Shreyas
Shipping and Logistics LTD

Ref No. SSLL/97/2019-2020

Date: 27th November 2019

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 15th November 2019

Please find enclosed herewith the transcript of the Earnings Conference Call held on 15th November 2019 for your record and reference.

Thanking you

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

Shreyas Shipping & Logistics Ltd
Navi Mumbai

Asha Prakash
Company Secretary & Compliance Officer

Encl: A/a

D - 301 - 305, Level 3 , Tower II, Seawoods Grand Central, Plot No. R1, Sector - 40, Nerul Node, Navi Mumbai 400 706.
Tel.: +91 22 6811 0300 Fax.: +91 22 6811 0333 CIN NO.: L63000MH1988PLC048500
Regd. Office: D-301-305, LEVEL 3, Tower II, Seawoods Grand Central, Plot No.R1, Sector-40, Nerul Node, Navi Mumbai - 400706.
investorrelations.ssll@transworld.com transworld.com/shreyas

"Shreyas Shipping & Logistics Limited Q2 FY20 Earnings Conference Call"

November 15, 2019

MANAGEMENT:	**CAPT. VIVEK KUMAR SINGH – MANAGING DIRECTOR, SHREYAS SHIPPING AND LOGISTICS LIMITED** **MR. RAJESH DESAI – CFO, SHREYAS SHIPPING AND LOGISTICS LIMITED**
MODERATOR:	**MR. DEEPAK AGARWAL – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to the Q2 FY20 Earnings Conference Call of Shreyas Shipping and Logistics Limited hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. I now hand the conference over to Mr. Deepak Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you, Mr. Agarwal.

Deepak Agarwal: Good afternoon and very warm welcome to everyone. Thanks for being on the call of Shreyas Shipping and Logistics Limited. From the management side we have with us Captain Vivek Kumar Singh – Managing Director and Mr. Rajesh Desai – CFO. So now I hand over the floor to the management for their opening comments post which we will take the floor for Q&A. Over to you, sir.

Capt. Vivek K Singh: Thank you Mr. Agarwal. Hello, good evening ladies and gentlemen. Welcome to today's Earnings Conference Call for the second quarter and first half of the financial year ended 2020. I hope you had a chance to review our Financial Statements and Earnings Presentation which have been made available on the exchanges as well as on our website.

Before we dive into the financial highlights, we would like to take you all through some interest aspects of our domestic coastal expected to shape up in future. India has a coast line of more than 7,500 kilometer long it is first with more than 200 ports. Most of the cargo ships the sail between East Asia and America, Europe and Africa pass through Indian territorial waters. At present only 6% of the total cargo is by a coastal shipping which is significantly lower than which is significantly lower than the international standards. Countries like Japan and China have 5x to 7x higher share of coastal shipping than in India.

As you aware the cost of moving cargo is lower as compared to road or rail. The Indian government has been constantly taking various initiatives to improve domestic coastal shipping which will also boost the country's economy in India and is expected to increase the share to 15% by 2025. Initiatives like Sagarmala and Bharat Mala are the primary driving forces for the industry and of late the Shipping Ministry has been planning to develop synergy between the major and minor post to improve port-led development which gives us a motivation to work together and achieve robust performance in the future. Having said that, Shreyas being the market leader would be a direct beneficiary of government initiatives in the segment like Sagarmala.

A brief highlight about the global container market:

Howe Robinson Container Index increased to around 800 points at the close to quarter. Charter hire rates have also shown a positive outlook since the low around January 2019.

Coming to the standalone financial highlights for the second quarter of FY20:

The operational revenues stood at INR159 crore which grew by 1.3% as against the corresponding period last year and grew by 11.4% on Q-to-Q basis. Operational EBITDA margin decline to INR13.2 crores as against INR59 crores in the same period last year, but on Q-to-Q basis it grew by 76% from INR8 crore PAT stood from at INR5.3 crores as against INR5.1 crore in the corresponding previous period last year and revived from a loss of INR1.4 crore on a Q-to-Q basis.

Coming to the standalone financial highlights for the first half of FY20:

The operational revenue stood at INR301 crores which was INR307 crore in the corresponding period last year reporting a marginal decrease of 2%. Operational EBITDA stood at INR20.8 crores and PAT was around INR4 crores.

During the quarter our total fleet size remained at 13 vessels with a total capacity of 24,519 TEUs and total dead weight of 3,36,573 metric tons. The company operated a total of 14 vessels including charted vessels. Total vessel operation days during the quarter was where 1,015 days as against 982 days in the previous quarter.

SSL Mumbai, SSL Gujarat and SSL Chennai continued to be on charter and Asiatic Dawn and AS Frida were charted-in mainly for East Coast operations. Vessels were charted-out for total 276 days as compared to 341 days in the previous quarter and charted-in for 95 days as against 160 days in the previous quarter. SSL Balaji and SSL SABARIMALAI were deploying for break bulk business for 92 days in the quarter. Also, no vessels were dry docked during the quarter.

The average bunker rate for the quarter was INR32,600 per metric tons compared to INR35,100 per metric ton in the previous quarter which resulted in fuel cost decrease by INR1.5 crore.

Total volume handled during the quarter were 1,15,324 TEUs as against 1,10,120 TEUs in the previous quarter.

On the domestic cargo front, the company maintain its market share of 49% as compared to 47% in the previous quarter. Domestic volume increased by 5% during the quarter as compared to the previous quarter. Overall, utilization level on all the services from North to South and West to East remain at the level of around 92% and on the reverse leg was around 61% during the quarter. During the quarter ECC service continued Colombo call and PIX 2 started calling Colombo to provide service to customers.

Company had agreed for slot swap arrangements with other feeder operators on the East Coast operation and we expect to rationalize our tonnage for better utilization on Calcutta-Krishnapatnam trade lane. Company also working closely with main lines and expect to achieve growth in feeder volume for increasing overall revenue. Few services have been aligned to reduce the operating cost and provide required schedule services to our customers which can bring in additional volume.

Thank you all for the kind patience. We can now proceed with a question and answer session.

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

Anand Bhavnani: I have two question if you have to look at the charter hire charges they are quite high as compared to Q2 of last year, so can you help us understand the reason for this hike?

Rajesh Desai: If you see, basically this reflects to slot swap arrangement which we do with the other operators. The component of cost portion has increased in line with the increase in revenue. As mentioned in the opening remark charter hire has shown a positive outlook and container Index were lower, so in actual charter expenses were low while slot charter income as well as expenses were higher as compared to previous quarter.

Anand Bhavnani: Last year what was the slot charter for Q2 and what is a slot charter cost for this year?

Rajesh Desai: Last year it was low because we have increased slot charter arrangement with other operators and figure I need to check, basically the slot charter income and expenses are always in line. There is no difference between the income and expenses.

Anand Bhavnani: So what would be the income in slot charter this quarter versus last year same quarter?

Rajesh Desai: Similar quarter last year was around 18 crore this quarter it was around 25 crore.

Anand Bhavnani: So there are 7 crore increase in the slot charter income so there will be corresponding 5, 6, 7 crore increase in the expenses as well that is what you want to say?

Rajesh Desai: Yes 7 crores increase but also got offset by the decrease in actual charter hire income and net impact is the difference in the figure.

Anand Bhavnani: And in terms of TEUs captain mentioned the number what was the TEU number for the quarter?

Rajesh Desai: 1,15,324 Teus, increase of almost about 5,000 TEUs.

Anand Bhavnani: But this 5,000 increase is over Q1 correct, so whether will Q2 of last year what is the change?

Rajesh Desai: Last year it was around 1,20,000 something.

Anand Bhavnani: So there has been a year-on-year fall in the volume for us, so can give us why has the volume fallen is it the broad market fall or is it the market share fall?

Capt. Vivek K Singh: No, from last year quarter to this year if you are comparing, the fall is only because our operating days were less for the services. Certain vessels which were being operated last year have been put on charter this year. Even on the East Coast one of the vessel has been charted out where the volume is not included, but we have slot swap arrangement as of today.

While the volume has reduced, but revenue wise if you combined the revenue per se for the volume carried plus the charter hire income, it works out higher than the last year.

Anand Bhavnani: And lastly on the joint venture in this quarter do we have a loss of 0.8 crore Q1 the loss is narrowed vis-à-vis Q1, but can you give us a sense of what is the outlook and can we expect this to be you know joint venture to be profitable going forth or do you anticipate loss is continuing for the foreseeable future.

Capt. Vivek K Singh: Now which joint venture you are talking about.

Anand Bhavnani: The stake that we have in Avana Logistics in the consolidated P&L statement.

Capt. Vivek K Singh: You are saying that on the basis of consolidated account financials.

Anand Bhavnani: Correct. So in consolidated we show it as an associated joint account profit and there we have shown a loss of 78 lakh there was a 2.17 crore loss in Q1, so I wanted to understand what is your assessment of the outlook for this?

Capt. Vivek K Singh: The outlook, I think could be more or less in line with the present quarter or it could be even better than that.

Anand Bhavnani: But can you comment specifically whether it will be in profit because current quarter is a loss?

Capt. Vivek K Singh: The loss has reduced as compared to the previous quarter.

Anand Bhavnani: I said like the outlook case because we are getting better and better and outlook also goes in the same line will it is the second quarter is better than the first quarter and the next quarter could be better than even the second quarter that is what I am trying to say. So outlook is looking better and we should be increasing on our profitability even jointly.

Capt. Vivek K Singh: Just to add basically if you see, it is a consolidated account which also include the Avana global which is an international business and got affected mainly because of Iran sanction. So now we are out of that and I think that situation should improve in future.

Moderator: Thank you. The next question is from the line of Shashank Dholakia from Dolat Capital. Please go ahead.

Shashank Dholakia: Sir there are two questions first of all I would like to understand what is the reason for decrease in the market share in the Exim business in the last two quarters, are you facing any sort of pressure because of the competition in the markets?

Rajesh Desai: No, we are not facing any pressure as such, the overall market has not grown to the expected level and even the competitors have deployed additional tonnages as you recall in beginning of this year two vessels were deployed by CONCOR and the additional one vessel has been deployed now by TCI. Sorry you are talking about the Exim market.

Shashank Dholakia: Yes I am talking about the Exim market business sir?

Capt. Vivek K Singh: No, Exim business market on the coast has not reduced rather it has actually increased in this quarter with respect to the earlier quarter, but the volume reduction is only on the empty side because after cabotage relaxation empty have been moving mainly as same bottom on the main line vessels, which we have lost certain amount of empty. The volume reduction is mainly on the account of empty, otherwise on the laden front we have only increased our market share and we are handling more laden cargo now as compared to earlier.

Shashank Dholakia: And second question is that basically we mentioned two quarters back of acquiring two bigger vessels in FY20 so I would like to know how are we going ahead with that decision?

Capt. Vivek K Singh: Now we are not looking at any acquisition because we wanted to acquire a larger vessel for which the prices have gone up now. So, it is not in our plan now, but definitely going forward once the needs comes in and if the market becomes better for acquisition, we will go ahead at that time.

Moderator: Thank you. The next question is a follow up from the line of Anand Bhavnani from Unifi Capital. Please go ahead.

Anand Bhavnani: Just sir wanted to understand in terms of capacity how are we positioned so Q3 and Q4 are high busy season for us and volumes tend to increase so currently for example we did 115,000 in TEUs in Q2 what is the maximum volume that can be carried by us as business improves in Q3, Q4 what is the maximum capacity with current fleet that we have?

Capt. Vivek K Singh: If you see the average utilization level on the both side it has been low, on the main leg from North to South and West to East also it was mainly around 92%. So we have additional capacity to cater for the increase in the volume and also currently we were using two other MPP vessel on the break bulk trade which can be deployed if the capacity is required on the container trade. On the reverse leg where we are working very intensively to increase the volume on the East Coast from North to South and from East to West, if that happens the capacity which is not utilized today on the reverse leg where the utilization level is only to the level of about 60%, 65%, can be further utilized. So, we still have additional capacity to handle around 10% to 15% growth in the volume and we do not expect the growth to go up beyond that.

Anand Bhavnani: And in terms of the margins pressure in the domestic coastal, how is the outlook now you mentioned there is a vessel addition by TCI and there was vessel addition in the previous years, so is the market stabilized or you continue to see margin pressure?

Capt. Vivek K Singh: With any additional tonnages at a given time, there has been a pressure on the market, but definitely once it gets established with the volume growth expected, like now with cotton coming in I think we should continue with the similar market condition in the next quarter also.

Anand Bhavnani: And with regards to Exim, Exim you mentioned volumes are good, so can give us a bit of volume growth between Exim and domestic for a quarter and TEUs?

Capt. Vivek K Singh: Well, we do not have the figures now and we can give you later offline if required, since we have not segregated the volume for Exim as well as domestic on our presentation.

Anand Bhavnani: And sir we are already in November now so January 2020 timeline low sulfur kicks in so have we started seeing premium coming into the pricing for high sulfur, is that already happening and are we getting the increase in prices for the fuel?

Capt. Vivek K Singh: Yes, the low Sulphur will kick off from beginning January 2020, but we will start taking in this new fuel in our vessels around mid of December where we will face the price increase in the fuel. Market has already declared availability of the low sulfur fuel at all Indian ports by IOCL and the prices have come out. They have declared increase in the low sulfur pricing almost to the tune of 45% with respect to the previous fuel which we were using. Now we are already in dialogue with the customers to see the price increase in freight level in line with the increase in the prices for the fuel rate.

Anand Bhavnani: If I got you correct you said 45% is the price which is increased in the price, so fuel price it was like 32,000 for us in Q2 assuming there is no change in the broad fuel prices low sulfur fuel price would be around Rs. 48,000, 49,000 is my understand correct?

Capt. Vivek K Singh: Yes, earlier at 32,000 may go up to 46,000, or 47,000.

Anand Bhavnani: And in terms of our volumes given that there is some extended monsoon, do you in anyway see this can impact any Q3 volumes or at this point in time is there any worry on Q3 volumes?

Capt. Vivek K Singh: No, the cotton season starts only in November mid and we have already started seeing the cotton movement now. So, I do not see there will be delay. Till November mid it is a normal volume, but after November mid the cotton volume which is a seasonal volume comes in and that is not affected by the delayed rain and has already started moving now. So henceforth we should be able to see the increase in volume of cotton moving.

Anand Bhavnani: So far our EBITDA margin now target has always been to get to the margin level of about 12%, so this quarter we had 8.3 when do you anticipate that we will get to our target for around 12, 13% EBITDA margin?

Rajesh Desai: If you remove the slot charter income and slot expenses which is also substantial amount consisting in the total revenue. I think EBITDA margin if you remove that it comes to about 10% and frankly, we wanted to achieve, but that is again very dynamic and difficult to tell when EBITDA margin will come up to the previous level. We are trying our best and we wanted to achieve that, but it gets governed by so many different factors, but surely for the next two quarters it should go up , we should expect around 12% at least in this quarter and going forward in the last quarter may be around 14% or so for which we are working.

Anand Bhavnani: Any talking for Q3 or Q4 plans talking?

Rajesh Desai: Sorry I did not get you very clear.

Anand Bhavnani: Any dry docks in Q3 or Q4 for any of our vessels?

Rajesh Desai: No, there is no drydock in these two quarters.

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

Vikram Damani: Just a question what are the current bunker prices the other question I had have been asked earlier?

Rajesh Desai: Currently it is around 30,000, but again there are two types of bunker prices if you are talking about the foreign bunker prices it is currently around 28,000 and for coastal bunker it is around 32,000 for the earlier bunker.

Vikram Damani: My question is with respect to what we are paying?

Rajesh Desai: That is what we are paying today.

Vikram Damani: It is the same about 32,000.

Rajesh Desai: Yes 28 and 32.

Vikram Damani: So while we are on this topics so just how are our customers sort of responding to the proposed hike in bunker charges because that is going to be a quite significant, we were hoping it will be in the range of 15%, 20% and now we are talking about a 45% hike due to the low sulfur sort of scenario that is coming in, how do you see that affecting the business going forward in terms of margins as well as your utilizations?

Capt. Vivek K Singh: One we are talking about 40% to 45% hike in cost, but overall when you work on the costing it will be just about 10% to 12% increase in the overall cost as such because bunker quantum is only around 35% of our overall cost. So, on that basis we are looking at increasing to the Exim trade. With most of the lines we have a BAF arrangement and as soon as bunker prices go up they have a BAF adjustment factor with which automatically the prices are revised. On the domestic front we are trying to put a BAF surcharge in our freight additionally and that is where we are trying to educate our customers that this has to be implemented with the uses of low sulfur which is expensive and additional cost has to be recovered. Freight can remain as per the market situation, but additional bunker surcharge will be put and that will be effective around mid of December. So, we are already in process of meeting and appraising our customer about that.

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

Anurag Patil: Sir, with respect to normal operations and compared to chartering what would be the difference in terms of margins or profitability for the company on an average?

Capt. Vivek K Singh: It does fluctuate depending on the charter market scenario at the given time, but definitely off late we have had better margin on the chartered vessels than on the operating vessels while earlier we have been getting better margin on the operated vessels. So, it all depends on the market situations both for the operation as well as for the charter market.

Anurag Patil: So are we planning to deploy more vessels for the chartering any such plans going forward?

Capt. Vivek K Singh: No, we do not have any plan because first we have to see that operationally we are providing enough tonnage to meet our requirement for the customer and additional tonnage only we put out on charter so that we do not disturb our market share. When we have excess tonnages than only, we try to put on charter. We have put one vessel on charter on the east coast which is operated by us only and we have slot swap arrangement with the customer. So, it does not really matter since it is just the conversion of operation to a charter mode.

Anurag Patil: And sir any plans for the inland waterways related CAPEX in the next year or something have you finalized anything or there is no traction as of now?

Capt. Vivek K Singh: No we are still studying the aspects of inland waterways and we have not done any finalization on our CAPEX plan for inland waterways, but definitely we will like to go into that market so we are doing our studies and at the best opportune time, we will enter that market.

Anurag Patil: And sir in terms of this underlying infrastructure for this inland waterways, so what would be thing it will be in place in next one year or two year any outlook from your side?

Capt. Vivek K Singh: I think it will still take time to be fully operational and it might take another year or so for getting better operational with all other infrastructure development in place. Even now they have been operating but the infrastructure is not fully in place and that is why we said that we are waiting for the complete development to happen and then only we will look into this segment.

Moderator: Thank you. The next question is a follow up from the line of Anand Bhavnani from Unifi Capital. Please go ahead.

Anand Bhavnani: The fuel is definitely a key kind of point for the industry and also for you, so just wanted to see few clarifications on this firstly this 45% of fuel hike post that happens so the question was given that this 45% fuel hike is a key point for the industry and also as a company for you I wanted to know post this hike what would be the cost difference between transportation of cargo between say by waterways as compared to road and rail was the gas narrow significantly?

Capt. Vivek K Singh: It will narrow down but will still have better margins. I am sure even earlier we have reached to this level of fuel price. We have also worked earlier when the fuel price was $600 per ton and still, we had a better margin so it is not that margin will not be there. It will still be workable, and we will continue to have the volume in place. May not affect much provided the supply and demand are kept in right perspective.

Anand Bhavnani: If you could please quantity what would be the difference come down to post the hikes?

Capt. Vivek K Singh: See, the cost differential could be just about Rs. 100 per ton on sea carriage cost so that may increase to about Rs. 100 per ton so that is say about Rs. 3,000 to Rs. 3,500 per container for sea carriage on most of the legs which we are handling today, and that increase is not something which we have not seen earlier, and we can very well get it regulated because earlier also the prices have gone much higher than even increase with low sulfur.

Anand Bhavnani: Is it expected that you know there will be this pass on of higher fuel cost can happen in phases or do you expect that this would happen in a single shot starting 1st Jan?

Capt. Vivek K Singh: Yes, it will be in a single shot which has to be collected. Increase of say Rs 3,500 per container is not something which has not been collected earlier from the market. So, I do not see there should be any issue in that and we are trying to put this as a bunker surcharge itself. So it cannot be done in a phased manner rather it will have to be done in one go itself.

Anand Bhavnani: And finally during this transition phase do you see that certain players in industry could observe some of this fuel price hike and get a higher market share is there a risk to loss of market share?

Capt. Vivek K Singh: That competition will always play around which is anywhere and everywhere. We have to tackle the competition in a different way and also as I said it depends on the supply and demand.

Moderator: Thank you. As there are no further question from the participant I now hand the conference over to Mr. Deepak Agarwal for closing comments.

Deepak Agarwal: Thanks. We will like to thank the management for giving us opportunity to hold this call. Sir do you have any closing comments.

Rajesh Desai: No, thank you very much for a patience hearing as well and for very wonderful questions asked by the audience. Thank you all.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited that concludes this conference. Thank you for joining us and you may disconnect your lines.