

Ref No: nm/2015

 Date: 19th August, 2015

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Dear Sir,

Sub: Transcript of Analyst Call on 14th August, 2015

Please find enclosed herewith the transcript of the Analyst Conference Call conducted on 14th August, 2015 for your records and reference.

Kindly acknowledge receipt of the same.

Thanking you

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


Namrata Malushte
 Company Secretary



Encl: A/a



“Shreyas Shipping & Logistics Limited Q1 FY 2016 Earnings Conference Call”

August 14, 2015



ANALYST: **MS. NIRALI GOPANI - EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

MANAGEMENT: **CAPT. V. K. SINGH – CHIEF EXECUTIVE OFFICER - SHREYAS SHIPPING & LOGISTICS LIMITED**
MR. RAJESH DESAI - CHIEF FINANCIAL OFFICER - SHREYAS SHIPPING & LOGISTICS LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Shreyas Shipping & Logistics Limited Q1 FY16 Conference Call, hosted by Emkay Global Financial Services Limited. We have with us today Captain V. K. Singh, CEO; Mr. Rajesh Desai, CFO of Shreyas Shipping & Logistics 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. Please note that this conference is being recorded. I now hand the conference over to Ms. Nirali Gopani. Thank you and over to you Ma’am!

Nirali Gopani: Good morning, this is Nirali Gopani here, thank you for joining us today. We would like to welcome the management of Shreyas Shipping & Logistics Limited and thank them for giving us the opportunity to host this call. I would like to now hand over the call to Mr. Singh. Over to you Sir!

V. K. Singh: Thank you. Now, going back to the performance of the Q1 for the year 2015-2016, we would like to highlight that the performance as far as the concerns with whatever vessels we have operated and they actually performed quite well to our expectations. Of course, the number has come down and I can say that, but it was mainly where that because one of the vessels was in dry dock for repairs for one month which was a scheduled dry dock in any case, and when the vessel is in dry dock actually we lose the business opportunity for the vessel. Not only that, the cost remains continuous on the vessel because standing cost is there as it is and over and above we have the cost of dry docking. So if you take the number of the business loss opportunity as well as cost of the dry dock it covers a quite a bit of loss close to about 13 Crores, between both it comes to about almost 13 Crores. So that was one of the reasons which brought down the profitability for the quarter and besides that of course we took the vessel which was planned for taking delivery by end of March which we had originally planned, but the acquisition of the two vessels which we have taken in this quarter got delayed because of the price fluctuation of the vessel and that time we could not buy and of course we had enough business tied up for this quarter for the seasonal business of cashew which generally moves and that was the reason we had enough of cargo and cargo was actually waiting at Mundra for quite a bit of time and also that added on because of the congestion at Mundra because of the excess flow of seasonal cargo in the month of May and June.

Virtually, for one month we operated five vessels and two months we operated virtually six vessels. Utilization level of course was good from north to south, virtually it was 100%. It was not that we did not have the utilization level and it was only that now we have added up two vessels in our system and that after the addition of two vessels, one of them has just joined in Calcutta this quarter and the another one which we acquired of course in the last month but is coming into our service by 22nd of this month from Jebel Ali, running the

service of PIX2 which is going to the East Coast. Because of the congestion and because of the excess volume at Mundra, from Mundra to south, we had actually for some time disrupted and PIX2 service which was East Coast to Jebel Ali service because of the overflow situation in Mundra and we had to concentrate more onto carrying cargo from Mundra to South, so that is where the vessels were deployed, vessels were all 100% full. Definitely there was an issue because we had expected that larger vessel will come by then which did not come and as a result the committed cargo which was there that the cashew cargo which was not paying that much as the domestic cargo which we generally have the revenue on board, we had to even sacrifice some of the domestic cargo and cut down on that volume to take and accommodate the feeder transshipment cargo, because that was committed and that was a time-sensitive cargo. There was also certain issues of congestion in Mundra and we had several delays at Mundra for almost close to about 20 days, we lost 25 days nearly in the month of May because there was a congestion in Nhava Sheva and as a result Mundra also was congested and there was a lot of volume flow in Mundra for the exim cargo and that is where we also got affected and we lost our voyage because of that congestion at Mundra so these were the main issues what we feel. Since the east-west service was disrupted because of the volume at Mundra virtually we could not take advantage of even from East to Jebel Ali Cargo which normally would have given us, but we covered up with cargo on the West Coast with changed voyages. Even the FCI cargo which was there, because we were doing FCI cargo in the last quarter of 2014-2015 but that came to an end in March and after that now renewal has just come in and the new contract has been signed now, again the shipment is starting from this month end, so there was a disruption there also. so the cargo revenue otherwise which we continue to get from FCI on the reverse leg from East to West that also was not there during this quarter, which now again will start coming from this month end. So virtually now with the addition of these two vessels we are going to start the regular service of PIX2 and PIX1 which we have that is on the West Coast as well as from the East to West and Jebel Ali service. We are also putting a new service that is between Goa, Mangalore, Nhava Sheva, and Mundra so that is with a smaller vessel of Trust and Chennai which we have taken, so that we expect to do better now with all the eight vessels coming in operation with effect from end of this month, I think we should streamline our operation and of course in the coming quarter we do not have any dry docking also, so definitely we should see better numbers henceforth. Can we go down to the questions if any?

Moderator:

Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.

Kashyap Jhaveri:

Good morning Sir. I had three questions first one was that you mentioned in your opening remarks about sort of loss of revenue plus expenses on dry docking roughly about 13 Crores, did I get it correct?

- V. K. Singh:** That is right.
- Kashyap Jhaveri:** So on a normalized basis these five vessels will do a normalized EBITDA of 30 Crores from this quarter onwards?
- Rajesh Desai :** Not five generally, whenever we operate vessels, like whenever a new vessel comes into service even the cargo also gets spread a little. When we were operating five vessels it was virtually 90%, 100%, but if a new vessel comes immediately it cannot be into that extent. Normally it takes some time to generate, but around similar 28 - 30 EBITDA that will be trading definitely per quarter can be achievable that is regular, which was also there in the previous year also.
- Kashyap Jhaveri:** Right. The second question is, is there any other dry docking scheduled down the line for the next about two to three quarters?
- V. K. Singh:** I think in the last quarter it is due and of course we took a vessel this quarter which we have taken acquisition that also we dry docked after the acquisition, but of course the dry dock because that was the additional service not in the system anyway, so the consequence was loss of business on that vessel and that dry dock was very short because that vessel was just laid up for sometime before we took the delivery/acquisition so that is why we had done the dry dock for that vessel, which was a short dry dock. The next dry dock for our regular vessel is due only in the last quarter and we do not have in this quarter as well as the coming quarter. At the same time what happens is on a regular basis we have already got the cargo which we have been working with six vessels so far and now we had already streamlined our services with six vessels. Going ahead now we have added two vessels so definitely we will take some breathing time to come to the same level of what we have the utilization level on the six vessels today to bring it down to all the eight vessels, so definitely we cannot have the same proportion and same ratio but going forward yes, definitely we expect the volume to increase and we expect all the vessels to perform equally well and the utilization level to remain. Of course with the volume going up we may have to compromise a little bit on the rate and the revenue, but definitely our focus is always to fill up the vessels completely from North to South and at least on the main lanes, and try and maximize the utilization on the reverse leg, so that is what we have planned and that is where we have planned and put the services. We will be starting with all the eight vessels only by the end of this month and we should settle down by close of this quarter with all the eight vessels.
- Kashyap Jhaveri:** The two new vessels will both commence in the month of September?
- V. K. Singh:** Yes, you can take it that way that it will commence from the month of September.

- Kashyap Jhaveri:** At least one has already started or both will start in September?
- V. K. Singh:** No, one has just joined and it is just starting, definitely it has come to Calcutta from there we have to reposition it back to West Coast and where we are going to operate that vessel also, on the West Coast mainly, so that is why we have acquired this. Actually it will start regular service on the West Coast from September beginning and the other vessel the larger vessel which we have acquired that is almost 3000 TEU vessel which also joins the service on the East Coast to Jebel Ali service so that is what we had started with two vessels, now we are putting the third vessel on a fix-day service and there of course we will have one more vessel requirement, once we acquire in future we can put one more vessel there in that loop so virtually this vessel also will start by beginning of September.
- Kashyap Jhaveri:** And in these two new vessels let's say in the starting what is the utilization that we are expecting in the beginning months?
- V. K. Singh:** On the main leg we are looking at definitely, as I said we will always focus on utilizing the vessels to maximum, even if we have to take a low-freighted cargo, our emphasis will be to utilize the vessel to a maximum level from day one.
- Kashyap Jhaveri:** North to South will be full?
- V. K. Singh:** That is right, the intention is that North to South should be full and we are targeting that, because if we are not going to get all cargos at high freights, we can go down on the freight, but we will try and make the vessels' utilization level to a maximum.
- Kashyap Jhaveri:** Sure, that is it from my side, thank you.
- Moderator:** Thank you. The next question is from the line of Abhjijt Vora from Sundaram Mutual Fund. Please go ahead.
- Abhjijt Vora:** (Inaudible) 14:20 renewed the contract. How the tariff compares with your last contract?
- V. K. Singh:** Renewed contract of FCI you are saying?
- Abhjijt Vora:** Yes.
- V. K. Singh:** It is slightly lower than the last time of course which we have given, but at the same time we have reduced our operational cost also now because we have larger vessel and we are connecting from here to there so definitely with that we have gone a little lower on the cost and FCI during the last seminar I heard that they had in the last contract itself on the operational costing they made profit of about 11 Lakhs and on the damages and other costs

they made a profit of almost about 50 Lakhs on the shipment terms last year, so they have seen and they have given again this contract, but the pricing is slightly lower than the last year.

Abhjijt Vora: Is there a chance of FCI increasing the quantum? One more thing is this contract every year would be sort of renewed, are you confident about it?

V. K. Singh: Again one year they have given us and the contract quantum is not that much, it is only about 70000 tonnes, but definitely that is subject to increase in quantum, even if it has to increase more than the contracted amount they will be willing and they can go ahead with that increase. Besides that it is not only this sector which they are looking at virtually, if you recall like we have taken a smaller vessel for these two acquisitions and one of the vessel is smaller and the intention was mainly to put it on Chittagong and Calcutta, Vizag service and that is where we are also targeting in the due course because the Government of India is working on treaty with Bangladesh to move the North Eastern state cargo via sea port and that is where we are gearing up. We have already geared up with a vessel and all support services, everything is ready, we have already called one voyage to Chittagong and we have tried and tested, everything is in place. We are waiting for the government to clear all the documentation procedural issues whatever is there between the two countries for movement of FCI cargo.

Abhjijt Vora: What cargo will be handled in this?

V. K. Singh: Again, mainly FCI cargo, rice shipment is one and then if goes even fertilizers and then the cargo will start moving.

Abhjijt Vora: So this will be a new service for us right?

V. K. Singh: Yes, when that comes then we will have the new service because the intention is that we have taken the one vessel which we had smaller earlier and one vessel we have added and with two vessels the intention is that we have a service between Vizag, Calcutta, and Chittagong and we also connect this Jebel Ali cargo out of Chittagong into Vizag as well as do all India shipment between India and Bangladesh whether it is for the Northeastern state as well as for Bangladesh. So that is what we are going to start, but we are just giving a little time to start that service because we have tried and tested, everything is in place.

Abhjijt Vora: But it would happen by this year end?

V. K. Singh: Hopefully yes, it should happen by end of this quarter maybe.

Abhjijt Vora: Okay, and the new vessel that you have bought for the service what is the size?

- V. K. Singh:** The size is 700 TEUs about 11,000 tonnes.
- Abhijit Vora:** 700 TEUs is the small one.
- V. K. Singh:** Because that has to go with the draft of Calcutta and Chittagong, Mongla so there the draft is structurally lower there and the larger vessel cannot go and we do not need that because the requirement is also not that large to connect that will be used as feeder between that three ports, and that suites our requirements that is why we went for this smaller vessel although we had planned earlier to go for a larger vessel, some of the vessels are larger sizes but this vessel was taken mainly to cater to the service which we foresee that we should start in a few months.
- Abhijit Vora:** Sir correct me if I am wrong, three vessels we wanted to introduce, one is what you mentioned Jebel Ali East side is 8000 TEU vessel, remaining two will be for what sir and what will be the size of it?
- V. K. Singh:** For Jebel Ali we will have three vessels, the two are existing vessels that is the SSL Gujarat as well as SSL Mumbai which is 1700 TEUs and the third vessel which we are now putting is the new acquisition that is 3000 TEU vessel, SSL Bharat so those three vessels will be on the East Coast, West Coast, and the Jebel Ali service and of course we continue with the previous services from the Mundra, Cochin, Tuticorin with two larger vessels again with the 1700 TEU vessels and the two smaller vessels currently we have put is Trust as well as Chennai the new acquisition we will be putting and developing Goa, Mangalore and to Nhava Sheva and Mundra that is the requirement for transshipment as well as domestic new area sectors which we are trying to develop, which was not really having a service earlier so we are trying to give a service there also on a weekly basis and develop even the transshipment cargo out of there over Mundra as well as the domestic cargo into these ports.
- Abhijit Vora:** This will be what size?
- V. K. Singh:** These are the two smaller size Chennai is basically 700 TEUs and Trust is 1000 TEU vessel and of course the other smaller size which we have that is 600 TEU vessel which is there on the East Coast as a feeder which we are using between Calcutta and Vizag and also with Kakinada connecting over Vizag for the FCI cargo.
- Abhijit Vora:** Sir with all this coming on track say by the end of the year your total TEU handling capacity would increase to how much?
- V. K. Singh:** Currently all the vessels TEU capacity 12,000 TEUs with all the eight vessels which we have, the capacity we have available is almost about 12000 TEUs, which we will be handling once we have these two vessels also on the service.

- Abhijit Vora:** And this annual capacity what we can handle will be how much? Last year we did 2,25,000 TEUs. With the eight vessels assuming full utilization what sort of volume we can do?
- V. K. Singh:** We should go up to about 3,00,000 TEUs that is what we are expecting because it then goes with the capacity increase in the same ratio because if you see that it take two services which we have to Jebel Ali that is a one month and outbound trip wise, so virtually you do mainly two-leg cargos, it is not voyage where the volume is more, but definitely you have because you are going to the East Coast your voyage is long, your revenue also is more, but TEU may not increase to the same ratio.
- Abhijit Vora:** Thank you Sir, I will come back in the queue.
- Moderator:** Thank you. Next question is from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.
- Sachin Kasera:** My question was regarding the measurement of the volume that we do. As we mentioned sometime the TEUs can be a little confusing because depending on whether you do more or short legs and long legs. Is there something called TEU per TEU kilometer that you track that can give us a better idea of how the pricing and the volumes?
- V. K. Singh:** Basically what happens I will tell you in TEU, because we are carrying two types of cargo if you recall, one is the domestic cargo which is heavier cargo, so if you call a domestic cargo we generally get paid per ton basis and when you carry the transshipment cargo which is lighter which is on average is about 14 tonnes per TEU and we charge them also per TEU basis so virtually you cannot have TEU and come to any such conclusion that whether the number is more or less, so when we work on the capacity wise, when we work out of Mundra and all the vessels mainly carrying domestic cargo out of Mundra the capacity is worked out on the basis of dead weight, it is not the capacity of TEU, although the capacity of the vessel maybe 3000 TEU nominal capacity and even at 14 tonnes when we work that capacity could be 2000 TEU, but you may end up with just 1000 TEU of domestic container and fill up the vessel completely because what happens if you are carrying 30 tons of cargo because that dead weight is also one of the measurement which we have to maintain on the vessel. We cannot exceed the dead weight otherwise the vessel will not be stable, so virtually that is how it is worked, so all the domestic cargo which we carry is based on ton wise, so what happens when we have additional tonnage which we have added, now if we have added I say 32000 dead weight vessel on a monthly basis, so what I have added in the stream is 30,000 tonnes of domestic cargo which I will be carrying in a voyage. I am telling again the two vessels which we were earlier not operating on Goa, Mangalore and Cochin service that again adds up to net 20,000 tonnes of cargo, so what we have done is we have added in the stream from north almost 70,000 tonnes per month from out of Mundra, so that is what we do it on the dead weight wise. Now the capacity for the

utilization on the south leg is the TEU capacity, so it all matters like whether you want to carry more of a dead weighted cargo that is heavier cargo of domestic which TEU has got no meaning even if you increase upwards, the TEU will also increase within the same respect, but it will not increase with the capacity, it will increase only with the weight on the domestic front but on the reverse leg it is mainly the TEU capacity which accounts for the utilization level.

Sachin Kasera: These two vessels that we have just acquired by what time do you think they will reach full utilization?

V. K. Singh: They should reach full utilization by end of this quarter.

Sachin Kasera: And what is the revenue potential from these two additional ships that can come to us, let us say next year or once they reach full potential on a monthly or a yearly basis what is the type of revenue they can generate for us?

V. K. Singh: Revenue addition is per vessel which we have, the larger vessels will get additional like what we call as a yield on the vessel per day, on an average we get about \$12,000 to \$13,000 per day as a yield, of course there is a cost in that, that is standing cost and finance cost in that, but otherwise that is the additional revenue what we get. Instead of charter hire what we would have got on that vessel maybe about 7000 to 8000. When we operate we should go upwards about 12000 per day and on the smaller vessel size which we have 700 TEU which we have taken that will add another about \$6000 per day that is if you leave behind a \$4000 of standing cost that gives us almost about \$2000 of net yield on a per day basis so that is how the revenue we work on the basis of the vessel when we increase the vessel.

Sachin Kasera: And Sir you said \$2000 per day net yield for the smaller vessel.

V. K. Singh: And there if you count about 12000 and you take out \$6000 as your finance as well as standing cost so that is net the yield what you get on the vessel is about \$6000.

Sachin Kasera: That is on a PBT basis, this is including interest, and depreciation also Sir?

V. K. Singh: No, depreciation of course is a little bit there, but not really much, so even if you reduce the depreciation amount that will be another \$500 you can reduce so that is something like about \$5500, so with the two vessels which should get on the net side about roughly about \$7000 per day.

Sachin Kasera: Any further plans in terms of acquisition Sir?

- V. K. Singh:** Close of this year I think we should add another larger vessel, which we are looking at and then making our East Coast Jebel Ali service to weekly service because we have three vessels, we actually need four vessels, so in the next three four months when we think that these three vessels will be settled well all these service then we can go ahead with the acquisition of the one more vessel by close of this year and make it a four-vessel service.
- Sachin Kasera:** That would be more like a 2500 and 3000 tonnes TEU sir?
- V. K. Singh:** Yes, that will be about to say 2500 TEU vessel is something what we will be looking at.
- Sachin Kasera:** Just coming back to the previous answer that you mentioned, is my question correct at \$7000 means roughly around \$2.5 million of profit these two vessels get every year for us is that assumption correct?
- V. K. Singh:** That should add on an average of course if all goes well, but definitely you know that any business has got its ups and downs, like I said in my initial remarks that we had a delay of almost 25 days in Mundra this time for the vessels all put together, of course those things breaks you down and there will be maintenance cost, dry docking comes, but otherwise generally that is how we work on the vessels.
- Sachin Kasera:** Sir can you also help us similarly with the current TCY of the existing vessels to get understanding how things are, the way you gave for this existing two new vessels that are coming in, can you give us the net yield currently on the existing six vessels that you are enjoying?
- V. K. Singh:** That is exactly on the same line, if you see we work on the same line on all these vessels roughly. Even on other vessels of 1700 Teu what we have the other four vessels, the average yield is about 12000 and with 12000 if we have to take out the 6000 per spending on the finance cost we should get a net of 6000 on all these vessels and the smaller vessels of course comes under same level what I worked out on that. So it all depends on, these larger vessels works in the same level and the smaller vessels work in that level.
- Sachin Kasera:** One specific question on the line item sir, there is a item is called Ocean Freight Charges that has gone up from 3.9 Crores in June quarter last year to 10.25 and even compared to the March quarter it is up from 6 to 10 Crores. What is specifically, can you explain what are these charges and why they have gone up because our number of ships have remained same, despite that these charges are almost gone up like 2X compared to the same quarter last year?
- Rajesh Desai:** Actually Ocean Freight Charges includes whatever we load on other vessels as well as my subsidiary loads on other vessels. During the last quarter we had temporarily halted the

Jebel Ali service, so during that period even they have loaded on other vessels because if they load on my vessel during consolidation it will get knocked off so that is the reason that variation is there. They have loaded on some other liners which are going. Other liner this is also what they do. So, when they load on Shreyas vessel it will get knocked off, so there maybe some variation because of that.

Sachin Kasera: So basically as now our service has resumed and become normal these charges will again come down.

Rajesh Desai : Yes.

Sachin Kasera: Secondly sir compared to the June quarter your fuel expenses have gone up by around 5 Crores from 18 Crores to 23 Crores mainly because YOY the two (indiscernible) 32.35 is that the main reason?

V. K. Singh: No. The main reason was the fuel prices also slightly went up during this quarter which has again come down if you know currently and other reason was that we operated five vessels and those were the larger vessels, one of the vessel which started operating last quarter if we operated only for one month, SSL Gujarat, during this quarter we operated for the full quarter so that was the larger cost so that is where it also went up because of that, although we did not operate one vessel but that was a smaller vessel, which we did not operate during the tide of time but this vessel was operated for the full quarter, so virtually that is how it has gone up slightly on this size and even the voyages what we did during this quarter are longer voyages if you see, so it comes on the larger consumption because the sea voyages, steaming is more during this quarter as against the last quarter.

Sachin Kasera: Thank you Sir.

Moderator: Thank you. The next question is from the line of Rajesh Kothari from Alfa Accurate Advisors. Please go ahead.

Rajesh Kothari: Just wanted to know one thing that when you are giving this net yield that assumes how much south-bound utilization?

V. K. Singh: On the working we have considered on an average about 85% utilization on the north to south bound or west to east bound and almost about 60% utilization from south to north as well as from east to west.

Rajesh Kothari: And what is the current utilization? North to south you said current utilization is close to almost 100%.

- V. K. Singh:** During this quarter yes it was close to 100% of course, but as I said right now we had low freighted rate revenue because we had some transshipment cargo which we had committed and we did not have the new acquired vessel at that time so we had to use that, we have to load those cargo, otherwise yes the utilization level was almost about 100%.
- Rajesh Kothari:** And what was reverse utilization south to north?
- V. K. Singh:** Reversed utilization has slightly come down because you know that globally the international market has come down and because of that on the south leg we were mainly carrying that transshipment cargo into Mundra and that has comedown of late.
- Rajesh Kothari:** So what is the utilization?
- V. K. Singh:** It is almost about 50%, 55%.
- Rajesh Kothari:** Oh! I see which was almost more than 80% in the fourth quarter if I am not wrong.
- V. K. Singh:** Yes.
- Rajesh Kothari:** That is what I wanted to know.
- V. K. Singh:** Yes, that is why I said like because even on the east to west if you see this quarter we did have the FCI cargo so with that also utilization level went down and the last quarter we had that cargo also, so all these put together the utilization level on the reverse leg has come down this quarter.
- Rajesh Kothari:** Is there any seasonality factor which comes into place?
- V. K. Singh:** Yes, seasonality factor is there like festive seasons are there, of course yearend cargo and all your cashew seasonality is also there which affects our business, sometimes the volume goes up and again after the festival it comes, those things are of course there, but mainly seasonality effect is on the cashew season, cashew gets imported and that is the transshipment cargo which we generally handle.
- Rajesh Kothari:** And for the new vessels sometimes you are saying last time that for a few days in a quarter you have to put it on charter basis rather than your mainstream thing, so for these two new vessels by when you think it will move from charter basis to where the yield is higher business kind of thing?
- V. K. Singh:** As I said, out of these two vessels one of the vessels when we took was already on charter and we cannot break that charter when we acquired the vessel, so the charter has come to an end. Now we are taking over this vessel on 22nd in Jebel Ali this month and that is a larger

vessel and the second vessel definitely we took it that was not on charter, we have not given on charter, we straight away dry docked her and then took her on our service.

Rajesh Kothari: Okay, and your six existing vessels put together what is the yield which you generate on net basis?

V. K. Singh: Net basis you can say almost about \$60,000 gross yield per day.

Rajesh Kothari: And the net yield?

V. K. Singh: The net size it should be almost roughly between 30 and 35 average.

Rajesh Kothari: That is after the interest and depreciation both?

V. K. Singh: Yes interest, depreciation and the standing cost of the vessels.

Rajesh Kothari: And in the fourth quarter you will have one more vessel?

V. K. Singh: That is average, but again there could be some additional repair cost and additional stores or something and that gets knocked out that time.

Rajesh Kothari: What I understand is that the repair and dry dock and all these things are actually part of the business am I right, so one should take it as a normal cost rather than one off?

V. K. Singh: That we have taken that is already considered in our budget and we take that on a normal cost, but certain repairs could be abnormal which is not expected, but then if there are some spare part requirements or something which cannot be taken on a normal basis and those do keep coming off and on, as it is after all a machinery.

Rajesh Kothari: And this gets charged off to your P&L?

V. K. Singh: Yes, definitely.

Rajesh Kothari: And approximately what is the cost, when you are doing your own internal exercise of budgeting, how much this cost you put per vessel that approximately this much is generally on and off as you rightly said is a right word which anyway you have to spend on an every year basis, how much you think this kind of cost can come up for the new vessels as well?

V. K. Singh: It would be in the same line, on average we do take certain cost in our budget when we workout but of course in P&L it would be all on the actual basis whatever it comes, but as I said if you really go ahead with what we budgeted for this quarter it was after taking all

these dry dock and everything into account, as same as budget, it was exactly the same number what we got is what we had budgeted in the beginning of the year.

Rajesh Kothari: No, what I am trying to understand is there on the 3000 that yield what you are talking about 5500 or whatever for the new vessel, what can be the average workout cost on a yearly basis which is not part of that net yield am I right?

V. K. Singh: No, that will be part of net yield only.

Rajesh Kothari: So, 70000 net yield what you are talking about for both the new vessels it is after considering average workout cost as well.

V. K. Singh: Yes and that is why like that when we do the management cost that includes the standing cost of the vessel, that is something we work on the basis of taking all these into average and we have worked out some vessel will have about 4500, some vessel will have about 5000 depending on the vessel size, vessel age. Over and above that is of course that you have the finance cost and depreciation cost.

Rajesh Kothari: So what can be all these numbers what you have put together? Does the 7000 includes the workout cost or not?

V. K. Singh: 7000 will not consider the interest and depreciation. So 7000 when I am saying for the larger vessel that will include everything.

Rajesh Kothari: Sir we are getting confused, my point is you said that larger one will generate gross yield of \$12000 instead of charter of \$7000, it will be generate net yield after considering stand out cost and interest \$6000 post depreciation you said it will be another 500 minus so 5500 yield. I just wondered when you said it will be 2000 net yield plus 500 depreciation there as well, so 5500 plus 2000 whatever the number so that comes to close to about 7000 is the net yield putting both vessels together. My question is this 7000 net yields whether it excludes the workout cost or after considering workout cost is 7000 net yield.

V. K. Singh: It is after considering.

Rajesh Kothari: And for the existing vessels you are saying that your yield is 60,000 gross and 30000 post interest and depreciation and standing cost. This 30000 number is after workout cost or before workout cost?

V. K. Singh: That is all after workout.

Rajesh Kothari: Because you mentioned that there can be additional repair cost and all that stuff.

- V. K. Singh:** All other costs we have taken into account for coming into the net yield.
- Rajesh Kothari:** Because you are mentioning there can be additional repair cost?
- V. K. Singh:** Additional also we include in that, that is why sometimes fluctuation will come, if you are taking 7000 overall all cost put together sometimes it could become 6500, sometimes it could be become 7000, so that is how it works.
- Rajesh Kothari:** And my last question is in the fourth quarter since you are planning again dry dock what you think can be the potential loss of revenue and the dry dock charges?
- V. K. Singh:** That dry dock is going to be a smaller dry dock, just usual dry dock, no specific survey or anything that should be normally for 14 days that is what we have planned.
- Rajesh Kothari:** So what can be the charges?
- V. K. Singh:** Charges could be about close to \$300,000.
- Moderator:** Thank you. The next question is from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.
- Kashyap Jhaveri:** I just wanted to check these two new vehicles you said will come on voyage in the beginning of September, initially you would have 100% north to south and you are expecting 100% utilization back also by the end of September, is that the right way to understand?
- V. K. Singh:** No. I said the two vessels which are coming we are not expecting they are coming only in the beginning of September, by the end of this quarter we should settle down to our average working that is what we have worked on 85% on north to south and 55% to 60% on south to north.
- Kashyap Jhaveri:** And those two vessels in that particular one month would be cash breakeven or they would not be cash breakeven?
- V. K. Singh:** Yes, they will have cash breakeven and they will have the profitability.
- Kashyap Jhaveri:** Okay, sure, that is it from my side, thank you.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.
- Sachin Kasera:** Sir what is the amount that we have spent on these two acquisitions of ships?

- V. K. Singh:** One of the vessel we have spent 7 million and another vessel we have spent 2.9 million.
- Sachin Kasera:** So totally around 10 million approximately.
- V. K. Singh:** Yes.
- Sachin Kasera:** Secondly, what is the trend in the cost of the ships, are they starting to go up or they remain stable in the last and what is the outlook?
- V. K. Singh:** I think it is stable now but the market has come down overall, the market which had gone up is again showing a slight decline and the steel prices also has come down that is scrap value also has come down, so definitely that will pull down the prices that is where I said we are waiting and watching, and the one vessel which we plan to take by close of this year that will again depend on the market situation and if we can get some advantage of the prices, if it falls further that is why we are waiting and watching that. We are on the view that it might slightly go down in the coming months.
- Sachin Kasera:** And of all these existing eight vessels, any of the vessels will need to be scrapped in the next four or five years?
- V. K. Singh:** That we will take a call. We have not decided as such because we have dry docked this vessel but definitely four to five years yes, we have two smaller vessels which will definitely go for change in the coming years, maybe when they have next special survey or something like that, maybe after two years, one of the vessels at least after two years and another vessel may be after another three years.
- Sachin Kasera:** And coming on the number of the net charter yield if I see for the quarter ending March we had around six vessels of each one of all you operating for one month and the profit that we reported around 36.5 Crores. If I do a time charter yielding I am getting a figure of around close to \$10,000 per day whereas you mentioned that the existing profitability all combined is somewhere around average 4000, 5000 whereas the reported number for March was \$10000.
- Rajesh Desai :** In March it is there was additional impact of lower fuel, because you should see the last quarter the fuel rate was lower that additional impact also was there.
- Sachin Kasera:** But even sir that was like four, five or even we adjust for that the figure would still be hitting up \$1000.
- V. K. Singh:** It should vary between 7000, 8000 or 9000 and sometimes it is 7000, 8000 average it should vary between that level.

- Sachin Kasera:** My question was coming from the fact that considering this new vessel, our existing vessels are 1700 TEUs and the new vessel is 2700 TEU so its TCY should be far higher than the 1700 which is currently you are enjoying \$7500, \$8000.
- V. K. Singh:** No. That does not work like that basically in all the markets and definitely because the cost is also higher on these vessels, certainly it depends on the utilization level. If you can really utilize these vessels to the maximum capacity then maybe the yield can go up further, but otherwise it is not and at the same time if you see the charter market that is also something similar. The charter market for 3000 TEU vessel is actually lesser than charter market of 1700 TEUs today. So it all depends like whether you can really utilize the vessels properly in certain sector and that is where the yield goes up. We have considered, that is why I said like we have considered out of all other vessels 12000 we are considering maybe 13000 yield on this larger vessel and at the same time the smaller vessel which we have taken is we are considering yield of only \$5000 to \$6000 because that has got limitations.
- Moderator:** Thank you. The next question is from the line of Nitin Arora from Emkay Global. Please go ahead.
- Nitin Arora:** You have started last quarter the call with Gujarat Pipava Port and I just wanted to know that have we started scaling there in this quarter?
- V. K. Singh:** Yes, virtually in the last quarter we did the entire quarter Pipava call, but this particular quarter now we have suspended, actually we were doing till last month end we have done a call after that because mainly the Pipava call was seasonal for cotton, cotton shipment which moves to South India from that catchment area so now with the cotton season coming to an end and again the cotton season will start only in September and October that is when they will require the call in Pipava, so virtually that Pipava call is suspended now but will again start by September end or October beginning when the cotton movement starts.
- Nitin Arora:** Can you just tell me the total yearly potential this port can create for you in terms of the cotton shipment?
- V. K. Singh:** The total cotton shipment which is moving is close to about 400,000 containers basically for the entire year, but if you see all have not been converted into sea mode that may take some time to gets converted into sea mode that is where we have been discussing with South India Miller Association and we are working on that that maximum cottons can be moved for two, three legs and then we can move maximum cotton that is where we had started even Pipava call, but next year again we expect quite a large volume of cotton shipment to start. Now we are more equipped also with larger tonnage because we did not have that much of capacity to move cotton because that being a seasonal cargo because we

cannot have additional capacity but now today we have the additional capacity that is where we have said that if needed we can dedicate a vessel larger vessel just for the cotton during the season, so we are working on that and that could increase the volume, but it all has to be seen whether really the volume increases from their side.

Nitin Arora:

Sir you talked about the congestion at Mundra. What is the specific? Is it something related to the berthing of the ship because Mundra has grown about 10% in this quarter where the market did not grow more than 2% in the container side on the West Coast. Can you specify what was this pertaining to?

V. K. Singh:

Yes, if you see all these container terminals they work on a fixed-day berthing window and we also started working on a fixed-day window and we are at a terminal in Mundra at Adani, CT3 where it is basically a joint venture with Adani and MSC, so virtually on that terminal mainly the MSC vessels fall and it is their terminal, even there is another terminal which is purely operated by Adani is completely full and more and more vessels calling because till the time they are developing the other terminal now which will take some time, I think next year the other terminal will also come from Adani that is being worked now with CMA but because of more vessels, more volumes coming in during that particular month there was congestion and because of that congestion we have to wait if we missed our window berthing because that was also there like. Now we have also got a fixed window berthing at Mundra, so we have tried to streamline that. Earlier we never had the window berthing because we were working not on a fixed day or one or two services and their services also kept changing, MSC services also kept changing so that is where we had little issues, but now we have streamlined that. Of course we had the delay of berthing, that is put altogether like 25 days between all the five vessels which we were operating out of Mundra and virtually it was two to three calls per week out of Mundra so those vessels were getting a day or two days delay each time, so that is where we were having total it worked out to almost 25 days of delay of vessels, so vessel was standing. Virtually when a vessel is standing, if even one vessel if you work 25 days standing and no business so that is the time lost on the vessel.

Nitin Arora:

Sir can you share how much boxes you lost because of this, in terms of volume part at Mundra because now you are having a fixed window from this quarter? So any which way even you get a delay...

V. K. Singh:

We have lost because definitely we were not able to, otherwise we could have done the faster voyages, at least two voyages we lost, so if you work on even two voyages of average of 1000 TEU, virtually we lost about 2000 TEUs of cargo, which in any case now it will come and additionally we have the vessels also and now we have streamlined our window berthing also in Mundra so we have a fixed window unlike all other operators, actually

coastal operators, we are in line with the EXIM operators, like the way they operate we also operate in a fixed window system now.

Nitin Arora: Sir when you talked about Chittagong can you give us a sense? Because right now Chittagong is getting the transshipment from Colombo. There is another targeted port which will still take time when we start competing for the Chittagong volumes. Can you give us a sense that how much is coming to India from there, rather from Colombo to the Chittagong where we can play the role?

V. K. Singh: See that issue is one today all the transshipment out of Chittagong is done only via Colombo or via Port Klang (Singapore) so these are the two main ports there from where transshipment is done. Now the idea was for the transshipment cargo of course we cannot do the transshipment of Chittagong cargo for any other location other than the Middle East where we have to service over Vizag, so the intention was to transship only the Middle East cargo which is presently maybe moving toward Colombo for transshipment that can be moved onto Vizag for transshipment and then it comes on our vessel directly to Jebel Ali. Now that was one of the cargos which we are targeting. The second cargo with Chittagong what we are targeting is now with this service if you see all ports of India get connected to Chittagong via Vizag with our smaller vessel service, so from any port, suppose from Mundra a cargo has to move to Chittagong, earlier it was going to Colombo and then going to Chittagong now we can bring from Mundra to Vizag and Vizag to Chittagong, so all ports of India also gets connected to Chittagong and vice-versa. Thirdly, what we are targeting is the cargo which was moving by road into Bangladesh on the North East side from Calcutta region by road that also can be tapped and converted into sea mode. What we are targeting is also the North Eastern states of India which are actually moving the cargo today with a great difficulty to railways, which can be moved via sea mode, so that also can be converted. So, there is a lot of potential and there are a lot of empties which has to move also from Chittagong into these ports, so there is also requirement for lot of empty lines movement. So that is where we saw that there is a good potential. Of course we worked out one voyage and we had a good response, but we need the vessel now on the West Coast and we do not have that much utilization, we do not want to just keep on doing a transshipment and developing that for the time being and we will take it forward later, but there is a potential which in the coming one or two months we should be going back to Chittagong and starting the service.

Nitin Arora: And you are saying that the Chittagong thing will happen by end of this quarter?

V. K. Singh: Yes.

- Nitin Arora:** Okay. In the Mundra are you handling more of MSC volumes, I mean my context is that when you talk about the empties, MSC runs a lot of empty boxes in India, so just wanted to get a sense.
- V. K. Singh:** Forget about the empties of MSC, in Mundra we have got their maximum volume of rate which we carried for MSC and CMA. Because that is where we call at MSC, we are doing that entire transshipment into even Karachi. We are doing their entire transshipment out of Cochin, Tuticorin into Mundra. Now we will be doing even for Mangalore and Goa with the new services which we are trying to put and that goes also for CMA who is also having more interest in Mundra and in the next year coming they also going to have their own terminal, they will definitely go and increase their capacity and calls at Mundra, so definitely they will require more and more transshipment volume and that is where we did cashew shipment for CMA and that was a huge volume which we carried during this quarter that was close to almost about 15,000 TEUs we carried just for Mundra to all these ports in Mangalore and Cochin and Tuticorin. We see lot of potential on the West Coast transshipment out of Mundra for CMA as well as MSC and that is where we are at CT3 which is the MSC terminal.
- Nitin Arora:** When CT4 comes automatically, you come into the picture right?
- V. K. Singh:** Yes, then we will have to see whether we go into CT4 for CMA business or partly we have some services for CMA, some services for MSC.
- Nitin Arora:** Just one last question. Let's say your eight vessels get normalized by this yearend I do not want to put it on a quarterly basis, what sort of normalized revenue you expect to do it when these all eight vessels get normalized?
- V. K. Singh:** I think I said about the yield part that once we start getting the yield definitely the eight vessels should have the effect, the additional two vessels also will have the additional effect of yield what I said, so that is the additional revenue.
- Nitin Arora:** That is about when you said about \$6000.
- V. K. Singh:** Yes, 6000 to 7000 for larger vessels and again that can vary, like you have 100% utilization your utilization level goes up, revenue goes up, and yield goes up. That is how we have budgeted normally as I said like 85% and 60%. With two additional vessels at least say around 15% revenue can be increased minimum on the top line because when we operate with six vessels and we operate with eight vessels with the addition of say around 25%, 30% capacity 15% to 20% revenue can be easily added in the top-line on an annual basis.
- Nitin Arora:** That is it from my side and all the best for the future.

- Moderator:** Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.
- Sunil Jain:** This is regarding the ships which you had acquired how the funding was done for that?
- V. K. Singh:** One vessel we had taken loan from bank and the second vessel we had money which we utilized from our own funds.
- Sunil Jain:** So the larger vessels of around 7 million you had purchased with the loan.
- V. K. Singh:** Yes.
- Sunil Jain:** How much loan component was in that?
- V. K. Singh:** 75%.
- Sunil Jain:** Foreign currency loan?
- V. K. Singh:** Yes, we normally always take foreign currency loan only.
- Sunil Jain:** Fine, thank you.
- Moderator:** Thank you. As there are no further questions I would now like to hand the floor over to Ms. Nirali Gopani for closing comments.
- Nirali Gopani:** On behalf of Emkay I want to once again like to thank you all for joining the call today. Thank you and have a great day.
- Moderator:** Ladies and gentlemen, behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.