

Ref No: nm/2017

Date: 23rd August, 2017

Mr. Girish Joshi, GM Department of Corporate Services BSE Limited Corporate Relations Department Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. BSE Scrip Code: 520151	Mr. Avinash Kharkar – AVP Listing Compliance National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 NSE Symbol: SHREYAS
--	---

Dear Sir,

Sub: Transcript of Analyst Call on 16th August, 2017

Please find enclosed herewith the transcript of the Analyst Conference Call held on 16th August, 2017 for your records and reference.

Thanking you

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



Namrata Malushte
Company Secretary



Encl: A/a



“Shreyas Shipping and Logistics Limited
Q1 FY2018 Earnings Conference Call”

August 16, 2017



ANALYST: MR. ROHIT SINHA - EMKAY GLOBAL FINANCIAL SERVICES LIMITED

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

Moderator: Ladies and gentlemen, welcome to the Shreyas Shipping Limited Q1 FY2018 earnings conference call, hosted by Emkay Global Financial Services. We have with us today Captain V. K. Singh, CEO and Mr. Rajesh Desai, CFO. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation ends. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rohit Sinha of Emkay Global. Thank you and over to you Sir!

Rohit Sinha: Good morning everyone. I would like to welcome the management and thank them for giving us this opportunity. I would now hand over to Captain V.K. Singh for his opening remarks. Over to you Sir!

V.K. Singh: Thank you. Good morning ladies and gentlemen. I will just go ahead with my opening remarks and with performance of the Company. Before I go to the performance of the company, we would like to give a brief on the status of global container market.

The sudden increase in the global market container index during the month of March, which I had said last quarter, was short-lived and then staged to downward trend. Even the charter hire and the scrap prices softened in the last two months of the quarter, but now again showing an upward trend.

The index was averaged around 524 points in the first half of 2017 with a high of 641 points in May. This compares with the average of 446 points during the same period last year and a high of 453 points.

A brief on the global fleet container fleet growth looking at the fleet, the level of deliveries is still running well short of what was scheduled at the start of the year with 80 ships or 592000 TEUs delivered up to late July 2017.

Net of scrapping this equals to fleet growth of 1.4% and we now estimate around 1.1 million TEUs will enter service in 2017 second half and 450000 TEUs will be scrapped that will translate to 3.1% growth compared to 0.6% growth in 2016.

Going ahead with the company’s performance for the quarter, as you know we continue with our cooperation with SCI and Simatech for providing better frequency to the customers as well as for rationalization of our tonnage. We also operated a fleet of 10 vessels with total capacity of 16000 TEUs and a dead weight of 226000 during the quarter with an increase of 19% increase in operating capacity as against the previous quarter.

Total vessels operating days during the quarter was 906 as against 744 during the last quarter. 32% increase in operating days. We dry docked two vessels partly one vessel and one vessel full during the quarter that was SSL Bharat and SSL Mumbai and total days the vessels were there in

dry dock were 37 days and in view of that we also chartered and operated an Indian flag vessel for 21 days as replacement for vessel and dry dock to ensure our customers requirement is fulfilled.

Total volumes handled during the quarter were 108770 TEUs as against 93000 TEUs in the previous quarter with an overall increase of 18% in volume. Total revenue increase against previous quarter is 23%, an increase in overall expenses is 11.4%.

Average increase in freights during the quarter has been 7% as against the previous quarter and operating margins increased by 8% as against the previous quarter. Utilization level on all our services from North to South and West to East remain at the level of around 97% and on the reverse leg was around 70% to 75% even with the increased capacity acquired and deployed during this quarter. Utilization level on the East Coast service from South to North was around 89% and on reverse led it was around 67%.

Our focus to develop coastal trade as well as feeder service on the East Coast has strengthened volume and utilization on the East Coast service and achieved a growth of 30%. Our market share of overall domestic trade for the quarter is 55% and increase in our volume during the quarter was 12% while the increase in overall domestic trade volume was 11% for the quarter as against previous quarter.

SSL Sagarmala has lived her life and may not be advisable to take us through next Special Survey and has planned to demolish her by December 2017 once replacement vessel has been worked out. Expected loss of Rs.1.29 Crores on sale of this vessel has been included under exceptional item for the quarter.

The key highlights for the quarter as you know we signed a joint venture agreement with Suzue Corporation, Japan on 12/06/2017 in Mumbai to form a joint venture company for undertaking international freight forward, custom clearance services, and other land logistics services and the company formation is in progress.

With an intention to diversify into coastal break-bulk trade at our earliest opportunity, we have signed an MOU to purchase a MPP vessel of 17472 deadweight, which is expected to be delivered in 09/2017 aligned with commencement of coastal break-bulk trade as a second vertical for our company.

We have also bagged a contract from Rashtriya Ispat Nigam Limited, RINL for transporting 225000 tonnes products from its plant at Visakhapatnam to stockyards in Ahmedabad, Mumbai, and Kochi worth about Rs.72 Crores to back our plant of venturing into coastal break-bulk trade.

The way forward our future growth plants include commencement and strengthening of coastal MPP business by adding more capacity and expansion of container as well as MPP trade into other regional areas. We will be looking forward for additional capacity in our container fleet for

enhanced business and volume growth in the future. Thank you very much for your kind patience and we can go ahead with the question and answers.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We take the first question from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: Thank you for the opportunity and congratulations on a good set of numbers. Sir if you could give the realization number for EXIM and domestic and the bunker rate for the quarter?

V.K. Singh: Realization figure, I just said it is just about domestic container our volume growth for the quarter was 12% and total volume and additional volume, which we did was around 2680 containers.

Pritesh Chheda: I got the volume figure, which you gave at about 108773 TEUs; I just wanted to know the realization for EXIM for TEUs and domestic TEUs?

V.K. Singh: Realization you can take on an average whatever we have got is about Rs.9500 per TEU.

Pritesh Chheda: Which is average for two?

V.K. Singh: Average for both.

Pritesh Chheda: Now Sir for the first time there is this increase in realizations, which are now coming through in your business what would be your outlook on these realizations and is it sustainable or is there a scope for improvement?

V.K. Singh: Realization definitely as I said per TEU realization has increased by around 7% and we do not expect that it will keep increasing as such because markets whatever has increased is steady respect and the increase in the revenue is mainly also coupled with increase in volume. If you see the volume growth has been around 22%. That is on the base of back of the extra tonnage, which we had deployed this quarter. Now with going ahead we do not see like we are putting anymore tonnage at the moment in this quarter definitely, so the growth will be coupled with the increase in tonnage in future because the utilization level also is quite high expect for a little bit growth, which we can expect on a normal basis.

Pritesh Chheda: Actually I did not get your answer Sir. Do you think average realization can sustain itself?

V.K. Singh: Yes we will continue to have a sustainable profitability and it should continue with the similar capacity utilization as well as the revenue for the coming quarters.

Pritesh Chheda: What is the bunker rate for the quarter Sir?

V.K. Singh: Bunker rates have more or less remained the same during this quarter and against the previous quarter.

- Pritesh Chheda:** That is about 22500.
- V.K. Singh:** Yes.
- Pritesh Chheda:** 22500 and lastly I just want to check on two things. Since our capacity is now fitting optimum utilization. There is scope for a little bit more. What is our plan for addition of ships in the container side and when you are referring to dry bulk side of the business, this is finished steel movement, which was earlier done in containerised for JSW if you recall, it is in the form of business or it is something else and what kind of business or ship addition is possible in the dry dock side?
- V.K. Singh:** See dry dock what we are looking is the break bulk business even the earlier when we did JSW business that was not containerized. That was in a steel coil open as a break bulk cargo and we are going to add on that volume. That of course we did it in the container vessels, but now we have got a specialized vessel that is MPP that is multipurpose vessel to carry out even JSW what we did earlier that is similar type of cargo and is added up with our cargoes break bulk side that is RINL the contract, which we have got, so virtually we are trying to develop a different vertical in coastal shipping that is besides the container and break bulk carriage and of course these vessels, which we are acquiring can also be used for container carriage and we can use on MCLX for carriage of containers.
- Pritesh Chheda:** Both you can use?
- V.K. Singh:** Yes both we can do. So definitely there will be growth in tonnage of container capacity also with addition of these MPP vessels and in addition to that yes going forward to take care of the requirement and to take care of the increase of the volume we will definitely go ahead with acquisition of more tonnage and it may be as replacement of a smaller tonnage to a larger tonnage.
- Pritesh Chheda:** How many ship addition is possible? What are your plans here in year one plan and this Rs.72 Crores contract that you have what is the returns they show on this particular investment for RINL that you have done Sir?
- V.K. Singh:** Well, this is complete logistic revenue, which we are talking about Rs.72 Crores is from door-to-door revenue. Out of that we will be subcontracting for the land side or will be carried out by our subsidiary associate company that is on the land side logistic and on the sea carriage we will be using our vessels to carry this cargo and we expect of around 6% to 8% on the total revenue.
- Pritesh Chheda:** Sorry.
- V.K. Singh:** 6% to 8%.
- Pritesh Chheda:** 6% to 8% IRR?

- V.K. Singh:** Yes.
- Pritesh Chheda:** So it is less than the container ship?
- Rajesh Desai:** Good morning Pritesh. Rajesh Desai here. On net level, because this is the new business we want try, so therefore initially we do not want to just go. Basically we want to see and how exactly goes on and then we can expand on that levels basically that is the reason we are not expecting as a much.
- V.K. Singh:** Definitely combining with the containers and on the total trade for the vessels, which we have it will be in line with the our container vessels is what we are expecting, so we cannot say specific to a particular business as per se, but for the vehicle, which we plan basically we will be using as a base cargo, but definitely we will add up with other volume to get a better utilization and better result on the vessel.
- Pritesh Chheda:** So what is your capacity addition plan, I missed out on that question?
- V.K. Singh:** Yes capacity addition plan we are looking at adding may be two more container vessels during the year to take care because one of the vessel will be go off our tonnage also and one is the replacement bit, Sagarmala, which we will be taking out prior to December. We will have a replacement plan for that vessel and also we will have to expand to other regional areas where we may need additional tonnage for which we are already working on for a growth of additional container tonnage.
- Pritesh Chheda:** So on net addition basis it will be just one for the year?
- V.K. Singh:** No it could be more. It could be about two or three.
- Pritesh Chheda:** Thank you and all the best to you Sir.
- Moderator:** Thank you. The next question is from the line of Pawan Kumar from Unifi Capital. Please go ahead.
- Pawan Kumar:** Sir first of all with continuation with the previous participant's question what are the kind of margins we are expecting in the bulk contract and what is the time period we are expected to execute the same?
- V.K. Singh:** See there is no fixed margin on the bulk contract what we are working on. We will ultimately work on the margin on the vessel what we have deployed because that is our main tool and our hardware for using and working on this contracts for carriage of break bulk cargo, so definitely when I am talking about the MPP side we will be working even container on these vehicles on a return leg or maybe working on other cargo on the return leg, so specific we may not have like fixed margin on a particular cargo, but overall when we talk about the vessel margin yes we will

continue to have a similar margin of what we are having on our other container vehicles that is what we are working on.

Pawan Kumar:

I have a question trying to understand the profile of your business. As we understood it your customers are typically long-term with you and so it was their relationship that was typically structured in annual contract terms and price resets reflect global price trends in container freight, but would not be reset during the year, but only as and when these contracts came up for renewal, however, when we look at the emphasis your press release places as well as your annual report places on container freights and movement in the Howe Robinson Index, we are wondering whether our understanding is incorrect. Could you clarify once again for us what proportion should we take as business that you have which is linked to long-term one-year type of contracts and what proportion would be spot reprised on the basis of the Howe Robinson Index?

V.K. Singh:

Well we take a reference of Howe Robinson Index is right because we are also in the similar category of carriage that is the container business, but virtually since we are purely on the coastal front our performance or our profitability is not really linked to Howe Robinson Index, that only gives a global scenario on the container fronts, but not on the coastal front, which we are carrying because that is not governing the coastal movement and our business what we are involved in. So far yes, we have been involved mainly on the container side of carriage, but container side of carriage remains mostly on the coastal led except certain led or retail led we are even carrying cargo to Jebel Ali that is Gulf, so that is where it goes and going forward also it is not that whether the long-term or for the year we continue to have aspects and focus on developing coastal business and coastal feeder, which is virtually our aim and that is where the growth comes in with the coastal, so long-term feeder if I say is about we expect around 10% to 15% that is what we are aware and other quarterly spot basis basically we are not working much on the spot cargo as such we have got most of it with own contracted cargo which we carry and it is on a regular basis, which we are carrying and all this contracts, which comes in it is only working as a base cargo, it is not that it is the full vessel capacity or any particular business is involving for only related to that particular contract. Like as I said even RINL business is just a part of carriage on our vessel, which we will be doing, but if not that vessel will be purely linked to their business, so it will be one of that, that may be as a base cargo, but definitely it will be aligned with other cargos to be carried on the vessel and to get overall working, so definitely as I go forward we have been saying the same thing whether it is Dry Bulk Index or whether it is Howe Robinson Index both are not really linked with our business and type of business what we are doing on the coast, but definitely that just gets a fairly idea of a global business and global trend on the container side with Howe Robinson Index.

Pawan Kumar:

That is helpful. Thank you and so if I was to say that with the significant improvement you have seen in profitability in Q1 is more a function of higher utilizations and higher volumes and which is presumably more function of your own efforts to built new relationships and may be to some extent dependent on economic activity and less upon the indices that would be a fair understanding right?

- V.K. Singh:** Yes, you are absolutely right that it is linked with the increase in the volume, better utilization and definitely the market condition for the freight rate, so if you see right now this quarter we had an increase of about 7% on the freight component and as well as increase in the volume was much higher and utilization level was much better, so that reduces the difference between the cost, which we have fixed cost whether you utilize or you do not utilize on a vessel that remain same so if you can improve the margin of profitability that was about 8% what we had this year, if we can work on improving the margin that is purely that is our effort how we are working and how best we are utilizing our asset.
- Pawan Kumar:** Sir, again the same question this tenure contract of 72 Crores in how many years we are expected to take 2 lakh 25 tonnes?
- V.K. Singh:** Yes, that is one year contract, in one year we are expected to execute that.
- Pawan Kumar:** Secondly on Sagarmala are we expecting any further write off or this is the write off for the whole year?
- V.K. Singh:** This is write off for the whole year that is taken from the basis that we will be scrapping or we will be selling it around end of December because that is the time when she will be due for a special survey so that is what we will have at that time if we are selling at the price what is the scrap price today for the vessel so basis that it will be, so the whole cost had been already included in this, so we will not have any further loss on sale of this vessel.
- Pawan Kumar:** On Krishnapatnam side since we have shown significant amount of volume gained especially on the feeder service if I am right on the feeder side so is further scale up on volumes on the reversal are possible from here or should be expect may be flat kind of growth?
- V.K. Singh:** We will expect further growth definitely in the volume and we are seeing a growth in the volume and definitely we will have to increase the capacity on that sector to take care of growth in the volume what we are experiencing not only on the feeder but also on the domestic leg and we expect that to further grow and strengthen.
- Pawan Kumar:** So volume growth would it be a fair assumption to assume at 10% to 15% range or can it be higher because this quarter it was around 18%, so you is it anomaly or it is a sustainable kind of thing?
- V.K. Singh:** This quarter of course the overall volume gain if you are saying is almost about 23%, but 23% is on the back of the capacity what we added. If you see that we even added a capacity growth has been there are almost about 19%, so the 19% growth in capacity is if we have added 22% growth in the volume, so that is the only difference of 3%, 4% in the utilization level that is what I can see as against the previous quarter. Virtually we will not have because the utilization level is already at the level of 95% to 97% you cannot expect anything further unless we have a further increase in the capacity, which we are working, but we see that this capacity is good enough

capacity to take care of the customers requirement for the time being. If whenever the capacity requirement will be there we will be definitely going ahead and adding up more capacities.

Pawan Kumar: I will get back to you.

Moderator: Thank you. Next question is from the line of Dhiral Shah from Asit C Mehta. Please go ahead.

Dhiral Shah: Good morning Sir and congratulation for the great set of numbers. Sir, your results are fantastic Sir, wanted to know who are your top five revenue contributors?

V.K. Singh: The five revenue contributor except for the top remains our own associate company that is Shreyas Relay Systems Limited, which is also our associate company and it is part of the Transworld group of company which is doing the landside logistic for us and they remain top contributor way ahead because their own contribution to the volume as well as to the revenue is around 55%, so that remains and beside that there are number of all the main liners like CMA, CGM MSC, Maersk and Hyundai they are all other mainliner who remains our top user on the feeder front, so on the domestic front mainly it is that who had got other customers with them, so definitely they are representing other customers on the coastal front and they became directly our top customer.

Dhiral Shah: Sir, what is the outlook for FY2018 in terms of revenue as well as margins because we have seen in a substantial improvement in margins, so what is the outlook for the same, for FY2018?

V.K. Singh: We continue to have as against the previous year, if I say I guess we continue to have similar growth, but it will definitely not with the existing quarter-to-quarter we cannot expect the same type of growth, but as against the previous year quarter if you compare it will be similar growth of volume of about 25% and revenue margin of 8% to 10%.

Dhiral Shah: Thank you Sir. That is it from side.

Moderator: Thank you. We take the next question from the line of Dimple Kotak from SKS Capital & Research. Please go ahead. Please go ahead.

Dimple Kotak: Sir, thanks for taking my question. Sir, I would like to whether these margins are sustainable for the full year or not at 24%, the EBITDA margins?

V.K. Singh: I think it is sustainable because what happens right now if the utilization level is today so much, so we should be continuing to have similar utilization or a better utilization during the year if no further capacity is there, if the capacity is added then again there is an increase in growth will be there so will enhance our volume further, so definitely we expect this growth to continue for the full year and including the operating margin.

Dimple Kotak: Sir, did I hear it correctly that you expect overall 25% volume growth for FY 2018?

- V.K. Singh:** As against FY2016-2017.
- Dimple Kotak:** Okay Sir, that is all from my side, thank you so much.
- Moderator:** Thank you. We take the next question from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.
- Sunil Jain:** Congratulation for good set of number Sir. Sir, you got two dry docking in the current quarter is there any further dry docking in the second quarter also?
- V.K. Singh:** No, we do not have any dry-docking during the second or the third quarter. Now the next dry docking is only due in fourth quarter that is just about one vessel, one or two vessels will be there in the fourth quarter and otherwise it will be only in the year may be one vessel, but not many because we have completed the six dry docking during the last couple of months, five to six months we have done dry-docking of you for six vessels so definitely that much reduces and we do not have much liability of the rest of the year as regards to dry-docking is concerned.
- Rajesh Desai:** Just to our capital basically now because we are operating say 10 number of vessels even if one vessel goes for dry dock, it actually unless apart from cost on volume it will not make much impact as such because you will be able to schedule with other vessels and all that, so it is regular now and it will be the regular phenomenon.
- Sunil Jain:** Yes since two dry docking was there in the current quarter so going forward in second and third quarter at least if suppose utilization remain at the current level even then the volume can increase?
- V.K. Singh:** As I said right now even the two dry docking, but total dry docking days were only 27 days and there as against that we had already chartered a vessel for 21 days, so we have not lost any capacity on an account of dry docking.
- Sunil Jain:** Great, then only chartered expenses, which you have incurred in the current quarter?
- V.K. Singh:** Yes, in any you have your vessel cost, we made profitable income and better utilisation with that vessel.
- Sunil Jain:** Sir, this utilization can you share for the PIX1 service what was the utilization for you?
- V.K. Singh:** No, that is way I said like a PIX1 as well as PIX2 sailing out of Mundra that is either on the North to South leg or from West to East leg it was around 97% and on the reverse leg is around 72% to 75% so that is for PIX1 and PIX2 and of course ECC as when because there is draft inspection and so the utilization will be lesser as regards to fluctuation in the draft is concerned and the east coast because of the Kolkata port, but still we had a better utilization on the east coast services also with almost around 80%, 85% from north to south, now it is virtually on both the length we have a better utilization.

- Sunil Jain:** Is there any possibility of further increasing this utilization reversal leg?
- V.K. Singh:** That definitely on the PIX2 we have been working and it is getting better day by day, as you know we started much less utilization and in the beginning when we have started the service it was just in the 13%, 14% now we have already come up to about 70%, 75% and going forward yes, there could be a slight improvement in the utilization level on the reverse leg on the PIX2 service, which is going to Jebel Ali with the trade development and even on the east coast service we can expect a better utilization and may be addition of capacity will help in that and PIX1, yes because that is something which is mostly utilized for carriage of the MP on the return leg so except for some amount of not much of feeder cargo in that.
- Sunil Jain:** Sir, one thing like you had some impact on account of GST on your bunker, so you are taking it with the government is there any resolution on that?
- V.K. Singh:** It is still going on. Final decision has not been received by them so we are still working on that and it will take a little time because I am sure government has to sort more issues more prominent than this, so definitely they will look into this and this is in process and the Ministry has already taken this up, so we hope sooner issues will obviously come to an end on the bunker also for the container cargo vessel.
- Sunil Jain:** How much could be the negative impact if suppose it is not getting resolved in quarter how much negative impact can come?
- V.K. Singh:** It could be, it is basically 18% of GST, which is there and as against that earlier we were paying about 4% to 5% of VAT so on an average you can say about 13% or so, 13% to 14% on the coastal vessels bunker cost.
- Sunil Jain:** So anyhow in PIX2 that will not be any problems because your ship is going outside?
- V.K. Singh:** Yes. So far that is where the thing is that they have not even clarified for the foreign bunkers, but definitely that will work out because after all that is a question of entire industry of bunkering industry so that will get resolved sooner or later, if it does not then also it will not affect us much because we can always take the fuel outside India for the PIX2 service.
- Sunil Jain:** Sir about this GST it seems like you had no impact of GST, was there any enough that the demand was so high that even you were able to utilize the subset at high level?
- V.K. Singh:** No, there was some effect of GST pre and post GST there was a certain drop in volumes because definitely GST just before about 15 days or so GST was commenced. There were certain drop in volume, but we were able to take care of because the cargo with the feeder cargo and there were some slack movements, few savings and even after GST there were some slack movements, some slack vessels sailing plus the rain effect has also been there because our normal life all this business which has ups and downs which will continue so there were few sailings which were a little flat and so definitely it is what we talk about an average so when average rate is 97 could be

some vessel may have gone even 80% during such time with the GST or the heavy rain is effective there.

Sunil Jain: Sir, this bunker rate if which the cost has increased for the company is it company able to pass it on to the customer or it has to be borne by us till it gets resolved?

V.K. Singh: No, I do not think, it will be possible everywhere to be passed on because, we may have to take care of that increase by the company and we will definitely if it does not get resolve then for the long term yes definitely we will look at passing on. But for the short-term we are trying to take care with hoping that this will get resolve soon or later.

Sunil Jain: Last question about are you sharing data of associate company, sales or EBITDA or something?

V.K. Singh: We are not sharing with the result and also we have shown as on the standalone.

Sunil Jain: Thank you very much.

Moderator: Thank you. Next question is from the line of Pawan Kumar from Unifi Capital. Please go ahead.

Pawan Kumar: Regarding the GST question that you recently answered. So I just was trying to understand since the issue has not been resolved at least in this quarter, so we are paying 15% GST instead of 4% GST on the fuel that we are procuring right?

V.K. Singh: Yes, correct, on the coastal.

Pawan Kumar: So based on that should we expect any kind of EBITDA margin say contraction going forward in the next two quarters?

V.K. Singh: That component is not that huge so that consequent will not be much as such.

Pawan Kumar: You have said it is almost 10% difference, so are we increasing any prices, which is compensating so that the margins do not get hit?

V.K. Singh: There is 10% only on the fuel wise.

Pawan Kumar: But fuel would be around 30%, 40% of your operating expenses right?

V.K. Singh: Other operating expenses have changed, so I am not saying that the overall cost will not increase by 10%, so it is 10% to 14%.

Pawan Kumar: You are saying may be 4% increase will be there, but other expenses will remain more or less constant, which will compensate for the margins.

V.K. Singh: So we will have to find a way to reduce the cost somewhere that is why we are working on.

- Pawan Kumar:** So margins overall are sustainable at the current level 20% plus right Sir?
- V.K. Singh:** Yes.
- Pawan Kumar:** Thanks.
- Moderator:** Thank you. We take the next question from the line of Ashish Kacholia from Lucky Investment. Please go ahead.
- Ashish Kacholia:** My first question is what is the kind of demand scenario that you are seeing for the medium term this coastal shipping our minister has been trying to promote this concept? So do you think this concept is catching wing with the corporate sector?
- V.K. Singh:** Basically think on the container front it can be used to be there and it continues to certain cargo they are not shifted to coastal sea, which is can be shifted are being done that is not there, so that is where you see the volume growth has been there on the container front. Definitely on the break bulk side is the mostly the thrust comes from the government now because they also in process of developing and going ahead with there Sagarmala project which opens lot of opportunity for the break bulk movement and that is where we also going to participate in that and with this contact and government has been definitely pushing other PSUs and other private companies to move their cargo via sea route and that is where we have not only RINL there are other cargos also like IFFCO or other PSUs cargo which we are targeting and we are trying to carry whether it is container or whether it is break bulk mode and definitely going forward with the success of break bulk transportation on the coast, I am sure like know this will continue to improve and the set of Ministry of Shipping also will work on and with the infrastructure being developed by Sagarmala and the infrastructure provided by us in like addition of vessels on the MPP side. All this will definitely work on the growth of break bulk, so there will be a part improvement on the break bulk transportation via sea.
- Ashish Kacholia:** What is the trend in terms of pricing of used second-hand containerships?
- V.K. Singh:** Our prices are initially slightly went up and definitely with the scrap price is going up now and again coming back to almost about it went down in the month of March and April as I said it went up suddenly during the March then again it came down and now again it is inching up. So with the increase in the prices of the steel and scrap, I think the prices on the vessel is slightly getting hardened, so definitely the prices will increase, but more or less it is not to the level where it will be difficult for us to go for a acquisition. So we are going ahead and looking at because even the current price is quite sustainable and workable.
- Ashish Kacholia:** My third question is what is the competitive scenario? Are you seeing some more players entering them we are heard earlier that there are lot more players entering the market. So what is the situation on the players were entered earlier, are they still sustaining or they have gone out?

V.K. Singh: This quarter has remained silent not many new players are coming in neither new players have gone out. There has been a reduction of other player vessels like if you see SAI has reduced some tonnage in the last quarter and after that only the existing players has added one vessel and even including as we have also added tonnage in this quarter, but otherwise no new player is – virtually they are on the horizon as such, but that we will have to watch and see.

Ashish Kacholia: So as of now the pricing in the industry is in good discipline?

V.K. Singh: Yes I think it is more or less in a good except at a level of so that port customer as well as the operator is in better position.

Ashish Kacholia: There have some talked that ships will be allowed to coastal shipping, our vessels will be allowed to touch Colombo and kind of utilized that transport containers from there to Indian ports, so is that being allowed or not yet allowed?

V.K. Singh: Not yet allowed but at the same time we do yoked need at that at the moment because we are going across Colombo east, west route that is on PIX-2 both way we are going full, so even if it is allowed I do not think that we will be able to use on that, so we are already bullish on that.

Ashish Kacholia: Situation is so good, but we do not. Now my final question is as far as our subsidiary was concerned which was that inland transportation that was our subsidiary earlier right?

V.K. Singh: Yes that was our subsidiary now it becomes associate company.

Ashish Kacholia: Why did you do this I thought that was a unique proposition of our company, you know get a fully integrated service, so why did we desubsidiarize that?

V.K. Singh: It did not make any difference because in any case they continued to be a part of our group and they have our associates so it is only question of our support in the business has not changed and that was done on the basis that the subsidiary can also as a associate company they can grow, they have acquired Balaji Shipping which is got a more of international network where they can grow beside the domestic, their growth can be also on the global front.

Ashish Kacholia: So that company will do the global related shipping as far as the coastal shipping is concerned, this company will continue to focus only on coastal shipping is that correct?

V.K. Singh: Yes.

Ashish Kacholia: That is a broader picture as far as group is concerned.

V.K. Singh: Yes.

Ashish Kacholia: What is the capex plan for FY2018 and FY2019 and what is the number of ships that we are looking to do?

- V.K. Singh:** We are looking may be about two to three ships and capex of about Rs.70 Crores to Rs.75 Crores.
- Ashish Kacholia:** All put together three ships Rs.75 Crores, is that what we are looking at for the current year?
- V.K. Singh:** For the current year.
- Ashish Kacholia:** Thank you very much and all the very best Sir.
- Moderator:** Thank you. We take the next question from the line of Pawan Kumar from Unifi Capital. Please go ahead.
- Pawan Kumar:** Most of the ships whatever you are going to add are going to be in the second half of this year right?
- V.K. Singh:** Definitely, now it is only after dry-docking.
- Pawan Kumar:** Okay and what would be the medium term plant to take the vessel count of 18 by another two, three year?
- V.K. Singh:** That will depend on the business because we do not want to make over tonnage by planning and just putting additional vessels like that, so that definitely depend on the business pattern.
- Pawan Kumar:** So overall we are disposing your vessel and we are planning to buy two, three vessels this year right.
- V.K. Singh:** Yes.
- Pawan Kumar:** Thanks.
- Moderator:** Thank you. We take the next question from the line of Yash Mehta from Sushil Finance. Please go ahead.
- Yash Mehta:** Congrats on a good set of number Sir. My question is, are you are planning to add three more vessels, which route will these vessels be deployed?
- Rajesh Desai:** It will depend upon like.
- V.K. Singh:** That we thought something which we can have now, we will see how we are growing as I said right now we have to know on the other regional areas if it is not explored.
- Yash Mehta:** Because you said the PIX-2 is completely full so like that I was wondering which route will you see more growth and something like that.

- V.K. Singh:** Definitely what we are looking at is expanding this tonnage or these factors, so it may be it is we will be expanding on the services what we are doing mainly with the additional tonnage, so expansion in the size of the vessel will be there and with that with the changed vessels, other vessels which is of the lower capacity will be used somewhere else on a regional mark or even if we required can be chartered out. That is something, which will depend on the business availability and paid requirement at that time.
- Yash Mehta:** And the new vessels will be the MPP one for the normal ones.
- V.K. Singh:** Bigger vessels will be going for the container vessel, normal simple like smaller vessel we go for the MPP vessel the one which we are acquiring now similar type.
- Yash Mehta:** So you will be adding more MPP ones?
- V.K. Singh:** It will be already maintained basically one or two container vessels and one or MPP vessel like that.
- Yash Mehta:** Thank you Sir.
- Moderator:** Thank you. We take the next question from the line of Ashish Kacholia from Lucky Investment. Please go ahead.
- Ashish Kacholia:** I did not understand the point that you mentioned about 8% return on this break bulk vessel. I did not understand that point. What is the logic of doing business that 8% return on capital?
- V.K. Singh:** We mentioned that basically 7% to 8% margin were expecting only on break bulk business, but continuing for vessel then vessel will not be utilized only for break bulk business, will also top it with some container on reverse side and all that. So the vessel IRR will be better, but that is the reason what we mentioned earlier.
- Ashish Kacholia:** What is the IRR that you use for making your capex plan Sir?
- V.K. Singh:** Sorry.
- Ashish Kacholia:** What is the IRR hurdle that you use for planning your vessel acquisition?
- V.K. Singh:** IRR we are expecting around at least 15% to 20% minimum we expect.
- Ashish Kacholia:** Okay and what kind of time horizon do you see for this IRR over the lifetime of the residual life of the vessel?
- V.K. Singh:** Generally in case of shipping it is very difficult to predict a long term business, but at least we will able to like four, five years or something we can continue that. Totally it depends on typically what happens to all these vessels which we acquired at the price what we are decisions

are being done we expect to recover the cost by another four to five years, maximum six years where the vessels can be used for almost 10 years. So that is where like we can see that profitability comes later. So first four years may be it is working on taking the main cost of the vessels and recovering the cost of the vessels.

Ashish Kacholia: Thank you very much Sir.

Moderator: Thank you. That was the last question. I now hand the floor over to the management for their closing comments.

V.K. Singh: Thank you very much for participating in our performance result concall and we hope to give you a similar result in the future, so this is definitely look forward to your support.

Rohit Sinha: I would also like to thank all the participants. Thank you so much.

Moderator: Thank you. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.