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

Dear Sir,

Sub: Transcript of Earnings Conference Call held on 20th August 2020

Please find enclosed herewith the transcript of the Earnings Conference Call held on 20th August 2020 for your record and reference.

Thanking you

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

Sd/-

Harshit Garg
Company Secretary & Compliance Officer



Encl: a/a



“Shreyas Shipping and Logistics Limited Conference Call”

August 20, 2020



MANAGEMENT: **CAPT. VIVEK KUMAR SINGH – MANAGING DIRECTOR,
SHREYAS SHIPPING AND LOGISTICS LIMITED
MR. RAJESH DESAI – CHIEF FINANCIAL OFFICER,
SHREYAS SHIPPING AND LOGISTICS LIMITED
MR. RITESH RAMAKRISHNAN – DIRECTOR, SHREYAS
SHIPPING AND LOGISTICS LIMITED
MR. CHETAN MEHTA – CHIEF STRATEGY AND
INVESTMENT OFFICER**

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

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Moderator: Ladies and gentlemen, good day. And welcome to Shreyas Shipping and Logistics Limited Conference Call, hosted by PhillipCapital (India) Private Limited, discussion on outcome of Board Meeting held on 18th August, 2020.

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, please signal an operator by pressing and “*” then “0” on your touchtone phone. I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Vikram Suryavanshi: Good evening and very warm welcome to everyone. Thank you for being on the call of Shreyas Shipping and Logistics Limited for an event update. From the management we have with us Capt. Vivek Kumar Singh – Managing Director; Mr. Ritesh Ramakrishnan – Director, Mr. Rajesh Desai – Chief Financial Officer, Mr. Chetan Mehta – Chief Strategy and Investment Officer. I would now hand over the call to Mr. Ritesh for opening comments. And post opening comments, we will have questions-and-answer session. Over to you, sir.

Ritesh Ramakrishnan: Thank you very much. And good evening to everyone. Thank you all for joining the call today. I hope all of you are keeping well and staying safe. It's actually a great pleasure for me to be speaking with all of you this evening.

I am actually very delighted to share and provide you all clarity and details of the proposed transaction with Unifeeder, a subsidiary of DP World Group. I believe we have circulated a brief slide deck for this call, and I hope you have had the chance to go through the same. I will share the background and provide your details about the proposed transaction. I will refer to some of the slides that have been shared. In case you have some points or there are some points which are still not clear, we will be more than happy to address any questions that you may have on the proposed transaction.

Just to give you a brief background. Transworld Holdings Limited Mauritius, the holding company of our company, has been in discussions with Unifeeder ISC FZCO, a majority owned subsidiary of DP World FZE, in relation to the sale of its overseas feeder business being carried out in the Middle East and wider subcontinent region. I am sure some of you are aware on this call the DP World is today the world's fourth largest terminal and port operator. It was founded in 1972, and since its inception, the company has steadily evolved from a local port operator in the UAE, to a global supply chain solutions provider and a trade enabler for the world. Today, DP World has a global network of 127 business Unifeeder across 51 countries in six continents. In India, DP World operates six ports terminals, and in the recent past has also acquired Continental Warehousing, KRIBHCO; so Continental is a leading multimodal logistics company and KRIBHCO Infrastructure Limited is similar. They operate inland container depots as well as private freight terminal.

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Further, by way of background on Unifeeder. Unifeeder, which is a Danish based company, was acquired by DP World in 2018, to enhance its presence in the global supply chain and broaden his product offering. Unifeeder is an integrated logistics player with a comprehensive well-connected feeder network and technology enabled short-sea business in Europe, the Middle East, and Asia, with connectivity to about 150 ports. Unifeeder operates on an asset-light model and focuses on network optimization by leveraging a couple of key points. One, its relationship with liners, Liners NVOCCs, end users, industries and freight forwarders. And two, technology for asset development and routing.

Subsequently, in 2019, going back to the transaction, DP World acquired a majority stake in Feedertech Group from its promoter to broaden the feedering and short-sea product offering to multiple geographies. Feedertech is largely present in in the Southeast Asian region. So DP World and Unifeeder were keen to acquire the Middle East focused feedering business of Transfer Holdings, being carried out by its subsidiary Transfer Feeders FZCO, along with its other overseas subsidiaries located in Qatar, Sri Lanka, Saudi Arabia, Oman, etc. Along with that, the NVOCC Middle East business carried by Avana Global FZCO, which is currently 100% subsidiary of Avana Logistek Limited.

Unifeeder further explored that in order to build and create scale, the Indian leg of similar businesses housed in Avana Logistek Limited and the company should also be considered to tap into synergies in the Indian coastal and feedering market from a larger transaction perspective. In this regard, Unifeeder discussed with the company and Transworld Holdings on the acquisition of Avana Logistek, along with the company's vessel operating business of containerized, domestic coastal and EXIM feedering carried out by the company.

As you are aware, Shreyas as a company commenced its journey as a ship-owning company, and later began providing ship operating services as well, with a vision to develop the coastal trade in India. Over the years, the company has always maintained its leadership position in the market. However, based on an evaluation of the current market scenario, it's apparent that the greatest scale and geographical presence is required to grow the business and take the business for to the next stage.

The Board of Shreyas Shipping, the Board of Directors has been evaluating means for the company to refocus its strategy towards the ship ownership and entering into long-term chartering contracts, which offer stable long-term visibility to revenues. The Board believes that the future growth of the company would be well served by acquisition of vessels and long-term chartering of said vessels, particularly with a fleet that's young, futuristic, suitable for trades, marketable and economical for operations.

To this end, the Board has scouted for opportunities in the market for short and long-term chartering of his assets, thereby providing the company with a steady stream of cash flows and resilience against volatile market conditions and increased competitive intensity. However, and

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I think, given the low depth of the chartering market in India, and I think a lot of us are aware of this fact, there were not many opportunities that had come along. But the proposed transaction presents an opportunity to refocus the company in this direction for the best long-term interests of the company. The Board believes that the proposed transaction offers an opportunity to release capital, ensure long-term deployment of assets, and help the company de-risk its business model.

So, after negotiations with Unifeeder in this context, the company is now proposing to participate in a transaction whereby the company would; A, transfer its containerized domestic coastal and EXIM feeder business to Unifeeder, "Business Undertaking." B, enter into a long-term Framework Chartering Agreement, FCA, with the relevant Unifeeder entity for chartering of the company's vessels. And C, the company gets to sell its entire stake of 29.22% which it holds in Avana Logistek Limited to Unifeeder at the same price per share and on the same terms and proportion as the price and terms on which Transworld Holding, the majority shareholder in Avana Logistek Limited would sell its remaining holding of 70.78% to Unifeeder.

Transworld Holdings would concurrently be selling its overseas businesses to Unifeeder and receive a minority stake in the Unifeeder ISC company. Transworld Holdings and the company have agreed to certain exclusivity, non-compete and non-solicitation restrictions as part of the transaction. Further, I wish to inform you all that the Board of Directors of the company at the meeting held on the 18th of August, 2020, have unanimously approved the above transaction with Unifeeder ISC. The completion of this transaction is subject to fulfilment of certain conditions precedent, including, inter alia, receipt of the approval of the lenders of the company, receipt of the approval of the members by way of special resolution and other regulatory approvals as applicable, including the approval of the Competition Commission of India.

I would now like to request our Group's Chief Strategy Officer, Mr. Chetan Mehta, to provide you with some more details of the overall structure of the transaction. Chetan, please, over to you.

Chetan Mehta:

Thanks, Ritesh. And good evening to all. Hope all of you are fine and doing well. So to reiterate, the proposed transaction with Unifeeder comprises broadly two legs. The first is the sale of the Business Undertaking and entering into the Framework Chartering Agreement. And B, the sale of the minority stake which is 29.22% in Avana Logistek.

So coming to the first leg, which is the sale of Business Undertaking and entering into the FCA, the company would sell to Unifeeder its containerized domestic coastal and EXIM feeder shipping business for a gross cash consideration of USD 19 million, which will get converted into INR upon remittance to the company's bank account, subject to adjustments on account of debt cash and working capital post the closing. Given that this containerized domestic coastal and EXIM feeder shipping business is a business undertaking, the transaction of selling the said undertaking will be carried out in accordance with a couple of steps.

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The first is, the company would purchase and acquire 100% of the shares of the company known as Transworld Feeders Private Limited from two individual promoters of the company, that is Mr. S. Ramakrishnan and Mr. Ritesh Ramakrishnan at face value, which is at Rs. 1 lakh. The company would then transfer its undertaking to such wholly owned subsidiary, which is Transworld Feeders Private Limited in consideration for issue of shares through a Business Transfer Agreement. And ultimately, the company would then transfer all its Shares in the wholly owned subsidiary, which is TFPL to Unifeeder. Simultaneously, on closing, the company would then enter into a Framework Chartering Agreement with TFPL and entering into specific chartering agreements pursuant to thereto.

The second leg of the transaction, as we discussed is the sale of 29.22% stake in Avana Logistek. In this regard, the company will sell its minority stake for a gross cash consideration of USD 8.766 million subject to adjustments on account of debt cash and working capital post the closing. The terms and the price of the sale of Shreyas in Avana Logistek is the same price as the price being paid by Unifeeder to Transworld Holding, the owner of the majority stake of 70.78% of Avana Logistek.

So overall, from a consideration, perspective, the company will get from Unifeeder a gross cash consideration of USD 27.766 million subject to adjustments, as we discussed on account of cash debt working capital. From utilization perspective, the company will plan to utilize the proceeds from the transaction towards reducing its debt as well as for replacement of some of its existing old vessels and acquisition of new vessels to meet the increased demand going forward.

This broadly kind of explains the background and the contours of the transaction. I will be happy to take any questions that our investors may have on this. So over to you. Thank you so much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is on the line of Sreemant Dudhoria from Unifi Capital. Please go ahead.

Sreemant Dudhoria: Could you help us understand what the FCA means for the future of the company? Help us understand what is it that the company will look like? Are we selling the human capital in terms of both the people who work on board ships and run the ship, as well as the people who work on shore and manage the business? Is that what we are receiving consideration for? And what are we then left with?

The book shows that we have about Rs. 400 crores worth of fixed assets, I presume most of that is ships. And what do we have to do with those ships, are they on long charter to DP World? If so, what should we expect in terms of rental income? What risks are we continuing to assume? Are we just a rental company or are there any risks that as a shareholder we should be aware of? Could we begin with this please?

Chetan Mehta: Sure. Thank you for the questions. I think there are three, four parts to what you asked, and let me deal with each one of them separately. So one, again, to just go back to the overall contours

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of the transaction. As I explained, the operating business of the company, which is basically the containerized domestic coastal and EXIM feedering is something which will be transferred via a Business Transfer Agreement or a slump sale, which is typically known from a tax perspective. So that will be carved out into a separate company, which...

Sreemant Dudhoria:

Sir, sorry to interrupt you. I am trying to understand what that means. I am trying to sort of converge that language into things that I understand. I don't understand transfer in the terms that you expressed earlier in the call and in the note that you have circulated. So could you simplify it for us?

Chetan Mehta:

Yes, surely. So, what it means is that, and as you rightly pointed out, the company on its balance sheet has Rs. 400 crores of assets, largely being vessels, so, those will continue to be part of Shreyas. So, no vessels are being transferred under the BTA. That is one.

Second, as far as employees are concerned, the employees which relate to the business, the operating business will move as part of the BTA to the entity. And the employees which manage the vessels, to that extent will stay with Shreyas. So the employees pertaining to the asset owning division, if I was to kind of call that, asset owning and operating business, if you were to segregate that, look at it from a more simplified perspective, the assets which would largely be your debtors and creditors pertaining to that business is what will move as part of the BTA. But the assets which are really your vessels will stay with Shreyas. So that's one part in terms of the transaction.

As regards the future, and you spoke about what is contemplated under the FCA. Basically, post this transfer, the company will enter into a framework agreement with the investor and the company believes that the transaction, as contemplated, has potential to bring substantial long-term benefits to the company and will help the company significantly de-risk its business model. As we are aware, DP World and Unifeeder are pan-European feeder and short-sea operators, and has developed their businesses globally. So, the addressable market for the company to kind of cater to that demand in terms of provision of vessels will substantially increase going forward, which will help company grow its fleet in the coming years.

Sreemant Dudhoria:

Sir, we need a lot of help. We don't understand what you are saying. We are shareholders with a meaningful exposure to the company. And if we have to cast a vote for this transaction, we need a proper understanding of the transaction. So I am going to ask the question again.

What is it that you are transferring? When you say business, what is that? What is it that you are transferring? I think I have got it clearly that the ships will stay and some of the people will stay, the people who actually man the ships will leave and be part of the transaction, the sale transaction. But some management of the company on-shore will continue with this company. And then you will leave the ships out. And I understand that you will lease it out not only to their operations in India, but perhaps also to the buyers' operations elsewhere in other

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geographies. So, what does this mean for us as shareholders? What can we **expect** in terms of lease income? Are these long leases? What have you agreed?

Ritesh Ramakrishnan: Okay. So, I can come in here. Good evening, this is Ritesh here. So, a couple of things. One is, so what is Shreyas today? Today Shreyas owns the ships as well as operates the ships. The cargo for the ships are largely sourced by Avana and/or the other mainland operators for which we operate the EXIM Coastal. What will Shreyas look like tomorrow? Shreyas will be an asset owner and a ship owner. And what we have done and the agreement that we have gotten into for this transaction of this proposed transaction is, as an asset owner we will be guaranteed employment of our ships by way of an agreement of a charter agreement with the Unifeeder company. Wherein, the arrangement is such that there will be right of first refusal given wherein they will have to come to the company for their vessel chartering requirements on the coast of India. And it is at the company's discretion for us to provide vessels to them. So, therefore, we envisage that the returns on the current assets on the current fleet will be as secure as can be possible and will continue in this arrangement.

As far as the manpower on the ships go. The manpower on the ships were always provided by a ship management company. So, those manpower's were never part of Shreyas' block of employee or assets. As far as the team of Shreyas Shipping on land is today, those relevant to operating the business as an asset owner will continue in Shreyas. Those more relevant to day-to-day management of running the ships, which is, if there's a subtle distinction from a shipping perspective they will move to the other companies. So, as far as when you ask the initial question in terms of charter income and risks, the way the charter income will also be looked at will be the current, whatever the prevalent or the prevailing charter market rates are. But what we have done or what we propose to do by this is prevent the downside risk of having our assets non-operated and ensuring continuous deployment of the assets whilst being able to participate in the potential upside as the operational company does go on and does better in their performance.

Sreemant Dudhoria: So, I am looking at the results that the company announced recently. And so if you look under the expenses side of your P&L, for the year you had roughly Rs. 73 crores in employee expenses. After this transaction, what is this line item going to look like?

Ritesh Ramakrishnan: So, while Rajesh is getting the numbers to give you all the full clarity, essentially what we are talking about is the manpower cost will be reduced and the extent of which Rajesh can specify. But there will be about an 80% reduction in the manpower on shore for the company to that extent is what we are envisaging.

Sreemant Dudhoria: Okay. So 80% reduction in manpower. And then if you look at Item B, it says fuel, lube oil freshwater, should we presume that all that will ship to the lessee of the assets?

Ritesh Ramakrishnan: Captain Singh, would you like to answer that, please?

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Vivek Kumar Singh: Yes. Good evening, everybody. Yes, fuel oil will be transferred. So, we will not have the fuel oil cost on the company. We will, however, continue to have lube oil and freshwater cost for the company, that is part of the ship's maintenance and running, so that continues for the ship for the vessels' welfare, for the people as well as the machineries running. So that remains with the vessel, but operating fuel oil, diesel oil, all that cost will be moved out to the other side of the operating site.

Sreemant Dudhoria: Okay. Sir, I understand there is a phrase in the marine industry called bareboat charter. So is that what we are proposing to offer to DP World?

Vivek Kumar Singh: No, this is not bareboat charter, this is a normal charter. As you must have seen in our earlier presentation also, that few of the vessels we were chartering out and few of the vessels we were operating ourselves. Now the only difference will be that all our vessels will be chartered out, whether to Unifeeder or in the open market, but we will not be operating ourselves. That is all the difference. And that is where we will have the revenue on the topline will be all the charter hire, and all the cost, whether it is port related cost, whether it is the bunker related cost, and 80% of the manpower cost what we have been mentioning, all that will move out from our cost side.

Sreemant Dudhoria: I see. So, for example, if we have chartered it out, they will start the ship and they will pay for all operating expenses, they will pay the port dues and effectively it becomes risk free, is it fair for me to assess that there is no risk then for us in this?

Vivek Kumar Singh: Yes, they will pay for all the fuel and port costs, but the people on board, it is not bareboat charter, so people on board will be arranged by the company. And the company's people, whether it is arranged by the management company or the company itself, but the people remain and the people cost remains with the company. But however, the other operating cost, like all the port cost and fuel cost, and yes you asked a very pertinent question, the fluctuation right now what you have been seeing in the fuel cost and like the bottom-line going up and down because of the fluctuation, that will not happen, because we will have a fixed source of income, which the charter had. And those fluctuations will not be coming in our balance sheet.

Chetan Mehta: So, just to add to Captain Singh, to the extent that you have mentioned, yes, it does de-risk the business. So, you are absolutely correct.

Sreemant Dudhoria: Okay. Can you give us a sense of your assessment, if you were to look at, say, we have the current fleet of 10 or 12 vessels, and given this current profile of our fleet, what at current charter rates would our P&L look like?

Chetan Mehta: Can you just repeat the question please? I lost your audio, sorry.

Sreemant Dudhoria: My question was, given the current profile of our fleet of 13 vessels, what would the profile look like of our P&L now that the business has transformed, or proposed to be transformed, what will

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it look like? It will have a significantly lower expenses, it will have I guess significantly lower income, because this will be just the financial guaranteed charter from DP World. I didn't get that, can you also clarify for us, do we have an option to lease to DP World all these 13 fleet for the long-term or is this not the end guarantee, is this subject to market risk?

Chetan Mehta:

So, Sir, as far as P&L is concerned, yes, the revenue which is currently coming on the P&L will be replaced by the charter hire income, which will flow from Unifeeder or for any third-party to whom we charter the vessels. So, that's on the revenue side. On the cost side, as we discussed, there will be few cost items which pertain to the operations of the company which will not be borne by the company going forward. So, to that extent, it will come down. The other item of expense where we see a significant reduction is the interest cost. Given the liquidity coming in, we will use that to reduce our working capital and other debt. So, to that extent, we see the interest cost coming down to that extent.

On the vessel chartering side, as far as the current fleet is concerned, there are certain vessels which are currently deployed in the operations of the ship. So, as we come closer kind of towards the transaction, there will be a discussion around the requirements of the vessels, which will be required to be deployed on the Indian coast and for carrying out the feedering and the coastal operations. To that extent, the company will supply all these vessels to Unifeeder. Today, as you are aware, Sir, in terms of the Indian coastal market, Shreyas has the highest number of vessels and the overall depth in the market is small. So, to that extent, Shreyas is well positioned to provide the vessels as required by the Unifeeder entity.

Second, going forward, as Ritesh highlighted, the company will also have a right of first refusal. So, for any future demand which the Unifeeder entity may have for its requirements, Shreyas will have the first right to offer that tonnage to the company. So to that extent, Shreyas will be kind of guaranteed in that sense of continuous deployment of the vessel by the company going forward.

Sreemant Dudhoria:

Okay. So is it fair for us to understand that you will have first right of refusal, but at market price. And should you feel that the market price or the price that they are offering you is low, you will then go out and find alternative lessees for your alternative charters for your ships?

Chetan Mehta:

Absolutely, we can find alternative lessees.

Sreemant Dudhoria:

Okay. So given the current business climate in charter rates, and the current profile of the vessels that you have, can you give us a sense of what we should expect in terms of P&L? We understand it's subject to fluctuation in charter rates, but if you can give us some sense, we have invested in a certain business and this business is transforming, unless we are given an opportunity to assess the transformation, how do we make a judgement?

Ritesh Ramakrishnan:

Captain Singh, would you like to answer that please?

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Vivek Kumar Singh: Yes. See, for the last couple of quarters, for the last two years rather, we have been giving a detail in our presentation for the vessels which are on charter vis-à-vis the vessels which we have been operating on our own services. And we have been giving a comparison and we have seen that every time the vessels which are on charter, per TEU revenue or per slot revenue which we have earned, as charter has, has been greater than the operating vessels, which we have operated. That was one of the reasons why we had also taken this call to change over to this mode of operation so that we do not have that additional risk of the market. So, we stand as a ship owning division only. And as regards to even the yield comparison, if you see what happens is that virtually when you are operating a vessel, you have a yield on the vessel. While you give the vessel on charter, it is the charter hire on the vessel. Both are comparable in the P&L, because the ultimate P&L comes out from there only. So, if charter gets better, at times mostly it is better for the last two years, but since the charter market is cyclic, there could be sometimes the charter market is much lower than the operation. But definitely, more or less it works out equal to charter hire. So going forward also, we should have our P&L in line with whatever we have been fitting at this moment in time. So I don't see there will be any vast difference in our P&L going forward.

Sreemant Dudhoria: Sir, we have already had a vast difference, we fell from Rs. 80 crores to some, I don't know what, Rs. 8 crores or something. And also, different from which year are you talking about?

Vivek Kumar Singh: See, the last two years which we are seeing that where we felt and where we had chartered only a couple of vessels, may be one or two vessels on charter, while most of the vessels we have been operating. And because we have been operating here, we have effect of market condition on our operation may be the fuel oil cost, be the market condition and freight rate condition. So, there it is much more fluctuating and we have a wider risk. On the charter, it has been quite consistent and we have been getting even in the last two years. But if you are saying that profitability fell in the last two years, yes we fell because most of the vessels we are operating, that is the reason what we are trying to change over now. Because we were finding there are a lot of challenges in the operations now, which we are facing and because of that it is best that we have a fixed income on our vessel assets, and assets can keep earning the charter has as long as we have a long-term fixed chapter arrangement with investors.

Sreemant Dudhoria: I think I understand what you are trying to say. But please look at it from a standpoint of an outsider. The company's P&L has been difficult for an outsider to assess. In FY '18, I think you made a profit of around Rs. 80 crores. That dropped to about Rs. 35 crores and then dropped to Rs. 8 crores. So now you are making a correction and you are trying to improve the stability of your income. And we understand the philosophy behind your decision. But unless you can give us some numbers that help us understand what is steady state, what is stable stability, in terms of revenues and incomes and profitability, we can't make any judgement of what you are asking us to work on. We would have been able to appreciate it if you had created a pro-forma based on an actual position of the company's assets and proposal, and then we could have made a judgement.

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- Vivek Kumar Singh:** I think we can always work it out and give you the details if required at a later period.
- Sreemant Dudhoria:** Okay. So I leave it here, and then maybe we will have to speak to you offline to get a pro-forma sense of what your P&L is. See, we understand your balance sheet is not going to change very much, because pretty much the bulk of your assets are going to continue on your balance sheet and your debt will reduce marginally, you are getting Rs. 200 crores and your debt is about Rs. 200 crores, Rs. 300 crores. So, I presume some debt will come down, but it's not a big deal. I think the real impact is on your P&L. And if we don't understand your P&L, we can't make an assessment. So I hope you understand. I am trying to be as straightforward and clear as possible. It's extremely important for us.
- Ritesh Ramakrishnan:** Sure. No, that's, very clear. And I think we will get back on that and happy to have a discussion. So that point is taken, and it's very clear to us.
- Moderator:** Thank you. The next question is from the line of Sachit Motwani from Param Capital. Please go ahead.
- Sachit Motwani:** Sir, my question essentially is a follow-up of the previous participant. Sir, today we have 13 vessels, I am assuming we charter out all 13 vessels, so like what should our revenue number look like? I mean, or like if you have a Rs. 500 crores revenue in fact on FY '20, can you give us a break up of how much was like charter income from that? And how many vessels had you chartered in FY '20?
- Ritesh Ramakrishnan:** Rajesh, you want to give that breakup please? Or Captain, you can come in as well, if you have those.
- Vivek Kumar Singh:** I think Rajesh will have the working for the FY '20, which we had worked out. And you have given the presentation at the end of the year. So do you have that somewhere, Rajesh? Then exactly we can tell them like what is the differential for the vessels which we had chartered out.
- Rajesh Desai:** Last year only the three vessels were continuously on hire. And from the three vessels, one vessel was partly for the part period. So from that we have earned charter income of Rs. 68 crores for the full year.
- Vivek Kumar Singh:** And percentage, you tell the percentage, what was the percentage for the slot vis-à-vis the venue and what was the percentage on this.
- Rajesh Desai:** Out of total turnover, the percentage deployed was the total 17% of the TEU days were on charter as compared to others the balance were on operation. So there we have earned Rs. 68 cores of the charter hire.

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- Sachit Motwani:** Got it. So fair to assume then, like, if we charter out all our 13 vessels, we would be making Rs. 250 crores kind of a revenue from this under this model? Assuming prices remain the same as they were in FY '20.
- Vivek Kumar Singh:** Yes, correct. Depends on the charter market. If market remains at this level, yes, definitely it goes in the same proportion. But if the charter market drops or as a vessel also gets older the charter hire comes down, so all that will have to be seen. That is where we have the plan even to rework on replacement of the vessels, to get better vessels, economical and better, larger vessels so that our earning can go up on that vessel.
- Sachit Motwani:** Okay. And sir, you mentioned employee expenses would fall by 80% and what about other expenses? So, how would other expenses behave in this kind of a model?
- Rajesh Desai:** As regards other expenses, as was mentioned earlier by Ritesh, Chetan and Captain, all the operating related expenses will come down, so that will not be in the part of all the fuel expenses, all the port expenses, and all agency related expenses, that will not be forming part of the business.
- Sachit Motwani:** So, my last question was on debt. So you have Rs. 190 crores of debt, just want to understand how much will remain with the ship owning company after this transaction? While you mentioned earlier that some part of debt pertaining to receivables will also go, the receivables will also go with operating company. So, can you help us understand how much debt will remain?
- Rajesh Desai:** As on 31st March, roughly around Rs. 280 crores was the total debt, including working capital and long-term debt. Out of that, firstly we will pay the working capital debt fully. And then we will see how exactly whether the amount will be required for the vessel acquisition and accordingly then we can take a call. But a prime facie, Rs. 80 crores will be repaid immediately.
- Sachit Motwani:** Rs. 80 crores, which is a working capital?
- Rajesh Desai:** Yes.
- Sachit Motwani:** Okay. And any debt gets transferred to Transworld Feeders Private Limited, which eventually goes to Unifeeder? Or that doesn't happen?
- Chetan Mehta:** So, no debt will be transferred as part of this Business Transfer Agreement. The debt on account of what is currently in the books will continue to be in Shreyas' books. As Rajesh explained, the consideration which will flow to Shreyas will be used to prepay the working capital loan. And an analysis then will be done in terms of the extent of debt we would like to maintain on the books, and whatever is financially prudent as well as considering the future vessel new requirements, that call will be taken going forward.

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Rajesh Desai: Also to add, Chetan, my debt-to-equity ratio will come down from 0.8 as of now, which will be roughly around 0.5 or even below 0.5 it may go.

Moderator: Thank you. The next question is from the line of Anand Bhavnani from Blend Fund. Please go ahead.

Anand Bhavnani: Sir, my first question is on the working capital that is currently within the company. So, if I were to use March 2020 number, we have around current assets of Rs. 236 crores. And overall, our current liabilities, which is largely borrowing, if I remove the Rs. 160 crores borrowings from the current liabilities, the liability is around Rs. 73 crores. So, can I assume that this Rs. 236 crores minus Rs. 73 crores, which is close to Rs. 160-odd crores, this Rs. 160 crores is the additional money you would be receiving from this deal in addition to the 27 million that you have declared?

Chetan Mehta: Thanks for the question, Anand. So, in terms of current assets and the figures which you mentioned, that will be to the extent of net working capital is what will move on to the OpCo as part of the BTA. And the consideration, which is 19 million which is coming, is for transfer of the OpCo. So, the gross consideration which I discussed earlier, is what will come to the company, which is 19 million for the OpCo and the balance 8.77 million for Avana.

Anand Bhavnani: Got it. So the entire working capital moves along with the deal?

Chetan Mehta: Correct, right.

Anand Bhavnani: Now, you mentioned that we have right of first refusal for supplying the vessel in the Indian coast. It is not universal, we don't have a universal right of refusal for Unifeeder, Unifeeder's operations which are in other countries, right?

Chetan Mehta: Right. Yes, this is largely for the Indian coast, because Shreyas today has all the India flagged tonnage. But, as I think Ritesh mentioned earlier, going forward through this kind of relationship with Unifeeder and DP World, we could always explore how Shreyas can work with the Group and along with their other companies in order to supply any tonnage that may be required.

Anand Bhavnani: Okay. Now in the previous query by a participant he mentioned that you might have around Rs. 250 crores of revenues post this deal in Shreyas from chartering, if the current rates hold. Now, if that will be the revenue, how much would then be like PBT and PAT approximately if the current charter rates would...

Chetan Mehta: So, as far as the revenue is concerned, I would not like to commit on the top-line number, because one of two reasons. One is, the determination of the number of vessels which will be kind of taken over as part of the FCA is something which will be determined and that's the current discussions which are kind of going on. So on closing, that is something which we will come to know. So, assuming say out of 12 vessels a couple of them are bulk vessels, so that will continue

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with the company as we are not transferring the bulk operations. But as regards coastal, say out of 10, if seven or eight are kind of taken over by the Unifeeder entity, to that extent the charter income will flow to the company. And if there is any excess tonnage required, the company will look for opportunities outside to deploy that.

Anand Bhavnani: So, assuming you are able to carefully deploy, let's say, 80% of your capacity, whether in India or whether outside, what could be the top-line figure at the current charter rates?

Chetan Mehta: So, maybe that Anand, I think also a similar question was asked earlier. And as Captain said, we can just work on that along with some of the questions on the split P&L and we can come back to you on that.

Anand Bhavnani: Okay, please do so. We very much look forward to that to help us take a decision. My second question was, on the chartering side of the business, now earlier we used to charter-in certain vessels charter-out certain vessels. With now our focus on being purely an asset owning company, would we be still continuing that practice of chartering-in and chartering-out? Or we once the current chartering arrangements are done, we won't be chartering-in any further, we will be only chartering out? What's the plan there?

Vivek Kumar Singh: We would be only chartering-out, because since we will not be operating ourselves, so there is no question of chartering-in. So virtually we will be only chartering-out all our vessels, whether it is Unifeeder or whether it is in the outside market.

Anand Bhavnani: Sure. And in one of the previous questions, on the employee front you said Mr. Desai is working on it and he will be able to share. So, Mr. Desai, if you can share with us, how much the employee cost of Rs. 72 crores number, and even the breakup of the number of employees that will remain and the number of employees that will move on to the new entity, So, absolute number of employees that will remain and move on, and absolute employee expenses that will be post the deal.

Vivek Kumar Singh: Yes, certainly. I think that that can be that can be worked out and discussed.

Anand Bhavnani: Okay. Oh, I thought maybe Mr. Desai was working on the call. Fine. Another question was, now the disclosures mentioned that the promoters will be selling the, Transworld Holding would be selling some of its business outside of India as well and they will get a stake in Unifeeder. What is that stake? And what is the value of that business and what's the overall percentage numbers if you can share with us.

Chetan Mehta: So, I think as we discussed earlier, so the overseas part of the business is what we started discussions with, where they were looking at acquiring the Middle East feeding and coastal business, which is currently housed in the subsidiary of Transworld Holding, which is Transworld Feeders FZCO, along with a few entities in Qatar, Sri Lanka, etc. So that's a separate part of transaction. And as regards, given that the Unifeeder entity is acquiring that business

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along with the India business, they wanted us to kind of drive the synergies going forward. And therefore, they requested that we should continue and have a minority stake in the company. So, to that extent, the promoter will have a minority stake in the company, as regards the overseas business. As regards the India business, as I explained, that's a completely cash transaction. So both Tranworld Holding and Shreyas will receive cash consideration for the sale of Avana shares. And Shreyas will receive cash consideration for the sale of the undertaking.

Anand Bhavnani: But this minority stake, is it like a single-digit shareholding, is it like 30%, 40%, 49%? 49% is also a minority, 1% is also minority. So how to be assessed? We need some ballpark numbers, in fact, exact numbers. Because from one perspective, it is almost like a related party transaction from one perspective, because you are both on the buying and selling side of it. Because you are a minority stake in Unifeeders, so you are buying the shares in India business and Avana Logistek 29% stake as a part of the Unifeeder buyer side. At the same time, the promoters are on the selling side of it. So it's a related party transaction and we need clarity on that to be able to, again, assess whether we can vote along with you. So, please do share with us the share purchase agreement at the Transworld Holding and Unifeeder which had happened for the business outside of India.

Chetan Mehta: So, at this stage, we will be able to confirm that the transaction is not a related party transaction. And to that extent, there is no conflict of interest.

Anand Bhavnani: You might say it's not, but any layperson would easily see that shares will end up with some of the same business, which it is currently selling. So when Transworld Holding is selling part of its stake in the India business through Shreyas Shipping, it is ending up with the same business on the other side of it in due course. The transaction might be happening parallelly, but that doesn't mean that it's not related. It's related party in substance, whether it's informed, that in due course if we see the overall time line, it will be easier also. I would encourage you to share these details, so that we have more confidence in the overall deal, and we are able to vote for the deal.

Chetan Mehta: Sure. We will be happy to answer in due course. But just to again reiterate what I said was that, one, it is not a related party transaction. And second, the whole purpose of entering into the transaction from their perspective was for us to kind of ensure that we are able to drive the synergy for them, given that they are buying the stake. And to that extent, they have requested us to take a minority stake, which is what being taken. We are bound by confidentiality restrictions, but we will discuss with the lawyers and come back to you to what extent, and we will be happy to give you as much comfort as possible.

Anand Bhavnani: Okay. Now, with regards to the capital gains tax or the taxation in this entire set of transaction. Can you help us understand on what consideration will we be paying taxes and to what extent would be the tax amount and absolute?

Chetan Mehta: Sure. So, based on some current workings, what we believe is that leg which pertains to sale of Avana shares will suffer tax in India in the hands of Shreyas. Our rough calculations at this

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moment kind of convey that the tax cost to Shreyas on the transaction will be roughly around Rs. 12 -13 crores.

Anand Bhavnani: But Avana, if I remember, we had just written down the value in the Q4 itself, I mean, there was around Rs. 86 crores impairment. So, if we had suffered an Rs. 86 crores impairment on an asset and now we are getting Rs. 100 crores for it, so Rs. 12 crores of tax seems too high. So, can you help me understand why the tax is so high?

Chetan Mehta: for tax purposes the actual cost is considered and not the impaired cost.

Anand Bhavnani: Okay. So, the current book value is being considered which we impaired in the last financial year, that book value is being considered which is then I think quite low, it's Rs. 26 crores if I am not mistaken? It's Rs. 54 crores, so Rs. 54 crores of book value is being considered, is it?

Chetan Mehta: The actual cost of acquisition for Shreyas for the Avana Logistek shares will be considered for tax purposes. And we will be happy to share and give you more comfort on the tax workings in the due course.

Anand Bhavnani: Okay. Now, last question is on the chartering mechanism. You had mentioned that the same old chartering arrangement. Under this arrangement, I guess, you will have a certain formula or something which will be used to determine the Indian charter rates? Because Indian charter method is illiquid, most of your business with Unifeeder is likely at this point in time to be on the Indian shores. So, how do you determine the charter rates in an illiquid market? So, what's the formula that you would be using, if you can elaborate on it?

Vivek Kumar Singh: So this question, so it is a fair question. I think to answer that, specifically to the charter rates, the charter rates and the charter markets are actually determined on different global indices. There is certain times a small amount of change on account of number of ships available. But by and large, what we found so far is it's in line with the global indices. In the case of certain charter arrangements that we had gotten into last year with a couple of parties, those were in fact on very favorable terms to us, above the market indices because of the shallow market that we had.

Anand Bhavnani: Okay. So overall, mostly at this point in time, I have some sense of the yields. Now I would encourage you, as early participant encouraged, to come up with pro-forma of both balance sheet as well as P&L for us to understand what the new entity would look like. Because when we entered and when we invested in the company, we invested for the entity as a whole with India business, it Avana and with chartering-in and chartering-out. Now, since a large section of it is going out, we need to understand from both the P&L and balance sheet perspective. And it's very customary thing in most such transactions globally, it's a global standard that the entity needs a pro-forma balance sheet and P&L. We should be adhering to best practices globally. And I would encourage you to do so.

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- Ritesh Ramakrishnan:** Certainly. I think that point is well noted. And we will, in due course, have that and share it as well. So that's not a problem at all.
- Moderator:** Thank you. The next question is from the line of Vikram Damani, an individual investor. Please go ahead.
- Vikram Damani:** My questions were answered. I am fine. Thank you.
- Moderator:** Thank you. The next question is from the line of Sreemant Dudhoria from Unifi Capital. Please go ahead.
- Sreemant Dudhoria:** So just a clarification on the working capital. I think there were some contradictory statements made. What is the deal net of working capital or will the working capital be with the company? And you will use the proceeds to pay your working capital? That's the first question.
- Rajesh Desai:** So the working capital will be transferred as part of the slump sale. And for that transfer, the consideration will be paid. Does that answer?
- Sreemant Dudhoria:** Okay. So just to clarify, you have Rs. 155 crores of receivables, would that be transferred to DP World? You won't get that payment?
- Rajesh Desai:** So, that will be part of the working capital which will be transferred. So, going forward, that receivable will not feature in Shreyas' books going forward. That will be transferred under the BTA.
- Chetan Mehta:** Okay. So, just to again I think give some more clarity. I think someone highlighted the numbers from the March 2020 balance sheet, where we have current assets of Rs. 236 crores and liabilities of Rs. 116 crores. So, from that if I was to look at that, you will have almost around Rs. 175 crores to Rs. 180 crores of current assets which will move as part of the BTA, along with liabilities of roughly Rs. 30 crores, Rs. 35 crores. So, roughly around Rs. 140 crores of net working capital is what will move under the BTA, for which you will receive consideration of 19 million.
- Sreemant Dudhoria:** So which means, you are selling your business, the business which you have nurtured for many decades for just about Rs. 60 crores including the Avana which is selling for no value?
- Chetan Mehta:** I am not sure how you are looking at it. Because what you are getting here is two things; one is, for the business of OpCo; and along with that, the sale of the shares of Avana, which is separate. So in all, together, we are looking at in today's rupee value close to Rs. 200 crores, Rs. 210 crores of cash coming into the company.

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Sreemant Dudhoria: Yes. But the receivables which is on Rs. 155 crores is also going to the DP World. So in the net, what you are paying for your business is just about a Rs. 55 crores, Rs. 60 crores? And that's for the Avana, not for the Shreyas business.

Chetan Mehta: No, the Avana receivables are part of the OpCo business. So to that extent, the Avana receivables, like any other receivables pertaining to the operations of the company are moving to the OpCo.

Sreemant Dudhoria: Yes. So, can you explain that how did you come to the value of the slump sale? How did you get that value? What was the valuation metric used? Because it looks to us that you are selling the Shreyas business for free.

Chetan Mehta: So, if you see, again reiterating what I mentioned, as far as the current balance sheet if you take of Shreyas, what is moving out is the operating business, of which, as I said, the current assets along with liabilities pertain to the operations will be carved out and that will be sold. For that is what we will receive the concentration, along with the sale of shares of Shreyas. I think as we discussed on the call, we will try to kind of give you the asset carve out and the pro-forma, as has been requested by others also on the call. And also provided so that the investors have complete clarity and can address the questions.

Sreemant Dudhoria: Sure. But we are not able to understand what valuation you have given to the Shreyas business, but from the numbers of your March balance sheet, it all looks like the Shreyas business is going for free. Because the net of working capital, as you are saying about Rs. 55 crores and that is for the Avana business. Shreyas minority shareholders are not getting any deal anything from the sale of business.

Chetan Mehta: No, I think that is not I think the way to look at it. I am sure maybe I think once we have that pro-forma carve out prepared we can have a detailed call and satisfy all the questions.

Sreemant Dudhoria: Okay. Can you please explain if you have a different opinion, because we have worked on the valuation of this deal. If our understanding is wrong or is it different, can you explain what we are saying, is it different from that?

Chetan Mehta: Yes. So just to explain the transaction. In the past, as you are aware, Shreyas was owning as well as operating the business. And when kind of the discussion came around the transaction, we looked at how and in what form can we split the P&L of Shreyas into AssetCo and OpCo. Because there will be some portion of it which will be attributable to the AssetCo, and some portion which will be attributable to the OpCo. Now, if you were to technically spit the P&L and if we in fact did that exercise where we have also went through what was the charter market rates, which one could have got, if those separate divisions were operated basis market rates, and we found that the OpCo was really making losses, while the profits were largely driven by the asset owning company. So, that detailed exercise was done. And in fact, during the course of our negotiations and discussions, that was something which we strongly kind of put forth that

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the vessel operating business also is kind of valuable, and we need to get that value. And this was discussed and debated. And post discussions is the value today what we have been provided. Also, we have, as part of this, also done a valuation, we have obtained a valuation report from an independent CA firm and also got a fairness opinion. We will be happy to supply that to you. And once we have the pro forma P&L balance sheet prepared, happy to also get into this aspect and address your concern.

Sreemant Dudhoria: Sir, since you have worked on , you are saying you have looked at the separate entities over the past years, can you give us for the last two years what was the revenue and the profitability for the asset company and what was it for the operating company? Can you give us a break of these two entities? As you said you have looked at for this deal.

Chetan Mehta: Sure. Rajesh, would you have ready? Or we will be happy to provide that and also take you through it and address your concerns. Happy to do that. And we have noted all the questions which have been coming, and I appreciate maybe at this stage if there is lack of clarity, or maybe if we need to provide more details, we will be happy to provide that so that all your concerns are addressed.

Sreemant Dudhoria: Yes. We would seek for more clarifications for the basic questions that we have asked. Because otherwise, minority shareholder voting for this transaction will not be a possible thing.

Chetan Mehta: I appreciate. And as I said, we will be happy to address and answer all your questions and also take you through the rationale in more detail. Maybe give us an opportunity to prepare relevant workings for you to appreciate and take you through that, which will kind of satisfy and clarify all the doubts. I just want to make a mention that; one, the transaction overall really helps the company to de-risk its business model in these challenging times where we have seen some of the deals in the sector really not go through. I just want to place on this that we have really tried to negotiate hard and get the deal of what we believe the right value for all the shareholders. And at the same time, the attempt is to kind of in these challenging times create this liquidity event for the company and for the shareholders to deleverage the balance sheet, bring the focus of the company on asset owning and improve its competitive position. And at the same time, ensure that there is a reduced kind of overall counterparty risk. And also given now the relationship with DP World and Unifeeder, create a more addressable market for the company going forward for its vessels. We have noted the questions and we will be happy to address and clarify all your doubts in the coming few days and ensure that the apprehensions which you have and which you have raised or addressed and are met, and are also satisfied. Thank you.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: So just a clarification. So, in the new arrangement, since it's a business undertaking transfer, so we will no more be there in the coastal shipping business. And the assets which are there on the balance sheet, which is about Rs. 400 crore net block which would comprise 12 or 13 ships,

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those ships will be put on chartering. Now, obviously, Unifeeder will also need the ship, so there will be an arrangement for chartering out these ships to Unifeeder. And in your new scheme. Offerings, and whatever EBITDAs that I see, so there is an EBITDA of Rs. 50 crores, Rs. 43 crores in March 2020 and then there is EBITDA of Rs. 70 crores in March 2019, when you do chartering, obviously, you would have the calculation. What kind of EBITDA is possible on the chartering of this 12, 13 ships that you have?

Chetan Mehta: Thanks for the question. And I think similar question was raised in a different manner earlier. So I think as we have promised, we will get back to you with a pro-forma kind of P&L and balance sheet for the AssetCo and OpCo basis the transaction, which I think will address the queries. To kind of again just reiterate; one, as I said, on the revenue side you will have the current revenue being replaced by the charter income revenue.

Pritesh Chheda: I am looking for EBITDA.

Chetan Mehta: Yes, sure. So, I think once we put that together, I think that will ultimately give you that number. And on the cost side, as I was explaining some of the cost will now no more remain. So, I think once we have that, we will be able to clarify your question.

Pritesh Chheda: So, then I am picking from your comment when you said that it was not remunerative to run as an operating company versus the asset company, OpCo and the AssetCo. So is it fair to assume that under the AssetCo, the EBITDA that you have reported so far would actually be higher once you go to the new structure directionally? Whatever EBITDAs that you have reported in FY '20.

Chetan Mehta: Yes, I think that is correct. I think we are looking at ensuring that the earnings and the profitability of the company kind of continues to be at the same level, and also increase going forward.

Pritesh Chheda: And there is a wide variation of EBITDA from Rs. 40 crores to Rs. 100 crores in three years. As a chartering company, the EBITDAs have to be between these two ranges/

Chetan Mehta: So, I think that's the point which we are trying to address that how do we make the company more resilient to such business cyclical and ensure that there is steady stream of revenue and certainty. See, today one of the biggest positives that we see is that, and I am sure you understand the space. In the shipping business we have had numerous cycles. And therefore, while the charter market rates may suddenly go up, shoot down and all of that, but what is really important from our perspective is to ensure that your vessels are continuously deployed. And that is what is the prime objective when we are looking at this transaction, as this transaction will ensure that there is continuous deployment of these vessels. Over a period of time, depending on the market rates, charter rates may fluctuate. But if your vessels are continuously deployed over a period of time, you will have certainty overall on the numbers.

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- Pritesh Chheda:** So, it's safe to assume that of 13 vessels originally two are on charter and 11 you are running. So now those 11 also goes on chartering and your client is Unifeeder basically?
- Vivek Kumar Singh:** Yes, I will answer that question. Out of that 12 since two of the vessels are multi-purpose type vessels, which are not included in that negotiation, so vessel owning as well as the breakbulk operation remains with the company. So, balance nine of the vessels, and now we have only 12 verses, out of that 12 vessels two vessels are MPPs, and 10 vessels will be deployed by Unifeeder on the coastal services, which are currently also deployed.
- Pritesh Chheda:** Okay. And any length of this arrangement in the number of years or something?
- Chetan Mehta:** Yes, it will be a long-term chartering agreement. And as I also alluded earlier, given the lack of depth in the charter market in India, and with the requirement of having an India flagged vessel which is required to deploy on the coast today, Shreyas is the market leader and with the maximum number of vessels. So, we see this arrangement to be fairly long-term.
- Pritesh Chheda:** And since you have been running the operations for so long, and now Unifeeder will be running it, obviously, will there be an helping hand and you will get some management or management fee or service fee or you will be completely out of operation?
- Ritesh Ramakrishnan:** Completely out of operations. Shreyas' revenues will be only from the chartering income that the company does.
- Pritesh Chheda:** So hereon, they are the guys who will source the business, manage the operations, do everything?
- Ritesh Ramakrishnan:** That's right.
- Pritesh Chheda:** Okay. And cash flow that you get, which is about Rs. 200 crores on selling off the two pieces, which is the operating company plus the shipping JV stake that you have, you have a Rs. 250 crores debt on the balance sheet and this is about Rs. 200 crore odd number which will flow through. Is it safe to assume that the money will go to repay the debt?
- Chetan Mehta:** So, as I think we discussed on the call, what we are looking at is definitely to pay off the working capital debt that we have. And then as we would separately outline our strategy for the vessel owing part going forward, take a call to what extent we should have long-term debt on our books and be prudent financially about the extent of leverage that we should take, or reduce as the case may be.
- Pritesh Chheda:** And my last question is, under chartering whatever block of asset that you have, so under the chartering arrangement what will be the payback period of that block of asset? That gives us a sense of the ROE or ROCE in the new form of business.
- Chetan Mehta:** So, I mean, if your question is more from a cash flow perspective.

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Pritesh Chheda: Yes, you can take it from cash flow. So suppose today you had to put a new ship, a new asset and had given it on chartering, what would have been the payback period? Or you can tell us on your existing block of, I think net block is Rs. 400 crores and gross block is Rs. 450 crores.

Chetan Mehta: See, today as we look at it and as we plan out, immediately we see that we have adequate tonnage to be deployed. And maybe we can review after a couple of quarters after we go through an exercise of outlining the strategy for the vessel owning part. So currently, we don't see a need to go out and acquire new vessels. So the existing tonnage will definitely add value.

Pritesh Chheda: Sir, that I know. But hypothetically assume that if you had to put a new asset on a charter, what is the usual payback period? Is it four years, five year or six years, there would be some arithmetic, right?

Chetan Mehta: Captain you can provide?

Ritesh Ramakrishnan: So, while Captain Singh can add some light on that, I think a couple of factors that will determine or help you determine that is the price of your asset as well, and at what part of the cycle that you get into it. So depending on those two, it can vary. So in the past experiences we have had paybacks anywhere from five years upwards to 10 years is what we have experienced in the past. But Captain Singh can shed some more light on that.

Vivek Kumar Singh: Yes. Mainly, as you know, we are taking all secondhand vessels and we operate for around 10 years. And since we are taking 10 years old vessels, the payback term is something around six to seven years. So as best seven years I think we have more or less it gets paid up. And balance period is our paying vessels. And going forward, even for our fleet if you see, most of the fleet are competing fifth cycle in 2021, 2022. So till then we don't have even drydock, we have only one drydock left. And rest all will be even phased out. If you see the payment cycle and all these five, six verses which are completing 25 years by 2022, will be phased out completely. So we will be left with only three to four vessels which will have a little more longer term, which are newer vessels and will have to make a replacement for all these vessels. And that is where we will work out our strategy to go ahead with the replacement plan.

Pritesh Chheda: Okay. So a clarification, six years if you run as a charter or six year payback if you run on coastal as a coastal shipping operator, which one, six year if you had run it on charter or six year payback if you run it as coastal shipping operator?

Vivek Kumar Singh: See, we are considering that whether we are running on coastal operation or whether we are running on charter, our yield is more or less similar.

Chetan Mehta: So the yield will be the same, I think the yield if you run it on charter or do you run it as an operator, for your asset it is the same.

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- Pritesh Chheda:** I know asset is the same. So what was initially discussed was, last three years the scenario has been such that they were depleting EBITDAs because it was more profitable or better yield if you would have run it on charter versus coastal shipping operator because of the competition in coastal shipping operations. Right?
- Vivek Kumar Singh:** Absolutely.
- Pritesh Chheda:** Perfect. Which means that in current condition, running it in a charter is better than running it on coastal shipping operations, perfect?
- Vivek Kumar Singh:** Yes.
- Pritesh Chheda:** So when you said six years, six years usually as a coastal shipping operator you would aim to have a cash flow payback. That's how you should look at? Is usually that you would have saved because when you do coastal shopping operations you are giving more value addition over pure chartering. But because the market situation was such, you were making lower yields, right?
- Vivek Kumar Singh:** Yes, right.
- Pritesh Chheda:** So when you gave a assessment of six years as my usual payback, that assessment of six year is based on chartering or coastal shipping?
- Vivek Kumar Singh:** See, even the chartering market keeps fluctuating, like what you have mentioned that yield on the vessel when we are operating. We are just taking hypothetically or taking that both are on an average, because here also it is going up and down, there also it is fluctuating. So, take it as an average similar. If that is the case, because that was one of the reason why we said like here on the yield we have got much more challenges and our charter hire equivalent to yields is not really coming up and is fluctuating much higher than when the vessels are chartered. So, why not put the vessels on charter and enjoy that as long as you are getting? Because the biggest like drawback for the vessels on charter is that, that you may not get a charter contracts all the time. But here we are getting a charter contract all through, so it is always better that we might as well put the vessel on charter even if we get a slightly less, because at least the vessels are deployed completely, and you don't have a risk of that much of fluctuation. So, that is where we are taking our average and basis of that six to seven years is what we have been considering payoff time for all the vessels, if it is about, say, 15 years old when you buy. Because if you buy a newer vessel, yes, it takes a much longer time, because your cost of acquisition is much higher.
- Pritesh Chheda:** Perfect. So which means that the current EBITDAs have to be higher in your new scheme of things, because your current EBITDA has lower flow through on account of operating a coastal shipping. Under chartering, the EBITDAs will be higher than what I have seen in the reported FY '20. Now, how much higher is what you will provide us with your OpCo and AssetCo statements?

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- Chetan Mehta:** Yes, that is where we said that we will work it out and then we can provide you with it.
- Pritesh Chheda:** So whether it is Rs. 50 crores or Rs. 100 crores, because the three year range is Rs. 50 crores and Rs. 100 crores. Whether it is higher than Rs. 50 crores, lesser than Rs. 100 crores, that statement will whatever you will provide us with?
- Rajesh Desai:** Yes, we can provide that on the basis of last year itself, FY '20. So that whatever your view was at actual on the basis of this, or else it would have been, the vessels would have been chartered, how would have been our P&L looked at. So it makes a very clear statement.
- Moderator:** Thank you. The next question is a follow-up question from the line of Anand Bhavnani from Blend Fund. Please go ahead.
- Anand Bhavnani:** Sir, a bit of questions are answered. I just had a question on the timeline by which you would be declaring these data points, pro-forma, P&L and balance sheet, the draft share purchase agreement between Transworld Holdings and Unifeeder, and draft share purchase agreement between Transworld Feeders and Unifeeder transaction that is going to happen. So, by what time can we expect all the data points to be out in the public domain for the shareholders to review?
- Chetan Mehta:** Yes. We will try to have these arranged as soon as possible. As next steps, we would anyways have to come to the shareholders for approving the transaction. So, before that all the details will be made available. Also, as I said, we will be happy to have any separate calls which are required, and if there are any clarifications you would need, happy to get on a call and answer those questions to you and provide all the information to satisfy all your queries.
- Anand Bhavnani:** Okay. Sir, pro-forma, P&L and balance sheet could be a simpler exercise. So can we expect within two weeks?
- Chetan Mehta:** Yes. We will try to work that out as quickly as possible.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Ritesh Ramakrishnan:** So, I think, thank you everyone for joining and really appreciate all your questions what you have raised today. I think maybe we would have noted all the questions and come back to you on each of them, and with a clear purpose of ensuring that we are able to answer all the queries that you have.
- As we look at it, the transaction really in these times is something which we see and we are trying to really push hard in ensuring that this brings in liquidity for the company. Secondly, it also ensures long-term deployment of its vessels and therefore, reducing or de-risking the business model for the company. Also going forward, we see that with the relationship with Unifeeder and DP World, the company will be kind of well placed to have a bigger addressable

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market for its vessel owning business going forward, which will auger well in the years to come, with stable returns and clear profitability as well.

And we appreciate and understand that the company over the years, because of business environment has gone through challenges. But at the same time, the management and the Board has always been proactive in terms of ensuring that we are ahead of the curve, we are ahead in terms of planning for the requirements, which all of you have seen in terms of the plans which we had tried to implement in terms of acquisition of vessels in the past. Unfortunately, I think over the last few years, the expected way in which the coastal markets should have kind of developed and the volume growth has not really kicked in, which is what has resulted in the performance below par in the last couple of years. The Board has been actively looking at this, and with that intention has been trying to see how we can kind of look at a renewed focus on the vessel operating side. And therefore, reduce the risk to the company and also ensure that there is stable revenues and visibility of cash flows going forward.

We believe that with this infusion and with this transaction, the company will be able to reduce leverage on its books, have a healthy balance sheet, will be able to significantly decrease their interest and other expenses, have a better net debt-to-equity ratio. And as the years go by, improve on its profitability going forward.

I, on behalf of the management and on behalf of the company want to thank you all for attending and posing what are valid questions. We will come back to and seek your time to address all those questions and ensure that we are able to satisfy and move forward in that spirit. So, thank you all for joining. Have a lovely evening. And we look forward to again speaking with you and coming back to you with more details. Thank you so much.

Moderator:

Thank you very much. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.