domestic and 40% is only transshipment that is feeder volume.

Nehal Jham: Just looking for the year forward what is your expectation of volume growth and also on the pricing part? So just looking at how the revenue growth should pan out but separately in volume and pricing?

Capt. V. K. Singh: Sir, we are looking at the growth in volume and we have seen the growth in volume year-on-year even with the last year even with the depressed markets but our overall volume growth has been 29% for the year and we expect the similar growth in volume because we have the tonnage to take care of this growth what we have taken and we can expect that growth in the volume. So definitely and as far as the revenue is concerned it does depend on the freight rates which is volatile and it all depends on the market conditions if it goes it even can go up definitely that is where the main growth will come in on the top line.

Nehal Jham: So just one last question from my side. How this freight rate and the realization moved in this one year in FY2016?

Capt. V. K. Singh: Sorry. Can you ask the question again?

Nehal Jham: I was asking that what has been the movement in the realization of freight rates in the last one year? How the growth would have been? You mentioned 29% for volumes and just wanted to understand on the realization part?

Capt. V. K. Singh: Realization on the freight rate virtually it has come down from the last year to this year if you see it has come down and even for the domestic as well as for the EXIM cargo which we are carrying of course domestic freight realization has come down by almost 15%-20% and on EXIM volume has not come down much because the sectors we have changed and that is where we have felt that overall realization has come down by about 10% there.

Nehal Jham: Sure sir. Thank you so much. That's it from my side.

Moderator: Thank you. Next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

Giriraj Daga: Hello. Sir, I would like to understand like you said we have acquired one vessel so how much we paid for it?

- Capt. V. K. Singh:** We paid 2.7 million that is closed to about 18 crores that is when we acquired in 16th of march last vessel we acquired is Visakhapatnam and we have put that vessel on the PIX2 service that is east coast service to make it weekly because earlier we were operating 3vessels in the main haul. Now we will be operating with 4 vessels on a weekly frequency. Sothat gives us a better advantage as regard to services are concerned.
- Giriraj Daga:** Have you hired like we had a 8 vessel on last year basis. right? We have not added anyother vessel in FY 2016?
- Capt. V. K. Singh:** You know we have actually added 3 vessels in last year, basically last year to this year the growth in tonnage wise was almost about 63,000 and we have added all larger vessels this year. So in the beginning of the last year our tonnage was only 8,300 TEUs while today we have a total tonnage of 13,560 TEUs.
- Giriraj Daga:** Actually i wanted to understand gross bloc we had. Gross bloc addition of about 100 crores this year?
- Capt. V. K. Singh:** Yes.
- Giriraj Daga:** So that's the pertaining to 3 vessels?
- Capt. V. K. Singh:** Yes.
- Moderator:** Sorry sir. His line got disconnected. In the mean while you can take the next question fromline of Vikram Suryavanshi from PhilipCapital.
- Vikram Suryavanshi:** Sir, just wanted to know how much was the total TEUs handled for this full year FY 2016? Ifpossible revenue days?
- Capt. V. K. Singh:** 250,000 TEUs
- Vikram Suryavanshi:** And revenue days is more than 2800 or? Total revenue days?
- Capt. V. K. Singh:** Total days of operation?
- Vikram Suryavanshi:** Yes. Operation.
- Capt. V. K. Singh:** Around 2600 plus
- Vikram Suryavanshi:** 2600 +. Ok. Can you repeat that TEUs for the new vessel the size of new vessel inTEUs.
- Capt. V. K. Singh:** New vessel in TEUs is 1613 TEUs.
- Vikram Suryavanshi:** 1613?

- Capt. V. K. Singh:** Yes.
- Vikram Suryavanshi:** Any dry docking we had in this quarter or coming in next one or two quarters.
- Capt. V. K. Singh:** Yes. We had one dry docking in this quarter. Of course in the next quarter we are not going to have. We have skipped 2 dry docking which was supposed to be in this quarter because of the new regulations which we got from the DG shipping, i.e., under water survey in lieu of the intermediate dry dock. So 2 intermediate dry docks were due in the current quarter also which we have now skipped that and instead of that we have got now underwater survey and carried away in the dry dock. And of course at the end of the year in the last quarter we will have 3 dry docks which are due. Ok. But again just to add because dry dock now it will be frequent rather than we are apportioning over a period. So dry dock actually does not much significant as compared to like quarterly figures whatever.
- Vikram Suryavanshi:** Right. Sir, just last question. Is there any one time or any in other expenses have relatively gone up this quarter compared to YOY or even QOQ. So is there any significant reason for that or is it just like a normal business?
- Capt. V. K. Singh:** No. Other cost if you see where it has gone up is only because of the additional volumes which we have handled. If we have handled 12% of extra volume so each container got a cost so that definitely will add up to the cost. That's why you are seeing on overall consolidated basis our cost has gone up. On standalone basis the cost came down.
- Vikram Suryavanshi:** Got it sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.
- Sachin Kasera:** Yes. Good afternoon sir and congratulations for the good turn around in numbers. Sir, you mentioned that TEUs for the full year were 250,000 if I got the number correct. Is that number correct?
- Capt. V. K. Singh:** Yes. All put together yes.
- Sachin Kasera:** What was the number for March quarter?
- Capt. V. K. Singh:** March quarter was 72,400 TEUs.
- Sachin Kasera:** Which means that if I remember it correct same number for December quarter was also 62,500?
- Capt. V. K. Singh:** No. It is for the previous quarter it was 64,700 TEUs.

Sachin Kasera: Which means that it is around 12-13% growth and the revenue has grown from 141 crores to 176 crores. So does it mean that there is also some improvement in the rate sir compared to December quarter for the March quarter? Because if I remember that chairman also mentioned in the previous call that the rates have bottomed out and they may slightly improve just what he mentioned in February during December quarter conference call.

Capt. V. K. Singh: No. What has happened is we have done more volume where we are getting better rates. The volume increased on the sectors where we are getting better rate and we reduced the volume on may be sectors where we are not getting better rate.

Sachin Kasera: So improvement relation is due to change in route mix other than price increase?

Capt. V. K. Singh: It is the selection of the trade lane as selection that volume and cargo, which helped us to increase the revenue more than the percentage of growth in the volume.

Sachin Kasera: And sir with the addition of the recent vessel now I think what we can achieve is close to the 110,000 TEUs per quarter if we run on full capacity, is that understanding correct now?

Capt. V. K. Singh: Not to that level because if you see these volume increase will be around 10% more that's why we are expecting about 10% growth in the tonnage also 10 to 12% growth in the tonnage and same ratio the volume growth should be there. So definitely we expect about another say almost above 80,000 should be there for the next part around that 10% increase.

Sachin Kasera: No, so you are saying that may be for June quarter you could have been at 80,000. My question is that sir in case the market reverse significantly and this demand in the market without existing capacity can we actually handle 100,000 TEUs to 110,000 TEUs a quarter that also?

Capt. V. K. Singh: Yes, we can.

Sachin Kasera: So that means till the volume reached 90,000-95,000 TEUs now we may not look to add more capacity, is that inference correct from this?

Capt. V. K. Singh: We can look at the change of vessel may be and we may not increase that much of capacity now since all our services are more or less aligned on a weekly frequency what help that required tonnage. So we will like to consolidate all the services and get the best out of the services. But, however, during the year we may look at change in one odd vessel if the vessel is available at better price and instead to cut down the cost on the older vessel, we may consider that so that is all we are looking at.

Sachin Kasera: So you may replace that at a bit higher capacity vessel or you look for the similar vessel?

Capt. V. K. Singh: Definitely we will look at a higher capacity what we will remove we will definitely look at a larger capacity than what we removed.

- Sachin Kasera:** second question of sir on regarding on this depreciation if I see your depreciation for the quarter march is around 9 crore vs 3.5crores in the December quarter. You did mention that there was some increase because of the change in the way you have gone for dry-docking. So if you can split up for this incremental 5.5 crores that has come from December to March. How much is because of dry docking and how much is because of the addition of the vessel?
- Rajesh Desai:** The addition of vessel will not be as much as such because now the vessel costs are more or less above the 10-15% of the scrap value. But it is mainly because of that like every year we have to change the scrap value of the vessel according to the depreciation price will move up. So if your scrap price goes down to that extent depreciation will be more if your scrap values goes up to extent depreciation will come down.
- Sachin Kasera:** But sir then there is a little confusing if I refer to your note number 4, it says the depreciation would have been lower by 1.61 lakh only if you had for the earlier policy. But your depreciation actually gone up by 5.5 crores not able to exactly relate. If we had 1.6 crores to 3.55 each you should reported the depreciation of 5.1 crores.
- Rajesh Desai:** That's impact of 3 to 4 crores because of the reduction in scrap value.
- V. K. Singh:** That is the value of vessel in the sense when you are working on a scrap you are taking a cost at that time. So it depends on that value keep changing for year-on-year. So year-on-year basis we work out in the beginning of the year that this is the cost and on that basis we work the depreciation all together.
- Sachin Kasera:** That is partly reflected in this including depreciation. Right sir?
- Capt. V. K. Singh:** Yes.
- Sachin Kasera:** Next question was on the balance sheet if we see this year while your turnover has not gone up much. Your receivables have gone up from 82 crores last year march its 115 crores. Normally we are in a very good cash flow but this is indicating that are we starting to offer much hike rate because of market is slow what is this syndication of?
- Rajesh Desai:** No. If you compare in the last quarter like last 2 quarters, we have started the PIX 2 Services where there is longer voyage period. That voyage itself take around 28 days to complete. So automatically they able that to that extent some credit period automatically will be linked with the delivery and all that. So that will have impact on outstanding and because your business is also growing and also most factor will lead to increase in outstanding.
- Capt. V. K. Singh:** Is that the market situation is not that good which was there earlier so that will also effect a little bit here.
- Sachin Kasera:** So how should we look and receive. You should look at the number of days. For example, this year you are receivable 115 crores on turnover of around 500 crores which is approximately

around says 25% of sales. Should we take it of around 90 days is what now going to because of new longer haul services. Can we consider that going forward? Your receivables will be around approximately 90% of revenue. Is that something that we can take?

Rajesh Desai: 90 days or 90%?

Sachin Kasera: 90 days. 25% of sales of 90 days approximately.

Capt. V. K. Singh: Even the domestic cargo it is on the basis of we invoice it when it is delivered. So virtually it takes a longer on time to reach from Mundra from Gujarat right up to West Bengal side. So what we are doing on PIX 2 Service. So after it is delivered then only we get and then we give some credit period to the customer about 30 days. So it works out for those container to around 90 days so that how the long haul has effected that credit period to increase.

Sachin Kasera: Next question was on this recent government notification on imposing antidumping duty on tiles being imported from China. From what I understand large volumes of our volume comes from this tile coastal movement from Gujarat to Kerala and some part of Southern India. So this move by government had any talk with the customer in terms will lead to much higher volumes for us in the next 2-3 quarters because the import from China will reduce.

Capt. V. K. Singh: Yes definitely that is helped us and that is one of the reason for growth in volume because there has been last quarter itself we have started on that and we continue to have that growth. The volumes have increased for Cochin, Tuticorin as well as Chennai which we were basically which has more started catering by the EXIM cargo. With this antidumping duty which has helped us to increase the volume of tile. Even on the other side like when we are carrying the **break bulk steel coils** that has also the government policy of antidumping on the steel has helped that we have been able to off late carry more of **break** bulk coils cargo.

Sachin Kasera: Sir, when do we see the rate starting to move up? You mentioned that your volumes improved from 62,500 bugs to 72,500 in the quarter. When do you see in the next one to two quarter we will be able to start getting better rates also because you mentioned that rates this year were lower than FY15.

Capt. V. K. Singh: I think this ofcourse is market driven and we can't say.

Sachin Kasera: I am just wanting your outlook and your sense of the market obviously.

Capt. V. K. Singh: It will go up because if you see like as what I personally I feel is that even the fuel prices had been going up off late and if you see the crude price going up, fuel price going up, diesel price will go up. So definitely the freight rate on the road will go up and if the road freight rate and rail freight rates are going up then definitely it implies that ultimately the fleet rates also go up on the domestic. So that is where we have feeling that because it dropped also if you recall the drop came in with drop in fuel prices largely and it will go up also with the fuel prices going up again.

Sachin Kasera: Sir, you mentioned that you may look this year only in terms of replacing some of the older vessels with new vessels. So how many vessels you think you could look at it like number wide 1-2 or 2-3vessels?

Capt. V. K. Singh: We will look at only 1 may be and not more because we have most other vessels are younger and they have been purchased more economical vessels. We are left with only one or two vessels. One vessel is mainly which is non-economical and total 2 of the older vessels in our fleet which we will in due course of time because instead of taking a cost on those vessels for special survey cost we would like that because today asset prices are much competitive and we can get much better second-hand vessels at a competitive price than spending so much of money on the special survey and also those older vessels have got a higher operating cost in terms which we can get better. That's what we have done in the previous year if you see and we got the advantage of that and that's where we plan because 1 or 2 whatever is left in due course of time may be 1 in this year may be another next one in the next year. So that's where we are looking at.

Sachin Kasera: Which means this year our capital expenditure will be much lesser. Last year our net block has gone up by almost 90 crores. This year net cash flows will be much higher because the CAPEX is lower. So net debt level should improve.

Capt. V. K. Singh: Yes. Surely.

Moderator: Next question is from the line of Pratik Kumar from Antique stock Broking. Please go ahead.

Pratik Kumar: Delving more on the freight rates, over the past one month as you also said is improvement in the fuel prices and also there is no improvement in the freight rates which witnessed over the same period or I mean in the past month?

Capt. V. K. Singh: It takes some time to start getting reflected on the freight rates. So not seen the movement as such but definitely internationally I see there is slight movement with the fuel prices going up, the freight rates also slightly improving on the international lanes and slowly because the effect come a bit latter domestic side. So I am sure it will follow on.

Pratik Kumar: One thing in the industry capacity, you have added significant capacity over the past year. How do you see industry players adding capacity both in container and bulk segment in near term like you have said probably you are done for some time but how do you see the industry adding capacity in the next one year?

Capt. V. K. Singh: See, industry will put more capacity will come and I expect more capacities to come in because even as you know we are said that we are in process of working out vessel sharing arrangement with SCI that is Shipping Corporation of India and there they may be deploying additional tonnage on the coastal routes so that will again add up to the capacity but definitely that's where adds up capacity for both of us when we are jointly going to share the capacity. So definitely it will help both of us to increase the capacity because there is a volume growth if you see there is

a volume growth of almost about 12% for us. So for overall if 12% growth is there quarter-on-quarter that much capacity also needs to be added and definitely more and more areas will be covered if we add the capacity that is where we are looking at the more ports which we are not even covering today that can be covered. So that will take some capacity to be utilized there. So definitely there will be more capacity but at the same time the capacities have come and gone also if you recall from the previous year. There are a lot of capacity which we added but at the same lot of capacity which went out of coastal services. So it's keep taking its own shifts.

Pratik Kumar: Freight rates are the more of function of improving crude prices or I mean because capacity keeps coming up. As I understand, I think the massive capacity addition in the industry led to the fall in freight rates more than the public crude prices also.

Capt. V. K. Singh: Yes. That also did happen. I will not deny that. But our own the capacity also had growth so it is not only the other capacity growth but that is the sometime we have to put in the capacity for the future growth and take the advantage of asset prices. So definitely that will be put little pressure on the freight rate. I will not deny that. But slowly the capacity gets more and more utilized the freight rate also will start coming up.

Pratik Kumar: Sir, one last question on government initiative like Maritime Summit and all the buzz around coastal shipping. Do you see some movement on the ground with respect to these announcements or policies?

Capt. V. K. Singh: Yes. We can definitely see and that summit has thrown open a lot of business opportunities and potentials to the people and we are also working on certain segments where we can work in future. May be not in what we are actually doing today, may be different sector altogether because they have a lot of future plans in place for improvement of course to shipping and overall trade. So whether it is bulk, whether it is on the **RORO** or whether it is the inland waterways, the government is keen they are trying to work out giving a lot of opportunities as well as positive policies. So which will help to take on to the new segments which we are also working.

Moderator: Next question is from the line of Akash Sethia from Canvan Dish Square Capital. Please go ahead.

Akash Sethia: Just wanted a clarity on the cost side. I see there are three line items that you have in terms of fuel, ocean freight and transportation. Just wanted some sense on what is the distinction between each?

Rajesh Desai: Fuel is basically whatever we are like this is the fuel cost pertains to. Other freight rates is whenever we are loading on some other vessels because everywhere suppose if I am not going all the ports or outside when we do some liner business and even my subsidiaries do some liner business. So that's what ever is loaded on the other vessels that is the part of sea freight charges. Transportation is purely road transportation and trailer transportation whatever will be there.

- Capt. V. K. Singh:** I just give a breakup of freight rates. There are lot of cargo which we accept for a through basis for a destination where we are not calling. It could be from Calcutta to Bandar Abbas. Our vessels only call up to Jebel Ali. So from Jebel Ali to Bandar Abbas I have to load it on to the third party vessel and pay it as cost that way. That is how it works out on the third party freight cost.
- Akash Sethia:** Understand. On the balance sheet debt side, long-term borrowing, is the debt predominantly rupee denominated or is there also dollar denominated debt?
- Rajesh Desai:** Company always go for dollar denominated debt.
- Akash Sethia:** So long term borrowing is dollar?
- Rajesh Desai:** Yes. Maximum is dollar denomination. Some portion is also INR denominator also.
- Akash Sethia:** So this is long term and short term would be rupee?
- Rajesh Desai:** Short term also include both Dollar as well as rupee denominated. Actually if you see our 30%-40% turnover consists of EXIM related boxes. So that is where we go for the which where we have the natural age to that extent we go for dollar denominated.
- Moderator:** Next question is from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.
- Giriraj Daga:** You said like 15% tariff reduction. Is it like more mix if you are taking reverse cargo that we are giving higher discount? Or Is the tariff actually gone down by 15% on normal routes?
- Capt. V. K. Singh:** The tariff itself has gone down. It's not that we give some major discount or something. Overall tariff has gone down and of course while our revenue has gone up as against the tariff which is gone up. As I said like because of the selection of better revenue lanes.
- Giriraj Daga:** So what is the total gross debt as of now?
- Rajesh Desai:** Gross rate will be roughly around 160 crores on consolidated level and this is all put together including short-term and long-term.
- Giriraj Daga:** But I can see long term debt is around 119 crores consolidated and short-term is 63 crores. So that's itself is about 180 crores
- Rajesh Desai:** Actually that 63 crores consist of some short-term debt which is against our mutual fund investment. So normally that we don't consider as because it is the money given actually against my own money. So that portion is excluded from this.
- Giriraj Daga:** I come to the CAPEX question. You might replace one more vessel so keep that in mind we will not cross that threshold from debt side?

- Rajesh Desai:** No. There will not be much CAPEX requirement because it will be replacement of vessel.
- Giriraj Daga:** Going forward also do we have any threshold in mind that we will not cross that amount of debt threshold?
- Rajesh Desai:** Normally we don't fix the CAPEX as such directly but whenever like we ensure that my debt-equity ratio does not go beyond say 0.8 or 0.9. That ratio will normally always be considered.
- Giriraj Daga:** My last question is we will be freeze fuel cost at some point of time about \$40-42. So any update on like is that still the case?
- Capt. V. K. Singh:** No. Just gone up. If the crude prices if you are talking about, it is gone up.
- Giriraj Daga:** I know but earlier I think we have booked some and tried hedge fuel cost.
- Rajesh Desai:** It is always the benefit cost analysis. The premium what we have to pay and what protection we will get.
- Moderator:** Next question is from the line of Shreyas Bhukhanwala from Sushil Finance.
- Shreyas Bhukhanwala:** Can you just give me the breakup of TEUs that handled this quarter based on domestic and EXIM?
- Capt. V. K. Singh:** It is approximately as I said like the total volume is to the ratio of 60-40%.
- Shreyas Bhukhanwala:** So total was 72,400 right?
- Capt. V. K. Singh:** Yes.
- Moderator:** Next question is from the line of Jinal Fofalia from Alfa Accurate. Please go ahead.
- Jinal Fofalia:** Could you just tell utilization numbers quarter-on-quarter in FY 2016 and how do you see going forward?
- Capt. V. K. Singh:** Utilization level from north to south and west to east was 93% during this quarter as against 79% in the previous quarter. And on the reverse leg it was 54% against 42%. Going forward since we have added also if you see like one vessel in the last month of the quarter. So that increases the 12% and so again we expect that if the volume increases by 12-13% also, we will reach the same level of utilization in the next quarter. If we can increase volume further the utilization level will become better and on top of that we are working harder to see that the utilization level goes up on the vacant legs which is on reverse leg. So that will be our main focus.

Moderator: I now hand the conference over to Mr. Kshitiz Prasad of Emkay Global Financial Services for closing comments.

Kshitiz Prasad: I would like to thank the management and all the participants on the call. Have a good day.

Moderator: Ladies and Gentlemen, on behalf of Emkay Global financial services that concludes this conference call. Thank you for joining and you may now disconnect the lines.