

Ref No. AP/ 2018

Date: 20th August, 2018

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BSE Scrip Code: 520151	NSE Symbol: SHREYAS

Dear Sir,

Sub: Transcript of Earnings Call on 14th August 2018

Please find enclosed herewith the transcript of the Earnings Conference Call held on 14th August 2018 for your record and reference.

Thanking you

Yours faithfully,
For **Shreyas Shipping & Logistics Limited**


Asha Prakash
Company Secretary & Compliance Officer



Encl: A/a



“Shreyas Shipping & Logistics Limited Q1 FY19 Earnings
Conference Call”

August 14, 2018



**MANAGEMENT: MR. CAPTAIN V. K. SINGH -- MANAGING DIRECTOR,
SHREYAS SHIPPING AND LOGISTICS LIMITED
MR. RAJESH DESAI -- CHIEF FINANCIAL OFFICER,
SHREYAS SHIPPING AND LOGISTICS LIMITED**

**MODERATOR: MR. VIKRAM SURYAVANSHI – PHILLIPCAPITAL
(INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Shreyas Shipping & Logistics Limited Q1 FY19 Earnings Conference Call hosted by PhillipCapital (India) Private Limited. 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. I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Vikram Suryavanshi: Good morning and very warm welcome to everyone. Thank you for being on the call of Shreyas Shipping & Logistics Limited. From the management we have with us Capt. Vivek Kumar Singh – Managing Director; Mr. Rajesh Desai – Chief Financial Officer. Now I hand over the call to the management for their opening comments and then we will have question-and-answer session. Over to you, sir.

Capt. Vivek K Singh: Thank you, Vikram. Good morning, ladies and gentlemen. We are here to discuss our results for Q1 FY19 and outlook for the rest of the financial year. The results were announced on Monday, 13th August and now I would like to talk about some of the key financial and operational highlights of the quarter. During Q1 FY19 the revenues stood at INR 150.6 crores which was Indian rupees 117.8 crores in the corresponding period last year, EBITDA is at Indian rupee 14.7 crores as against Indian rupee 26.8 crores in the same period last year and PAT is at Indian rupee 6.2 crores as against Indian rupees 19 crores in the same period last year. In percentage terms, our revenues this quarter grew by 28%; however, EBITDA and PAT decreased on year-on-year basis.

The brief highlight about the Global Container Market: The container ship, charter market and asset prices continue to increase in the quarter, but sign of wobble showing from last week of June. The most recent rally in charter rates and consequently vessel values starting in mid-November 2017 when the index was at 587 points and increased to 746 points at the end of March 2018, before closing this quarter at 842 points. Average charter rates increased by 11.5% in this quarter following 25% uplift in the earlier quarter. Recent assessment of the markets have been cautiously optimistic, weaker than expected, growth during the quarter ought to be a short term event as the economic climate remains largely supportive with obvious risks associated with geopolitical issues.

We operated fleet of 12 vessels with total capacity of 21,602 TEUs and a dead weight of 2,95,570 MT during this quarter. SSL Ganga was deployed on charter and SSL Krishna was added in the fleet at the end of June 2018. The total volume handled during the quarter were 1,15,291 TEUs, total vessel operating days during the quarter was 1160 as against 1145 during the last quarter. As a result, the company saw a marginal increase of 1% increase in operating days. There was one vessel under dry docking in the quarter which was completed in the month of April 2018. The company took the delivery of one container vessel namely SSL Krishna during this quarter and deployed on own service.

On the operational front, the average utilization level on all the services from North to South and West to East remained at the level of around 95% and on the reverse leg was around 60%. On the East coast services from West to East remained around 96% as per draft available and 79% on the reverse leg. Congestion at Kolkata port increased the turnaround time of the vessels. The average bunker rate for the quarter was INR30,500, we saw 11% increase from the previous quarter. Our market share for the quarter in the domestic market stood at 58% and EXIM transshipment segment, the market share was almost around 85%.

Just a brief update on SSL Kolkata: As you all know on 13th June, there was an explosion in the cargo area in one of our vessels SSL Kolkata. This resulted in significant fire onboard the ship. The crew were forced to leave the vessel due to the fire intensity and thankfully all 22 crew members were unharmed, saved. The vessel remained at ground now at some 7.5 nautical miles of the Indian Sundarbans, Kolkata, West Bengal. Removal of bunker fuel and cargo remains a priority with the primary aim of protecting the marine environment and preventing any pollution from cargo or fuel oil.

Shreyas takes the environmental responsibilities extremely seriously and with partner agencies and contractors is making all efforts to ensure that the situation is brought to a safe and timely conclusion despite the very challenging monsoon season condition which are currently being faced. We understand that the bunker removal operation with one of the vessels Smit Borneo was commenced on 9th August and that bunkers are being removed using hose and a pump despite difficulties caused by the weather and sea state.

SSL Ganga was off hired end of June and charter market is on downward trend as vessel has been deposition to Indian coast in view of rising operating cost mainly due to high bunker prices and increase in competition tonnage. We have reworked tonnage deployment for better utilization and better margin. While we operate SSL Ganga on East coast, we are chartering our SSL Krishna to achieve tonnage vesselization. We also have chartered out SSL Balaji to Tata Steel for coastal break bulk operation on east coast. The company will look forward to adding capacity as better opportune time to take advantage of the market and work on the long-term replacement plan of our older tonnage.

Thank you very much for your kind patience and we can now go ahead with question-and-answer session.

Moderator:

Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have a first question from the line of Anand Bhavnani from the Unifi Capital. Please go ahead.

Anand Bhavnani:

From the numbers, it appears that we have been unable to pass on the increases in cost to our customers. If you can comment on why is that the situation and when do you see that we shall be able to pass on the increases in cost?

Capt. Vivek K Singh: The market has not been doing very well during quarter and market is absolutely flat. The market itself is not recovering from the customer due to the increase in bunker fuel. We are also trying to recover the additional freight due to increase in fuel prices, but it was little difficult in the initial time, of course now we are trying to increase once the market also gets little favorable and that is where the long-terms contracts whatever we are doing, we are going ahead with considering the increase in fuel prices. So, that is the status now, but definitely during this quarter we have not been able to recover the additional cost incurred due to increase in bunker cost which has been quite high, and it is still going up, because the bunker prices has been rising steadily and we cannot keep changing the freight rates as whatever has been contracted. So, definitely we face this challenge during the quarter but going forward we are quite hopeful that we should be able to recover at least part of the cost which is imposed by the increase in the bunker price.

Anand Bhavnani: This inability to pass on the increase in cost would likely be because of higher capacity. So, if you can help us understand what was the capacity addition over the last three to six months in the industry and what is the capacity utilization level ballpark at the industry level?

Capt. Vivek K Singh: Yes, on the feeder front, of course it is not mainly due to capacity because you all understand that the feeder carriage, the EXIM transshipment cargo what we have been carrying is on the return leg and there we do not have any constraint of the capacity. So, definitely that has not been collected not because of the capacity increase, but certainly there has been increase for the domestic cargo capacity because even the partners or the other companies who are there on the domestic player services, they have also increased the capacity and even we had increased the capacity because the volume was increasing and it did show a little sign of increase during the month of April, while in May and June the volume came down drastically, once utilize that capacity and there was excess capacity in turn we could not even increase the freight rates. But now going forward yes we have taken and that is what I said we are trying to rationalize, we are charting out larger vessel and we are allocating appropriate tonnage in the market so that we can even control the tonnage in a better way so that we have a better utilization and even the freight rates can be increased as per the required and cost can be passed on to the customers.

Anand Bhavnani: Lastly, on the changes in cabotage, do you see capacity increasing further because of these changes for a feeder and EXIM business, the competition can it be expected to increase because of cabotage change?

Capt. Vivek K Singh: No, I do not think relaxation of cabotage whatever has been given has affected us in our business and even the increase in capacity has not happened because of the relaxation because wherever we are carrying our volume even on the feeder leg has gone up as compared to whatever we have done even the last quarter and we expect the volume to go further because we have got certain additional contracts for the EXIM cargo on the feeder legs. So, definitely that is not the short comings which we are going to face, and we are either increasing certain tonnages on the east coast because of the feeder contracts which we have got, not only for the coastal operation, but also into Colombo now since we are also going to call Colombo for the feeding EXIM boxes. Beside that definitely on the domestic front, yes, there has been a slight increase in

capacity both by us as well as by the competitor, and the increase in volume has not coped up well with the capacity, so now we are trying to rationalize and reducing the extra capacity so that our capacity is in line with the volume which is generated on the domestic legs.

Anand Bhavnani: Just a follow-up question. Since you are telling that in feeder the capacity addition on has not been as much as compared to domestic, has it in our experience that we are able to pass on the fuel price increases in case of feeder and EXIM vis-à-vis as compared to domestic cargo where we have not been able to pass on, have you seen better pricing power in feeder and EXIM?

Capt. Vivek K Singh: Yes, although the market in the EXIM trade has been subdued and it has not been doing very well now, but still we have been for the EXIM feeder volume we have been able to pass on some at least on the newer contracts which we are going ahead and renewals what we are doing now, it is as per the current prices what we have in the bunker prices currently prevailing. So, we are able to pass on, but domestic market that since we are competing with road and the road contracts and road carriage is not getting that much affected by the fuel increase what we have got affected because of the fuel oil increased cost, market has not really gone up and because of that we are not able to recover the cost because of the increase in bunker fuel.

Moderator: Thank you. We have a next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: What explains the lack of volume growth in the quarter, what is happening in the system, if you could tell us because all the high frequency numbers on the economic activity does not seem to suggest a low volume growth, so if you could give some idea there?

Capt. Vivek K Singh: The volume growth if you see we have just had about a 1% growth, but the volume growth has been almost not there, but it has been at least in line with the last quarter, it has not come down, we have slightly done about 1000 TEUs more than the last quarter.

Pritesh Chheda: Last quarter means Q1 of last year?

Capt. Vivek K Singh: Not from the last quarter, last quarter, the volume was 1,14,000 and this quarter is about 1,15,000 or something, not Q1 of last year, it is fourth quarter of last financial year I am comparing with that because that is where the tonnages are more in line with that, so definitely we cannot compare with the previous quarter of the last financial year corresponding quarter, but I am just comparing with the last quarter, which is the last quarter of the last financial year and with that the volume has actually not increased much as expected, but it is in line with that and that is where like we are seeing that yes, we had increased the capacity because one of the larger vessel joined our fleet in mid of June, so we had an increase of capacity also and while the volume did not go up and even the domestic volume has remained more or less in line with that, but our expectation was that is the volume will go up, but that has not happened, but definitely it has remained to the level what it was there in the last quarter.

Pritesh Chheda: The question is sir, why it has not happened?

- Capt. Vivek K Singh:** There were certain regions for the domestic cargo which is not there because of the various signal region, there were size also and there were early rain also affected because of the less demand in the South because of rain in Kerala, so all that regions affected the volume, but actually the feeder volume was more that way, but domestic volume came down, but that also more or less in line with slightly less than the last quarter domestic volume, so that was the drop in domestic volume, but it was compensated by the feeder volume which increased. So, there was no loss of volume in the feeder segment, but definitely the domestic segment, the volume dropped and the increase was not there.
- Pritesh Chheda:** You gave a capacity number of 21602 right, in TEUs?
- Capt. Vivek K Singh:** Yes, that is the 12 vessels capacity which we were operating during the quarter.
- Pritesh Chheda:** So, you have excluded which vessel because until Q4 you had 13 vessels at 23,000 TEU on capacity is 21602 TEU?
- Capt. Vivek K Singh:** That is because Ganga was excluded that she was on charter and now of course she has come back in our service and we are putting larger capacity out in the market.
- Pritesh Chheda:** I am little bit confused here, Q3 was 13 vessels with 23,000 TEU on business, this does not include the chartered vessel, right?
- Capt. Vivek K Singh:** No that included the chartered vessel.
- Pritesh Chheda:** Now it is 21602 TEU, so it is 12 vessels?
- Capt. Vivek K Singh:** Yes, the last quarter, the quarter before this was also we were operating with only the same number of TEUs and same vessels, 12 vessels and 21,000 whatever on TEUs what I said, but at the same time what is happening like this quarter also we have been operating with the same vessels, there is no change as compared to the previous quarter, but the only thing is Krishna joined in the mid of June, that we have not included in the total volume as such, but definitely that vessel came in around third week of June.
- Pritesh Chheda:** And what gets excluded is SSL Kolkata from the tally?
- Capt. Vivek K Singh:** Yes, when Krishna came actually during that time and SSL Kolkata got excluded on that.
- Pritesh Chheda:** So, what gets excluded is one vessel is SSL Kolkata?
- Capt. Vivek K Singh:** Yes, Kolkata also gets excluded and also Ganga was in any case not included as she was on charter.
- Rajesh Desai:** Good morning, Pritesh. Rajesh here. Basically, the Ganga on charter and we have operated for our business , but it was not in operation, so that actually bifurcation is done, so it was similar

to last quarter, though Kolkata was not there for some period, that period basically Krishna came, that is the reason more or less same capacity was there as compared to previous quarter.

- Pritesh Chheda:** Sir, you are making us right, 21602 TEU versus...
- Rajesh Desai:** No, it excludes Ganga which was earlier also on charter.
- Pritesh Chheda:** So, in 23,143 TEU for Q4, did it include Ganga?
- Rajesh Desai:** 23,000 will include Ganga.
- Pritesh Chheda:** 21602 TEU does not include SSL Ganga?
- Rajesh Desai:** Does not include.
- Pritesh Chheda:** I will take this offline. What kind of capacity you mentioned initially in your comments that you have also realigned your capacities by chartering out SSL Balaji and SSL Krishna and you mentioned that bunker rates went up, but I could not take the corresponding pricing increase, so what kind of capacities have come in the system?
- Capt. Vivek K Singh:** Today we have already got only 13 vessels in the total system excluding Kolkata, we have 13 vessels with us that after adding Krishna, so out of this 13 vessels now Krishna is going out and with Krishna going out on charter and Ganga coming in on our service, the difference will be about 1000 TEU capacity which we have reduced from there and also Balaji has been chartered out, which was actually we were operating ourselves which has been chartered out, so that again gives another about 700 to 800 TEU capacity, so almost about 1700 TEUs we are reducing from our operation in a way we are reducing two of our vessels now and adding one vessel Ganga which was earlier on charter, we are adding and taking in and two of the vessels we have taken out of this operation.
- Pritesh Chheda:** What is the system wise capacity addition by other players or it is our capacity only which is impacting the pricing?
- Capt. Vivek K Singh:** No, the other player has also added... one of the vessels has been added by TCI and that is also 1700 TEU capacity which has been added on the west coast of India.
- Moderator:** Thank you. The next question is from the line of Anand Bhavnani from Unifi Capital. Please go ahead.
- Anand Bhavnani:** With respect to our other comprehensive income, just wanted to have a sense of if you can break up the overall impact of 6.12 crore in terms of losses on receivables and losses on foreign currency borrowings?

- Rajesh Desai:** This is mainly because of the losses on foreign currency borrowing, we are considering that is hedge against the future receivable and we are routing it same through the cash flow hedge accounting.
- Anand Bhavnani:** I am not sure, this 6.12 is on borrowings, correct?
- Rajesh Desai:** Yes.
- Anand Bhavnani:** Because this is a hedge against our cash flows...?
- Rajesh Desai:** That is correct. Also during this quarter we had total exchange loss of something around Rs.1.77 crores.
- Anand Bhavnani:** Total loss is 1.77 plus 6.12. Would that be the right way to think?
- Rajesh Desai:** 6.12 basically, we cannot say loss, basically this is revaluation of the loan account, but definitely because the loan is for all the repayments and for the future, that is the reason we are following the hedge accounting because again this will be set off against my future receivable or whatever the future dollar earning I will be doing, so that we will have to knock off against the same?
- Anand Bhavnani:** You said you have plans that our old tonnage will be replaced. So, how much of CAPEX would be overall involved and how much would be done in FY19?
- Vivek Kumar Singh:** We have already taken one of the vessels now in this first quarter and now we plan at least to acquire one may be replacement for SSL Kolkata to size of vessel because that is required on our service and may be one more we will try and get it by end of the year for replacement plan going forward, but we are going little slow on the replacement plan because of the Sulphur content which is going to come down in 2020, so we have to watch out for that, in fact, now it comes on the Sulphur effect and fuel effect for overall operations. So, that is where we are also being little careful for the replacement plan and definitely if we are going into that, today's market also is on the higher side as regards to the purchase of the vessel is concerned, so we are going a little slow on that and watching the market condition before we take a final plunge into buying the vessels, but we expect investment of almost Rs.60 crores for the year at best?
- Anand Bhavnani:** Rs.60 crores for FY19, would that be the right number to think?
- Capt. Vivek K Singh:** Yes.
- Anand Bhavnani:** Out of the Rs.60 crores, we have already spent on SSL Krishna, how many crores?
- Capt. Vivek K Singh:** After we have spent already on Krishna, this is additional what we are expecting for one of the smaller vessels and one of the larger vessels, two of the vessels we expect to buy which should be in the range of about Rs.60 to 70 crores.
- Anand Bhavnani:** How much did you spend for Krishna?

- Capt. Vivek K Singh:** We spent Rs.56 crores for Krishna.
- Anand Bhavnani:** As a policy, all this will be in foreign currency borrowing, would that be the right way to think?
- Capt. Vivek K Singh:** Yes.
- Anand Bhavnani:** Just wanted to understand in terms of overall sector since now virtually players are unable to pass on the cost, do you think overall market, how long will it take like -- would it be few months or few years before we get to pricing power again in the domestic space importantly?
- Capt. Vivek K Singh:** No, domestic prices also it is expected to increase but slowly. We can definitely pass on because when the market is on the road also the prices are going up because of the increase in diesel prices and also with the tonnage rationalization, we feel like we are cooperating amongst our partners with whom we are sharing the spaces and we see the rationalization of tonnage when we do, it can have a positive effect on passing on the additional burden of increase in fuel.
- Anand Bhavnani:** What is the kind of sustainable margins that we are aiming at EBITDA level for FY19?
- Rajesh Desai:** EBITDA level we are expecting the margin of around 15% to 18% should sustain.
- Anand Bhavnani:** In first quarter, we were around 9% and we are hoping that we will be able to have price hikes of at least 7% to 8%?
- Rajesh Desai:** I think we should have that much impact.
- Anand Bhavnani:** Apart from TCI, who would be the other major competitors for us in feeder and coastal respectively?
- Capt. Vivek K Singh:** Basically on the coastal front, on the domestic side apart from TCI, we have Simatech and SCI, there are only four players who have been operating mainly on the west coast and east coast of course only ourselves and SCI they are operating, SCI partnering with one vessel while we have three vessels there on that service, others are all on the west coast alone as of now. So, that is why there has not been any increase further on to that or any other operator or much of a tonnage except for one tonnage of SCI, TCI and one tonnage of ours and that too we are trying to work it out and see how we can reduce that. So, that is where we are looking at. On the feeder side, of course, we do not have much because most of the people are feeder operators, they are only operating on the Colombo sector, of course, with this cabotage relaxation maybe, they can handle a little bit of volume between the two Indian ports also but mostly they are not on the coastal services.
- Anand Bhavnani:** Lastly, overall given the subdued volumes in May and June, are we seeing any substantial pick up after it?

Capt. Vivek K Singh: Even July was down but after the transporter strike was there we are seeing a slight increase in volume and once the monsoon season ends, I think definitely the volume will go up further. So, even after that we are seeing, and we would involve. Even on the feeder side, we will be seeing an increase in volume because we have had a few additional contracts of this feeder carriage, not only on the coast but also to Colombo, so that is where we are increasing those services there over to Colombo. So, that is where we are looking at increase in volume on the feeder as well as on the domestic.

Anand Bhavnani: With respect to the port sector in India, a lot of mainlines are tying up with private ports specifically in Mundra they have tied up to set up dedicated container terminals. These kinds of developments how do you see they impacting us – is it positive for us or do you see neutral or is there any downside for us from these collaboration between port operators and shipping liners?

Capt. Vivek K Singh: No, it is not a downsize for us as such because any growth in the terminal is always most welcome for the capacity increase. Also, if they are doing a transshipment in those ports, their vessels will be calling only the main ports, but other smaller ports are left for us, where we can also do transshipment over to these terminals. So, that could work out and then advantage to us also, but not once they decide to shift the other smaller ports instead of over to Colombo or other foreign ports, but to Indian terminals, then definitely we have a fair bit of chance to even carry those columns. So, that is where it becomes advantageous for us. Also, if you are talking about this has happened only in Mundra, because two of the main lines have joined with Adani ports and they are working on the terminal, even our vessels are calling, it is not a question of only them working there, but we are also getting additional capacity where our vessels can be worked out.

Anand Bhavnani: There would have been relaxation happened. We had a negative view on it, we did not want that to happen, but from the moment it seems that there has been volume addition by any players in the feeder business. So, just wanted to understand, is it that have not materialized we should breathe a sigh of relief or is it that the competition is preparing and sooner or later they will be here?

Capt. Vivek K Singh: No, the question is that whatever that has started also it is only from the major ports where we were not even participating earlier like if the volume was growing by mainline only from Nhava Sheva to some other foreign port, then transship there. If that volume gets into the other Indian terminals carried by the mainline alone, does not affect us because in any case if you see the volume what has happened today for all these while after the relaxation is only mainly from Nhava Sheva to Mundra or vice versa and as well as from Chennai to Vizag and vice versa. None of the Indian coastal vessels were there. So, that volume even earlier it was restricted but it is something surprising to see that they were not doing on their own and while they now have started doing on their own after relaxation but there were no restriction for doing such carriage of such volume even earlier. So, I do not see like where is our sector there we have any threat or anything, that we continue to do that and mostly what volume we are carrying like if you see our fixed to service we are mainly carrying the volume into gulf. That is not a transshipment or feeder volume, that is the direct port volume for gulf from all the east coast India and south India

port. So, that is definitely not going to get. Even the west coast what we were carrying on the reverse leg from Cochin, Tuticorin, Mangalore to Mundra is very small parcel which we were carrying earlier, which will continue because most of the volume earlier also was going to Colombo in any case. So, that was an easy way out. But in spite of that those who had the connectivity out of Mundra, we were connecting for them and it is working out much economically even for them, so that should not get affected. We continue to do east coast volume which we were chasing because in any case that is advantage for the customer, so east coast also continues between Krishnapatnam, Kolkata and Haldia what we have been doing there. So, that volume has been growing there and we do not see anybody else can handle that volume what we have been handling. So, overall if at all volume increases, it is going to increase on sectors where we are not involved or the sectors where the main line routing will only change. It is not going to affect the business of our company or any other coastal operator who has been doing there.

Anand Bhavnani: But sir, the price hikes which you would have otherwise taken on the feeder, would now we be a bit more circumspect before taking a price hike given the possibility of newer competition coming in, in case margins are strong?

Capt. Vivek K Singh: No, I do not think because in any case we have a backup cargo as domestic and other players just coming for a feeder cargo, will not be able to substitute our services, so that will not be possible for them to compete with us. But in any case, the price competition is we are competing because of not only in the coastal leg because they have the option of Colombo, earlier also the option was there for Colombo or Singapore, all these transshipments. So, we have to compete with that prices. Even earlier we were competing with other foreign feeders who are operating, even today we are competing with them only on the foreign leg. So, that is continuous. It all depends on the market whether the price can be increased. If the price can be increased, it will increase on all the sectors, not only on coastal sector but even on the other because they also are not very comfortable, they also need to pass on other operators, also need to pass on the increase in bunker prices which are affecting them also, not only us. So, definitely we are looking at increasing the prices. Now if you see like we have also gone to Colombo and we are operating out of Haldia and Krishnapatnam to Colombo, now we have taken from Kakinada to Colombo, all these on the major lines which we have taken a contract and we are working and in the price also, we are competing with the foreign operators, so that is something which our vessels or their vessels, they all working on the same costing. So, definitely we can compete, and we can undertake the increase as and when the market is able to give out that increase.

Moderator: Thank you. We will take the next question from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

Pratik Kumar: Sir, my first question is with regards to this capacity addition. So, there have been Container Corporation have asked for tenders, we also read you also participate in the bid, so any thoughts on that?

Capt. Vivek K Singh: Yes, they are looking, at, they have tendered out, we have also participated as you said correctly and we will be looking at, that is fine, but CONCOR is differently going to look at the other

volume which they have not been able to move it by rail directly because they want to execute the volume from all the other ICDs from where the train services are coming, so definitely they will be having advantage but most of the volume maybe it is a different volume, not exactly the same volume what we are carrying. So, it is most welcome for them and that is how we have also participated and if we can get through we can always arrange for the additional tonnage for them. But that all has to be seen whether really, they will be able to go through this tender process and finally come out with tender outcome. So, if that happens, it is good for the trade, because definitely we also see there has to be increase in the volume that is what everybody even the government is looking at increasing the volume and there is a lot of additional volume which is in the pipeline which nobody is able to do it because of the cost constraint maybe it is not workable like IFCO cargo or FCI cargo, the government cargo are there but which CONCOR is actually carrying now with the railways but they want to convert that by sea and multi-mode. So, that is all has to be seen, but I do not see that will have any negative impact on our business as such.

- Pratik Kumar:** When is this tender expected to close as per your understanding?
- Capt. Vivek K Singh:** Technical bid is in process, so they are just trying to make some clarification on whatever the documentation for the technical bid has been submitted. So, after that is scrutinized and that is processed, then I think by August end they should be able to open the commercial bid.
- Pratik Kumar:** So, if they close it in second half of the year and if we also won this, so we should have some revenue contribution from this leg in second half of '19?
- Capt. Vivek K Singh:** Yes, that will be there if we win it, then definitely we will have to deploy additional tonnage on the sector for which we will have to get that additional tonnage first. So, we have not really worked on that as such but if we finally get it we will have a time gap to arrange for the ships and take away charter maybe and work it out, so that we will continue to do that.
- Pratik Kumar:** As you mentioned volumes would be something that is not currently part of system, something new volume which will come to coastal shipping, is currently probably more by road or rail?
- Capt. Vivek K Singh:** Yes, right, definitely there will be additional volume which will be coming because these volumes will be connected by CONCOR themselves by railways, otherwise they want to use their rail links also along with the multi-model which they do not want to carry all the way because there are a lot of volume which they have been carrying with the railways itself, all the distance which they want to make it a multi-model for their advantage. So, definitely we expect that the volume will be additional volume and a little bit of volume from here, but then that growth is also there, so that additional growth or the additional volume will come in, in that system.
- Pratik Kumar:** Second question is on this INR depreciation. Just wanted to understand which all like line items for cost like bunker fuel and stores and spares which all are related to this dollar currency, for

example would be getting impacted due to the currency depreciation and what is the general inventory we maintain for these input cost?

Capt. Vivek K Singh: Mainly, all the bunker cost is there, port cost of course on the coastal we are paying in Indian rupees but mainly it is the bunker cost and the foreign spare cost or dry-docking cost, whatever we have. But we do not have any dry-docking as such now, it is on the earlier dry-docking whatever we have done, only one dry-docking is due in this year, otherwise we do not have any other additional dry-docking but definitely there is spares and other costs are there which we have in the dollar denomination which we have to expect and for that definitely we do have earning also and payment for our financial what we are doing also is in dollar term loans which we have. But all that payment is covered by our dollar earning which we have almost about 40% of our earning is in foreign exchange and we are able to take care of that.

Rajesh Desai: I would like to add, basically as mentioned by captain, if there is rupee devaluation or something, there is no issue, but in a short period there is volatility that generally affects the exchange loss, that is the reason in current quarter we have taken a hit of the 1.7. Otherwise if it is on a longer period, definitely my earning will also compensate for the expenses and all that, so there will not be much fluctuation for that. If you see the figures, the exchange related benefit will come in revenue but expenses it will come as exchange loss or something. So, you may see exchange loss but that may compensate also with the addition in revenue.

Pratik Kumar: We should see these prices on like spot basis or there is some lag of inventory effect or something for the input cost which are related to dollar?

Rajesh Desai: No, these are spot basis only.

Moderator: Thank you. We will take the next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, what is the capacity now in Q2, how many ships and how many TEUs after SSL Krishna coming in and SSL Kolkata going out... 14 ships?

Capt. Vivek K Singh: After Kolkata going out, it will be back to 13 ships, the total capacity will be around 24,500 TEUs.

Pritesh Chheda: This year what would be your thoughts on the volume growth of TEU handled this year after missing growth in Q1?

Capt. Vivek K Singh: We should be able to have a growth of around 10% on year-to-year basis, that is what we are looking at.

Pritesh Chheda: So, you have 20% capacity addition on average basis this year and versus that you will have 10% volume growth, is that assessment, right?

- Capt. Vivek K Singh:** No, as I said, we are chartering out a vessel of 2,700 TEUs and then also one of the vessels of smaller capacity, so almost 3,500 TEUs gone out.
- Pritesh Chheda:** No, I am looking at net-to-net, whether it is chartering or whether it is put in business, total to total you have 20% capacity addition...?
- Rajesh Desai:** Total-to-total though there is 20% addition.
- Capt. Vivek K Singh:** But in operations it will be less.
- Pritesh Chheda:** Is there any diversion of volumes to any other mode of transport in the last quarter that you have experienced or is general lower volume availability?
- Capt. Vivek K Singh:** No, it is general lower volume availability and neither we have got additional some other volumes but the general volume which was moving has reduced and intake has been lesser in the south what we have experienced, that is mainly because in the May, June when the rain started, the intake was much less, which is a normal and we have been experiencing the seasonal and that has continued even this season during the monsoon time when the monsoon starts, there is a drop in volume and again it picks up after Onam comes and then again slightly drop after Onam festival and then again it increases. So, that is how we have been seeing and so it is nothing very alarming, but this is the normal situation what I can see.
- Moderator:** Thank you. We will take the next question from the line of Saket Saraogi, individual investor. Please go ahead.
- Saket Saraogi:** My question was regarding we have this event of Kolkata ship. Is there any cost that we had incurred in the quarter that has been booked which is impacting the profitability?
- Capt. Vivek K Singh:** No, we have not booked any cost and that all the expenses what we have been incurring are being taken by the P&I Club that is our insurer as well as the McKenzie. So, all these will be borne by the insurance company.
- Saket Saraogi:** All the costs are insured?
- Capt. Vivek K Singh:** Yes.
- Moderator:** Thank you. We will take the next question from the line of Anand Bhavnani from Unifi Capital. Please go ahead.
- Anand Bhavnani:** Just wanted to understand sir, debt wise for FY'19, what would be your ballpark closing debt figure?
- Rajesh Desai:** Debt figure we are expecting something around Rs.300 crores.

- Anand Bhavnani:** Just wanted to understand, for this accident in one of our vessels which the previous participation was asking, the insurance company has done the damages and they have assured us the payment or is it still being investigated, and the decision is yet to be made?
- Capt. Vivek K Singh:** That will be a process, there is nothing like assurance, but only thing is what happens during the course of process, all the expenses which have been taken will be borne by them and ultimately H & M Insurance has to give me the cover for the vessel whatever the cost has been insured, that is not an issue, but as for the cargo claim and other third-party claim that P&I Club will deal with their cargo interest of P&I Club directly and they will settle their claims. Of course, nothing has been finalized because they have also to put up their surveyor, they are continuing with their surveying, they will put up the report, everything will be done but ultimately it is all expected that marine insurance has to cover for all the cost incurred as well as the vessel for which it has been insured.
- Anand Bhavnani:** Sir, apart from the damages to the vessel and cargo, are we insured for loss of profit due to this accident?
- Capt. Vivek K Singh:** No, we are not insured, and no cover is there for loss of profit as such, but it is only for all the other covers, whether is marine pollution which they are trying to recover the fuel while now, so all the cost involved in that, even the cost for salvage. So, all that cost for salvage or salvage or salvage of whether it is fuel cost, fuel salvage or the vessel salvage, all that cost will be borne by them and cover for the vessel cost which we have insured, that is all will be taken care by them, but not for the business loss.
- Anand Bhavnani:** Generally, how much time ballpark estimate would it take for them to come to a decision on assessing our claim and giving us final opinion on how much benefits or how much coverage we would be getting?
- Capt. Vivek K Singh:** It is not the question of coverage time for settlement, but it is only a question of how much time it takes for settlement. So, basically we expect that settlement of dues of the cover should be done within a span of one year after they have completed their survey and all those things, which is normal like it takes about within a year or so, so that will be assessed and once the report is surveyed and given by all the concerned parties then it is assessed and then payment is done, so that is all.
- Anand Bhavnani:** Survey itself will take about a year and then one year after the survey...?
- Capt. Vivek K Singh:** Not one year, that is something that they can complete in even three months or so.
- Rajesh Desai:** The assessment will be done earlier, settlement will take its own time.
- Anand Bhavnani:** Lastly, which are the top three routes for us, which kind of bring in substantial part of our revenues, if you can help me understand that?

- Capt. Vivek K Singh:** Substantial revenue was the term is mainly on the west coast of India which is two of our services there, one is SMILE and also on the PIX-1 which we have on the west coast of India.
- Anand Bhavnani:** Port-to-port wise like would it be Kochi-Mundra or Mundra-Jebel Ali, just trying to understand the routes?
- Capt. Vivek K Singh:** It is from North to South leg, from Mundra going to Cochin, Tuticorin leg because that is the short leg and so that...
- Anand Bhavnani:** So, one would be Mundra through Tuticorin and what would be the other two or three top route for us?
- Capt. Vivek K Singh:** There are only three routes, mainly we have advantage on the west coast, even on the PIX-2 service, which is going from West to East and East to West to Jebel Ali in to Jebel Ali, the market has come down, so that has also affected our overall lifting, but if that increases definitely that also service has been doing quite well in the earlier days.
- Moderator:** Thank you. We have a next question from the line of M.S. Arun from Capital Markets. Please go ahead.
- M.S. Arun:** This is regarding the dry-docking schedule for this year. When it is scheduled? Which vessel will be off?
- Capt. Vivek K Singh:** Dry docking we have Brahmaputra which is on Smile service and that dry-docking is due and that will be of may be about 14 days or 15 days. Scheduled in third quarter.
- Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over Mr. Vikram Suryavanshi of PhillipCapital for closing comments. Sir over to you.
- Vikram Suryavanshi:** We thank the management for giving us opportunity to host the call and taking time out for interacting with the stakeholders. Thank you all for being on the call.
- Capt. Vivek K Singh:** Thank you very much from the management side.
- Rajesh Desai:** We also thank all the participants and you also. Thank you very much.
- Moderator:** Ladies and gentlemen, on behalf of PhillipCapital (India) Private limited, that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.