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Dear Sir,

Sub: Transcript of Earnings Conference Call held on 09th August 2019

Please find enclosed herewith the transcript of the Earnings Conference Call held on 09th August 2019 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 FY20 Earnings Conference Call
09 August, 2019

Moderator: Ladies and gentlemen, good day and welcome to Shreyas Shipping & Logistics Limited Q1 FY 2020 Earnings Conference Call hosted by Valorem Advisors. As a reminder, all participant lines will be in 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 star than zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thank you Aman. Good evening everybody and a warm welcome to you all. My name is Anuj Sonpal we represent the Investor Relations of Shreyas Shipping & Logistics Limited. On behalf of the company. I would like to thank you all for participating in the company's earnings conference call for Q1 FY20. Before we begin, I would like to mention a short cautionary statement as always. Some of the statements made in today's earnings conference call maybe forward looking in nature, such forward looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by an information currently available to management. Audiences are cautioned not to place any undue reliance on these forward looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. I would now like to introduce you to the management participating with us in today's earnings con calls. We have with us Captain VK Singh, Managing Director and Mr. Rajesh Desai, Chief Financial Officer. I now request Captain Singh to give his opening remarks. Thank you and over to you sir.

Captain VK Singh: Thank you Anuj. Good evening, ladies and gentlemen. Welcome to today's earnings conference call for the first quarter of the financial year ended 2020. I hope you had a chance to review our financial statements and earnings presentation which have been made available on the exchanges and on our website. Starting with a brief highlight about the global container market. The Howe Robinson Container Index continues to remain firm and was at 700 points at the close of the quarter, which was around 50 points higher than the previous quarter end. Charter hire rates have shown a positive outlook since the low in January 2019. Total scrapping in the first half of 2019 stands at 0.12 million TEUs more than three times the capacity recycled in the same period of 2018. Deliveries for the first half of the year totaled 0.48 million TEUs, after scrapping net fleet growth stood at 0.36 million

TEUs, which equates to a growth of 1.5%. Coming to our standalone financial for the first quarter of FY20. The operational revenue stood at Indian rupee 142 crore and operational EBITDA stood at Indian rupees 7.5 crore and unfortunately this is the first quarter that the company suffered a marginal loss of 1.4 crore.

During the quarter our total fleet size remained at 13 vessels with total capacity of 24,519 TEUs and total deadweight of 3,36,573 metric tons. The company operated a total of 11 vessels including chartered vessels. Total vessel operation days during the quarter was 982 days as against 926 days in the previous quarter. SSL Mumbai, SSL Gujarat and SSL Chennai continued to be on charter. SSL Krishna and SSL Balaji were deployed in our operation subsequent to completion of charter period. During this quarter vessels chartered out for total 341 days as compared to 412 days in the previous quarter and chartered in for 160 days as against 188 days in the previous quarter. SSL Kutch was taken to Colombo dry dock for fitting new generator on board and vessel remained out of service for 20 days.

During the quarter market remained volatile both on domestic as well as Exim trade. Increase in supply against the demand and increased competition further depressed the freight rates. Geopolitical issues continue to affect the global shipping as well as the bunker prices. Decline in revenues can primarily be attributed to decrease in market rates due to imbalance supply and demand. However, the scenario is now improving. Decline in margins can primarily be contributed to significant increase in fuel prices in the quarter. Cyclone Vayu created delays and disturbance in services out of Gujarat region affecting both costs as well revenue on our services. With our initiative followed by all other coastal operators to shift at Kandla terminal, created congestion and operational delays for all operators. We are now trying to shift our Pix2 service back to Mundra which will ease congestion for our other services calling at Kandla port.

The average bunker fuel rate for the quarter was Indian rupees 35,100 per metric ton compared to Indian rupees 32,050 per metric ton in the previous quarter. Total volume handled during the quarter was 1,10,000 TEUs as against 1,13,000 TEUs in the previous quarter.

On the domestic cargo front the company had a market share of 47% in the current quarter as against 45% in the previous quarter. The company took a strategy decision to increase the domestic volume and increase the utilization level on the vessel keeping the freight in line with the market. Although domestic volume increased by 2362 containers, but still total domestic freight was lower as compared to the previous quarter. However, correction in the domestic freight has been incorporated from the beginning of August 2019. Overall utilization on the West Coast services from North to South and West to East was 94% and on the reverse leg was 51%. While on the East Coast services from North to South was 59% and South to North was 83%. Company has agreed for slot-swap arrangement with express feeder on East coast operation for Exim trade and we expect to rationalize our tonnage for better

utilization on Kolkata - Krishnapatnam trade lane. The company also working closely with few mainline and expect to achieve growth in feeder volume increasing overall revenue. Few changes have been brought in our services to reduce operating cost and provide required schedule services to our customers, which can bring additional volume. We have analyzed the factors affecting our performance during the quarter and make required changes to reverse the situation and hopeful to achieve performance in the future. Thank you all for your kind patience. We can now proceed with question and answer session.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Hardik Sodha from Crescita Investments. Please go ahead.

Hardik Sodha: My question is that every quarter we organize the call in the middle of the quarter and you say that we will see the improvement in this quarter. But sir, we are not able to see any sort of improvement so when can we expect the improvement?

Captain VK Singh: While we make forward looking statement but at times market forces beyond our control affect the growth. As I mentioned in my opening remark, with effect from August we have achieved some correction in the domestic freight rate, and we are trying to improve on the feeder laden volume. Since the market is volatile, we are unable to forecast correctly. As you see even in this quarter the bunker rates have fluctuated and even the cyclone Vayu has affected. All such unexpected things do keep happening which changes our statement.

Hardik Sodha: Okay. So, we can expect that going forward so this sort of, this will sustain now. This sort of things performance and all?

Captain VK Singh: Now going forward we feel that performance will get better and we will definitely look forward to a better performance.

Moderator: Thank you. The next question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.

Vikram Suryavanshi: Sir can I have the breakup of 1,10,000 container how much was domestic and EXIM?

Captain VK Singh: We have not given the breakup as such in entire result, so we will not be able to give the detailed operational break up. For this reason, we can only provide the total volume.

Vikram Suryavanshi: Okay, but is it broadly 50%-50% or something or would like to give some sense in terms of shares?

Captain VK Singh: I think broadly about 60% and 40%.

Vikram Suryavanshi: 60%. domestic?

Captain VK Singh: Yes.

Vikram Suryavanshi: Okay. And just to clarify the numbers what you said operating days for this quarter was 982 from our own ships and in charter was 160?

Captain VK Singh: Yes. Total operating 982 days include operation of 160 charter in days.

Vikram Suryavanshi: And what was the bunker cost last quarter like Q4 FY19?

Captain VK Singh: We said that bunker cost during the quarter was 35,100 while in the previous quarter was 32,050.

Rajesh Desai: Current it is 35,100 and previous quarter it was 32,050.

Vikram Suryavanshi: Previous means Q4?

Rajesh Desai: Yes, both are given in presentation Q1 of last year as well as Q4.

Captain VK Singh: You can go through this.

Moderator: Thank you. The next question is from the line of Vikram Raina as an Individual Investor. Please go ahead.

Vikram Raina: Sir my question was regarding the dry-docking, how do we see that going ahead for the rest of the year? I mean, the schedule and are there any new routes on which we are expecting the operations.

Captain VK Singh: First, we do not have any dry-docking due during this financial year. The next dry-docking due will be only in 2020 end. We try and replace the vessel with some other vessel, on our operation when the vessel goes for dry dock.

Vikram Raina: Okay, sure. And sir one more thing on the debt repayment plan. Do you have any plans to reduce the debt or are we comfortable?

Rajesh Desai: We are comfortable with the current debt repayment plan and all repayment we are doing as per the existing schedule for the vessel. We will be able to manage the cash flow, as my debt equity ratio is below 0.9.

Moderator: Thank You. The next question is from the line of Anurag Patil from Roha Asset Management. Please go ahead.

Anurag Patil: Sir recently we have acquired a vessel of 2490 capacity. So, I just want you to understand, has it become operational or not?

Captain VK Singh: Yes, we acquired last year SSL Krishna of 2490 teus. After we acquired the vessel last year, she was put on charter and after completing her charter period, she has joined our service now. We are currently operating the vessel on PIX2 Service.

Anurag Patil: And sir this year any dry-docking schedule for any of our vessels for the remaining quarter?

Captain VK Singh: No, this year there is no dry-docking and no more layup for even the generator fitting as all has been completed and we do not have any dry-docking left.

Anurag Patil: Okay, and sir another question so are we planning any new acquisition this year or next any planning?

Captain VK Singh: We will look at the better opportunity and when the opportunity is good, we will go for acquisition. Now we do not see any additional requirement in our operation, as we are able to take care of all our requirements. We have just taken back two of the vessels which were on charter earlier.

Anurag Patil: Okay. And also sir on the global demand side, so what is the outlook. Is it still dim or see it improving going forward in the near future?

Captain VK Singh: Yes, they are still dim because of the current geopolitical issues which are prevailing and the Gulf issues due to the Iran sanction. But definitely we expect situation to get better and, on our operation, we are working closely with few main line operators so that we can increase our volume and increase our revenue.

Anurag Patil: Okay, and one last question sir, from this inline waterway scheme. So when do you see some traction going forward in next two years, one year or something?

Captain VK Singh: I think it is still about a year or so left for the Inland waterways to mature for making any viable business sense and start looking more seriously for the business in Inland waterways. We will also continue to look for opportunity on this segment and enter at right opportunity.

Moderator: Thank you. The next question is from the line of Saumya Bansal from CRISIL Research. Please go ahead.

Saumya Bansal: Sir my question is on line of IMO 2020 that now that is going to be implemented in January. So is there any preparation on our side that we are doing for installation of scrubbers and how are we planning on going ahead on that?

Captain VK Singh: Yes, IMO 2020 will be implemented as scheduled but we have not gone for any fitment of scrubbers because that is not suitable for our vessels and our trade. We will be using low sulfur fuel oil, which IOCL has confirmed that they will be supplying starting mid-September or October. The preparation for changeover is in progress for our vessels which we will

complete well in time and we will be ready for use of low sulfur fuel by beginning of next year as scheduled.

Saumya Bansal: Okay. So, when you say that you will be using the LSFO. So, going forward also in future anytime in 2020 do we plan to shift to scrubbers all like we won't, we will always be using LSFO only?.

Captain VK Singh: No, we will be always using LSFO because it suits our trade better than fitting scrubber being smaller vessels and lesser sailing days. Scrubbers are currently being fitted on larger vessel which have got longer sailing days. Being a regional and a coastal operator, neither the sizes of the vessels are large nor the steaming time is long hence we are not planning to fit any scrubber on our vessels.

Moderator: Thank you. The next question is from the line of Aditya Mongaya from Kota Securities. Please go ahead.

Aditya Mongaya: I had few questions the first one was, if you could share changes in market share that would have happened for you over the past one year on the domestic side. And any specific reasons for those changes in market share?

Captain VK Singh: Yes, now our current domestic market share is 47% which has increased from 45% during the last quarter. Although, in the last full year our market share was 52% which came down in the last quarter to 45%. and now we are back to 47% which we are trying to increase. Earlier additional tonnages were put by the competitor and some market share shifted to competitor. With increase in volume, we have also increased slightly on the tonnage and trying to push up our share in the market.

Aditya Mongaya: Sure sir. Sir second question was that the new capacity which is coming in from the competitors, Is it today realizing the similar kind of rates that we have to offer of is there a differential pricing which is happening?

Captain VK Singh: See, each one has their own rate, we do not control others rate as such, but supply and demand do affect the overall freight rates. The additional tonnages which were brought in January brought down the utilization level on all vessels which created disruption in the freight rate. Now slowly the tonnage utilization level for all operators has gone up and even the rate correction has been made by everybody. So, the correction in the freight rates have been incorporated from beginning of August.

Aditya Mongaya: Sure, what is the quantum of production or upward revision that you have taken in rate recently?

Captain VK Singh: We will not comment on the exact amount but I only hope that we should come back to our earlier level of freight rates.

Aditya Mongaya: Okay. And just to get a sense of how soon can this capacity be taken up the new capacity which has come up, what is the kind of growth happening for the country as a whole in terms of volumes and what was the excess capacity added, additional capacity added?

Captain VK Singh: See the overall growth in the last three years was almost to the tune of 30-32% CAGR but last year to this year 2019, it came down to 21%. The capacity which has been added in the market is in the level of about 20% which is the normal growth. Any additional capacity added in the market takes some time to stabilize. Now more or less, all capacity what is there in the market it is getting utilized.

Aditya Mongaya: So the market is growing 20% is what you are saying right now?

Captain VK Singh: Yes, that's right around 20% market growth is there.

Aditya Mongaya: So, had we not lost share basically if the numbers would have been much better and now that the share is stable I think we will participate in the market growth?

Captain VK Singh: Yes. It will stabilize unless somebody again adds capacity, which is still to be seen. If supply and demand remain stable than we can expect market rates and share to remain stable.

Aditya Mongaya: Sure, sir. Those were my questions just one thing, I think you shared the data of the bunkering rate at 7 what was that data at present?

Captain VK Singh: At present average rate is about Rupees 32,000 which is average of both type of supply, bonded and coastal bunker.

Moderator: Thank you. The next question is from the line of Ankit Panchmatia from the B&K Securities. Please go ahead.

Ankit Panchmatia: Just wanted to understand your view on the overall market understanding from the competitors point of view as well as from our point of view, are the competitors approaching the market very aggressively? Or, how should I see their approach vis-à-vis our approach differentiating between us and them?

Captain VK Singh: When any new operator comes in or any additional tonnages deployed than demand comes under pressure which affects the market stability. In such situation, operator try to get aggressive by cutting market rates but slowly they cannot sustain with reduction in the freight rate for very long. When sustainability is threatened than either they come back to the required rate, or they close and vanish. Even in the past, many companies have tried and

closed. We are consistent and grown in this market but do get affected at times with such changes.

Ankit Panchmatia: So do we see some undercutting of the rates happening at this point of time, because supply is higher than demand is it the right way to think?

Captain VK Singh: Yes, that happens at times if the supply is more, competition will try to get maximum volume to have better utilization even at the cost of undercutting. And when supply and demand stabilizes than again freight rates stabilizes. Such cycle does occur in the business as in the current status. Today we are already on the rising curve and the freight rates are going up.

Ankit Panchmatia: And sir without using this low sulfur fuel right. So just to understand this, we will be passing this high OPEX cost to the customers right, or we would be partially absorbing it and partially passing it to the customers keeping the current market scenario intact?

Captain VK Singh: We will be definitely passing to the customers as that will be additional operational cost for us else, we will have issue of increase in cost. We may have to take different view for certain low paying cargo which may not be feasible if cost increases. So, there could be a slight reduction in volume because of the higher cost. But surely, it has to be passed to the customer. We have already advised them that freight rates will further go up when low Sulphur rule comes in effect depending on the cost of fuel.

Ankit Panchmatia: Okay. And sir the availability of the same does not remain the challenge right. So, the commitments from the Indian refineries are in place?

Captain VK Singh: Yes, that is correct they have confirmed for supply.

Ankit Panchmatia: So across all the ports or the bunkering would be specific to some points on ports where in it would be available?

Captain VK Singh: Yes, certainly across all the ports they will be supplying because in any case IOCL is supplying at most of the ports currently even if they do not have refinery at any port.

Ankit Panchmatia: Okay. And sir one more question from my end, regarding this relaxation of cabotage. So, just wanted to understand have the foreign vessels have started to ply on the Indian coast, some update on the same would be very helpful to understand that?

Captain VK Singh: After relaxation foreign flag vessels which were already operating between two ports may be carrying some volume mostly empty, from one port to another, but that is not the cargo which we were carrying. We carry mostly the feeder cargo in and out of feeder ports like Calcutta or other ports where the main line vessels are not calling. Increase in other foreign operator has not been much except for one odd vessel handling some Exim volume. We

continue to handle the volume as before except for some drop in the empty volume. That's where you see, our volume has slightly come down.

Ankit Panchmatia: So in this 1,10,000 TEUs there would be some amount of empty as well is the understanding right?

Captain VK Singh: Yes, there will be some empties.

Ankit Panchmatia: Okay. That would be 3 to 5%, just a ballpark number?

Captain VK Singh: It will be more, because on that domestic trade, almost all the container has to be empty repositioned. Out of the total domestic volume, about 40% will be empty and out of total Exim volume, around 20-25% volume are empty.

Moderator: Thank you. The next question is from Sudhir Patel from Individual Investor. Please go ahead.

Sudhir Patel: Sir, I had this question. Now clearly Concor is entering into this segment and their size of the balance sheet is huge and they can also disrupt the market. So, what will be our strategy to counter this competition by them like in the future?

Captain VK Singh: See, their balance sheet could be large, but that doesn't mean they will continue to lose in a business because each business or business head is responsible for the profitability of their business. And they have also realized that. When they came in coastal business, like any other operator they also may have reduced rate but like everybody they were also losing. They realized that they are losing on this business and they also felt the need to increase the rate.

Moderator: Thank you. We have a follow up question from the line Vikram Suryavanshi from Phillip Capital. Please go ahead.

Vikram Suryavanshi: Yes, sir would it be possible to give revenue from this operational revenue and slot charter revenue?

Captain VK Singh: This data is not available currently and will be difficult to give the break up.

Moderator: Thank you. Ladies and gentlemen as there are no further questions from the participants I now hand the conference over to the management for their closing comments. Thank you and over to you.

Captain VK Singh: Yes, thank you very much. And thank you for your participation.

Rajesh Desai: Thank you so much.

Moderator:

Thank you very much. Ladies and gentlemen on behalf of Shreyas Shipping & Logistics Limited. That conclude this conference. Thank you for joining us and you may now disconnect your lines.