

MERCATOR

Mercator Lines (Singapore) Ltd.

Stock Code: EE6

FY 2015 Results
Year ended March 31st 2015

PRESENTATION OUTLINE

Mercator Lines (Singapore) Ltd.

- Financial Highlights
- Market Review & Outlook
- Company Update



Mercator Lines (Singapore) Ltd.

Financial Highlights

Financial Highlights FY 2015

REVENUE

Revenue at USD 56.3 mn. as compared to USD 75.3 mn. for the previous year

NET PROFIT/(LOSS)

Net Loss at USD 125.4 mn. as compared to a Net Loss of USD 22.8 mn. for the previous year

EBITDA

EBITDA at USD 7.7 mn. as compared to USD 20.6 mn. for the previous year.

OPERATING DAYS

Operating days at 4927 days as compared to 4967 days for the previous year

- Decrease in Revenue during the year as compared to previous year is mainly due to fall in spot/contract rates, unscheduled maintenance of our vessels
- The market rate has fallen by 39% during FY 2015 as compared with FY 2014
- The loss for the year includes exceptional items of USD 91.1 mn out of which USD 82.4 mn relates to non-cash items comprising of USD 63.5 mn for allowance of impairment of property and equipment and USD 18.9 mn for provision for onerous contract.

Note : FY /Financial Year refers to the period from April 1st of current year to March 31st of following year

Balance Sheet Highlights

(In USD millions)	31 March 2015	31 March 2014
Cash & Bank Balances	8.4	7.8
Trade and other receivables	15.6	24.6
Vessel, Property & Equipment	382.9	479.0
Borrowings	185.7	187.6
Trade and other payables	21.9	17.0
Shareholders Equity	179.1	303.7
Debt Equity Ratio	1.04	0.62
Market Price per share	SGD 0.040	SGD 0.106
EPS	SGD (0.13)	SGD (0.021)

*** As on May 20, 2015**

Historical Financial Performance

Particulars	FY 2012	FY 2013	FY 2014	FY 2015
Revenue (USD mn.)	147.7	109.1	75.3	56.3
EBITDA (USD mn.)	55.1	26.9*	20.6**	7.7***
Net Profit / (Loss) (USD mn.)	7.8	(76.8)	(22.8)	(125.4)
Approx. TCE Earnings per day (in USD)	20,600	13,800	11,500	9,193
Approx. Average Baltic Panamax TC rate (USD per day)	12,290	7,449	10,300	6,304
Operating days	6,259	5,724	4,967	4,927

- The Company has continued to perform much better than the industry average rate
- The Company has been able to time some of the fixtures during higher end of the market
- The average market rate for FY 2015 was USD 6,304 per day as against USD 10,300 in previous year indicating almost a 39% fall. However Company's TCE earnings have fallen down by 20% as compared to previous year

**EBITDA for FY 2013 does not include impact of one time charges to the P&L of USD 55.9 mn*
*** EBITDA for FY 2014 does not include one time charges to P&L of USD 0.7 mn*
**** EBITDA for FY 2015 does not include one time charges to P&L of USD 91.1 mn*

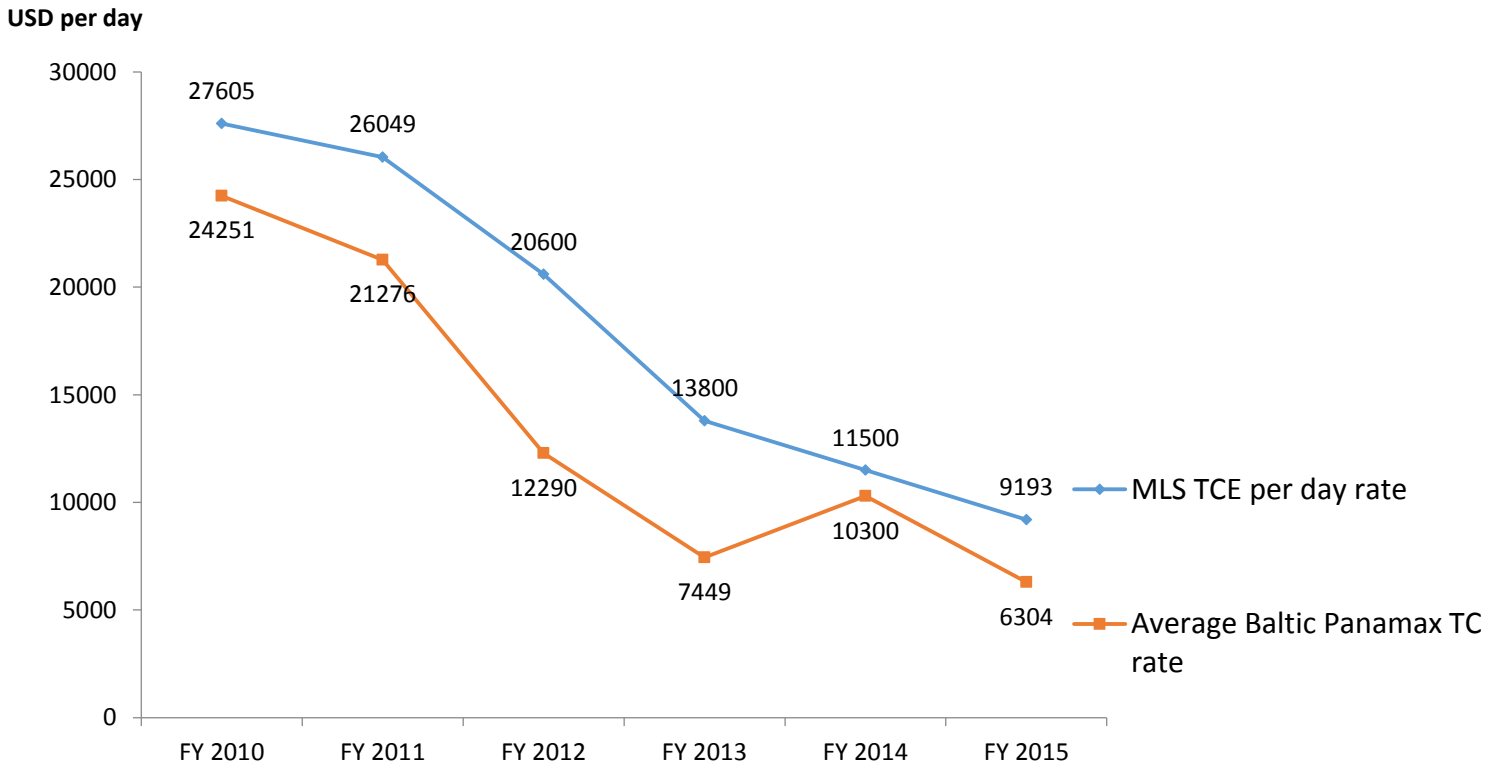
Fleet Utilisation

CAPACITY UTILIZATION		FY 2015	FY 2014
Owned vessels			
	Number of vessels	13	13
	Operating days	4,412	4,508
	Fleet utilization %	95%	97%
Chartered-in vessels*			
	Number of vessels	3	3
	Operating days	515	459
	Fleet utilization %	100%	100%
Total fleet			
	Number of vessels	16	16
	Operating days	4,927	4,967
	Fleet utilization %	95%	98%
	TCE Revenue (US$'000s)	45,293	57,566
	Approx. TCE Rate (US$ per day)	9,193	11,500

Fleet utilization was low during FY2015 due to unscheduled maintenance of two of our Vessels

"TCE Revenue" is defined as revenue less voyage expenses before taking into account revenues attributable to vessels chartered- in on a voyage charter.
**** Company charters in vessels on short term basis to maximize earnings out of its contract.***

Daily TCE earnings vs. Market



Consistently outperformed the market in terms of Time Charter Equivalent (TCE) earnings per day

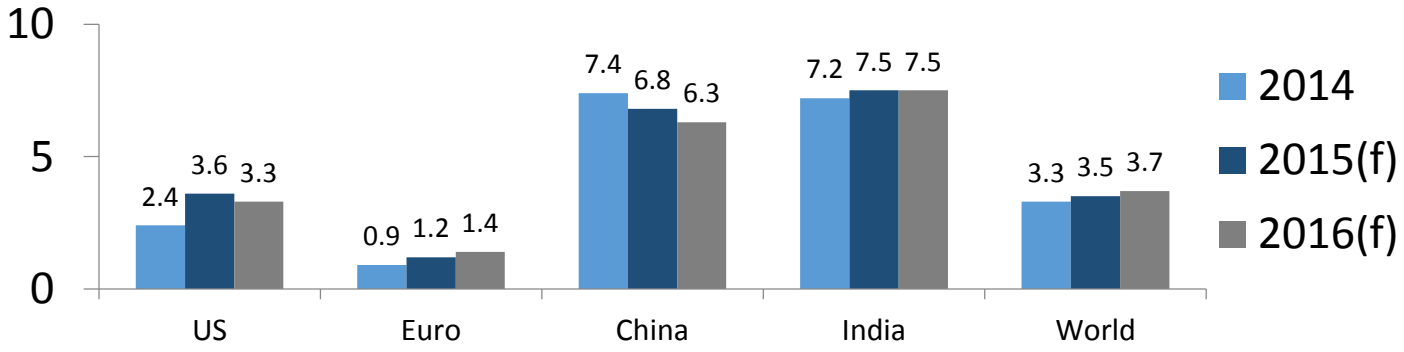


Mercator Lines (Singapore) Ltd.

Market Review & Outlook

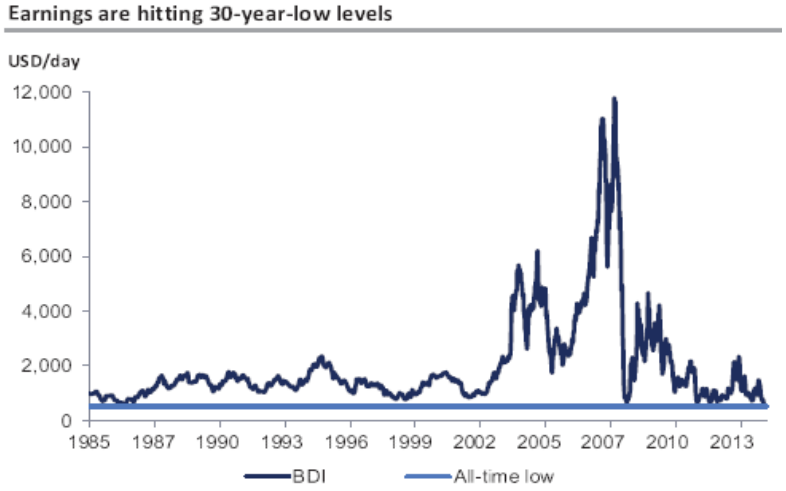
World Economy, BDI & Panamax Rates

GDP Growth Rate & Forecast

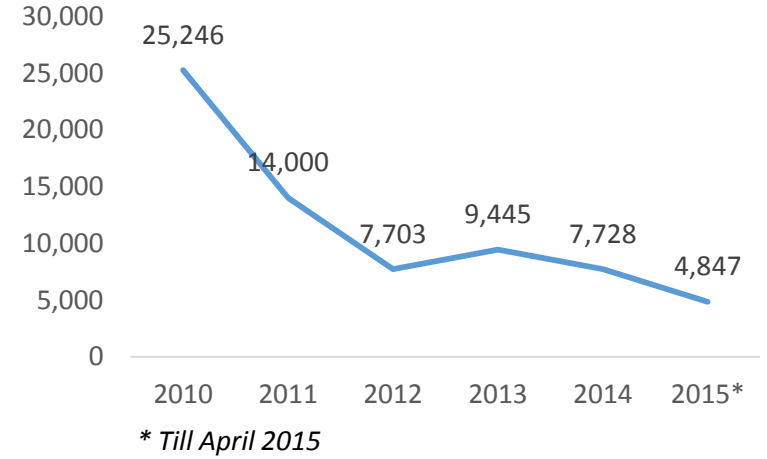


Source: Clarksons, IMF

BDI at historical low



Average Panamax 4 TC Rate

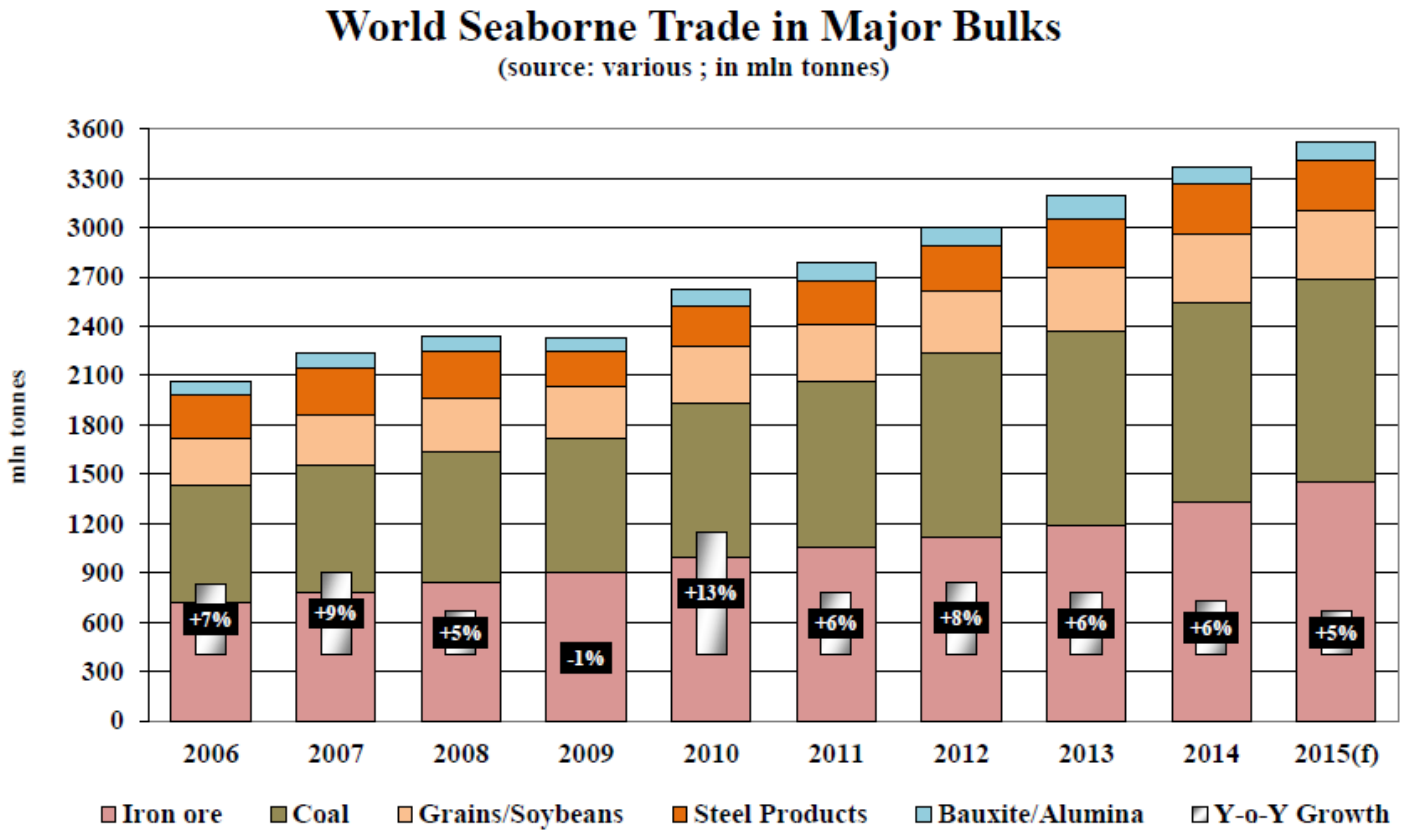


** Till April 2015*

Source: Pareto, Braemar

The dry bulk market depends upon the world economy amongst other factors

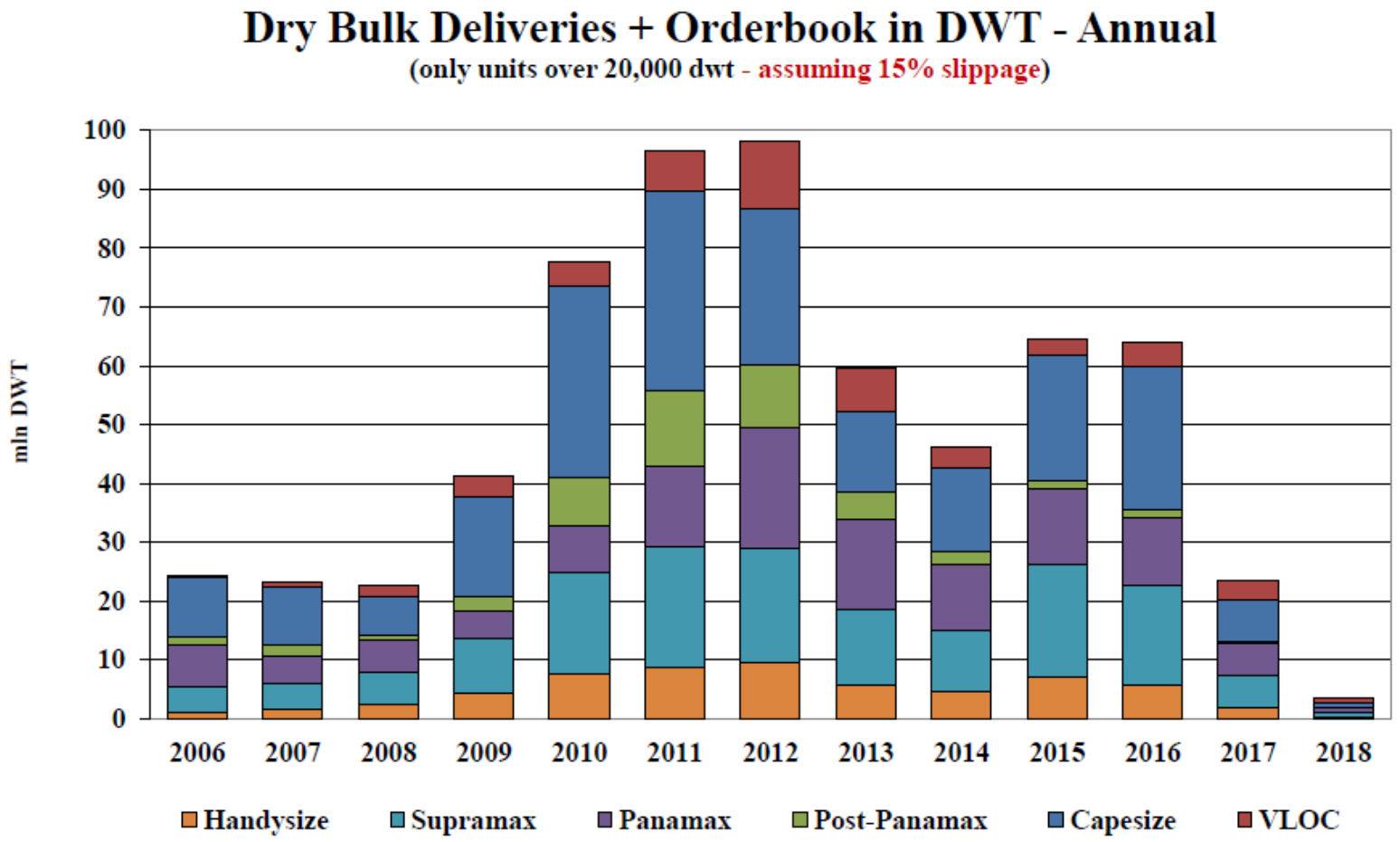
Dry Bulk Demand update



Source: Bancosta

Dry bulk seaborne trade is increasingly dominated by the steel industry and the power sector. Sixty percent of all cargo volumes are either iron ore or coal (steam coal and coking coal).

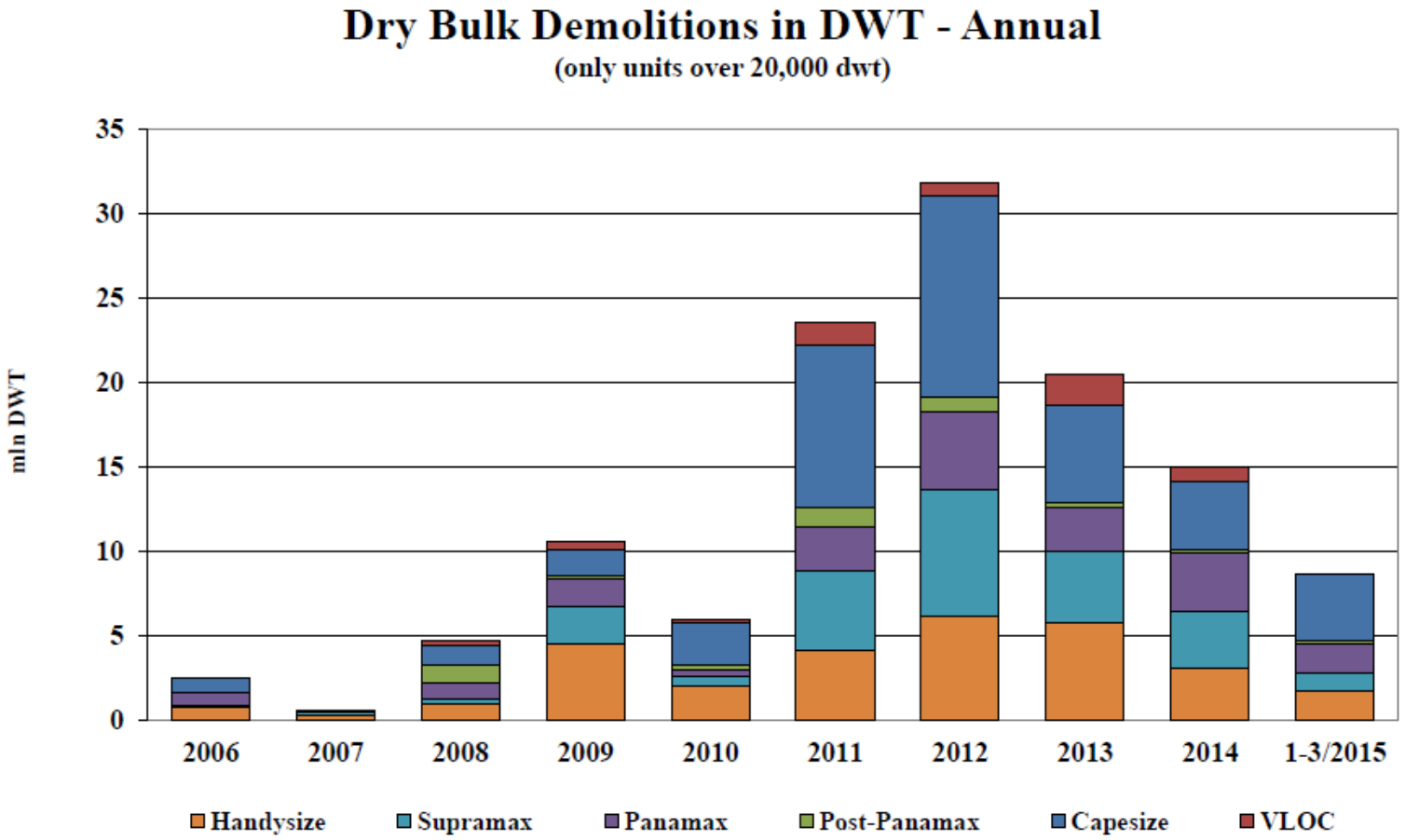
Dry Bulk Deliveries and Orderbook



Source: Bancosta

For CY 2015 a total of 65 million dwt is expected to be delivered, of which Capesize and Supramax units are expected to represent 33 and 30 percent respectively.

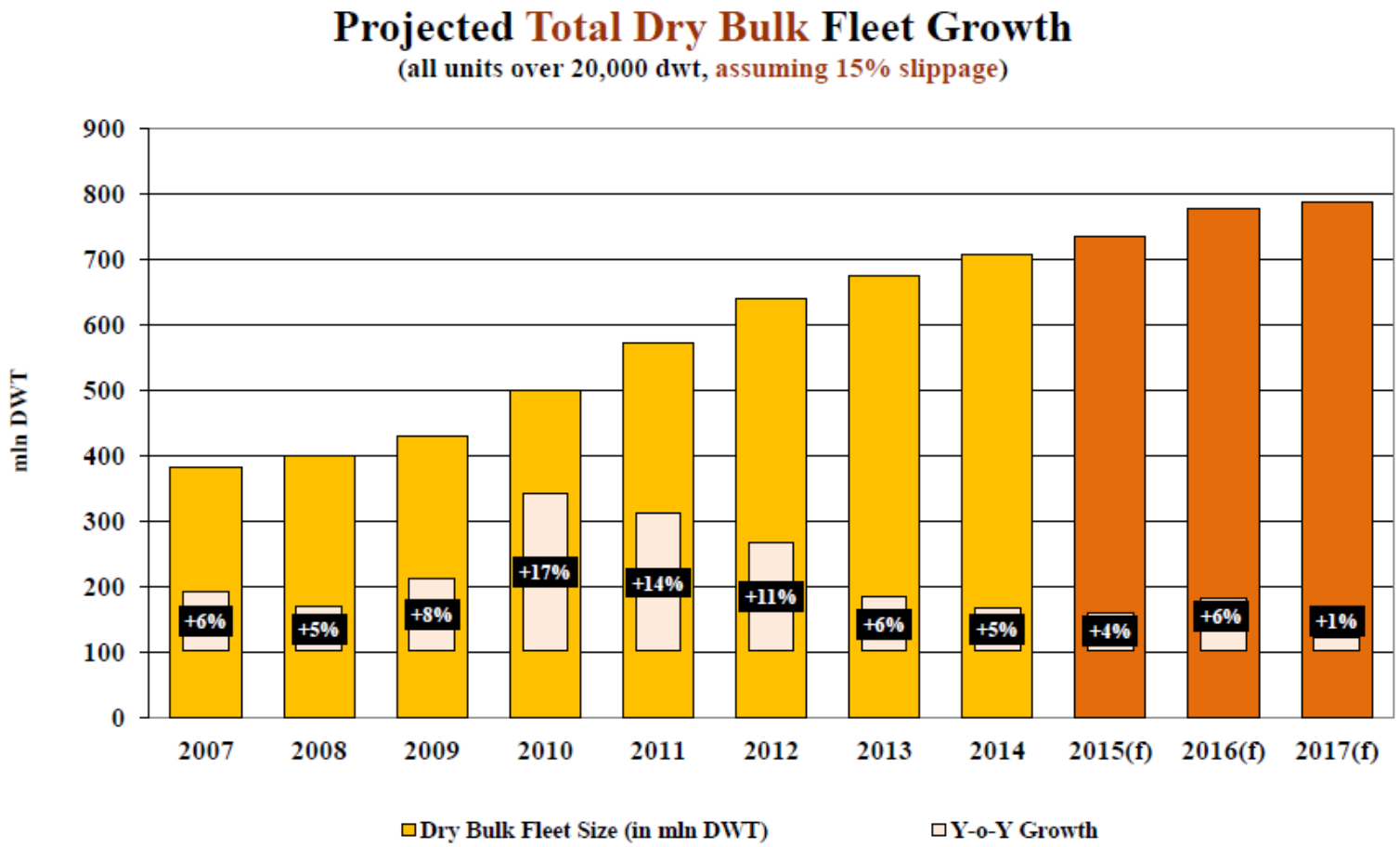
Dry Bulk Demolitions



Source: Bancosta

Demolition activity in CY 2014, dropped by 27 percent over CY 2013 reaching 15 million dwt.
Demolition levels in the first quarter of CY 2015 have been relatively high encouraged by low freight rates.

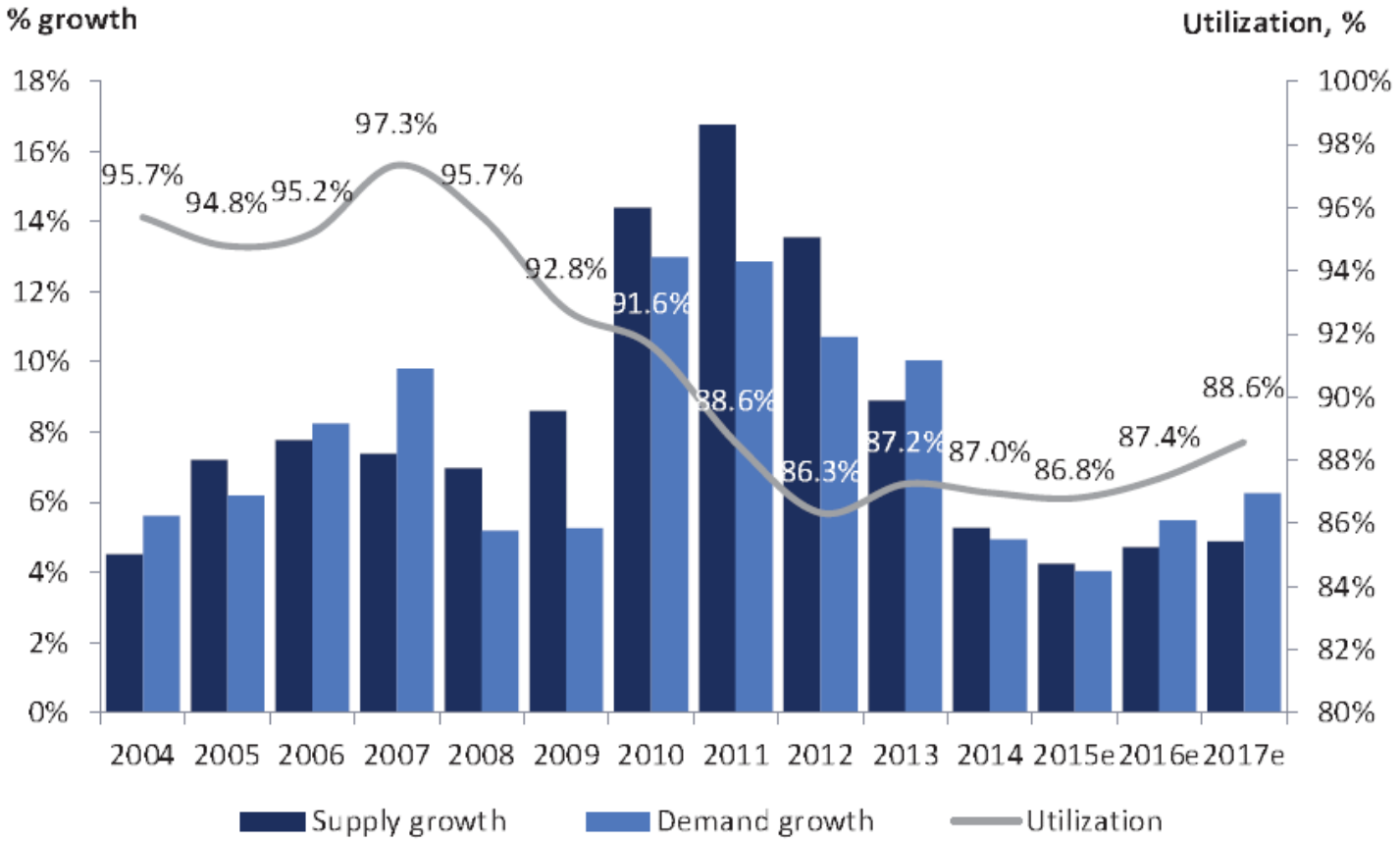
Dry Bulk Fleet growth



Source: Bancosta

Dry Bulk Fleet growth is expected to be at 4% in CY 2015 and 6% in CY 2016

Supply/Demand and Fleet utilization



Source: Pareto Securities

Fleet utilization is expected to increase in CY 2016 and CY 2017

Summary

Demand

- **World sea borne trade** in major bulks is expected to grow **at about 5% in CY 2015.**
- **China's economy in the process of rebalancing.** Recovery in housing / infrastructure investment would increase steel / iron ore / coal demand significantly.
- **India's thermal-coal demand expected to increase to 1 billion tons**, 42 percent in the six years to 2020

Supply

- Total **dry bulk fleet growth is expected to be around 4% in CY 2015**, decreasing from 5% in CY 2014 and 6% in CY 2013.
- **Orders have also slowed down in 2015** with 76 orders placed in the first quarter for a total of 5.7 mln dwt, down at least 80 percent over the same period in 2014.

Scrapping

- **Scrapping picking up** and encouraging signs that supply side to adjust through demolition.
- In Q1 CY 2015, **demolition of 125 vessels for 8.6 million** dwt has been recorded, an increase of 154 percent over the same period last year.
- **Scrap prices marginally improved** in late March encouraging scrapping.

Strong demolition, reduced fleet growth and limited contracting for new buildings allows to see some light at the end of the tunnel.

Source: Bancosta, Grieg Shipbrokers, etc.



Mercator Lines (Singapore) Ltd.

Company Update

Company Highlights

MERCATOR

Fleet

- Modern and versatile fleet
- One of the Largest fleet owner of geared Panamaxes

Customer base

- History of repeat contracts from major customers
- Blue Chip customer base including Tata Group, Anglo American, Arcelor Mittal Group, Bunge, Noble, Vitol, Louis Dreyfus, Rio Tinto, Marubeni etc.

Management

- The Board and Key Management Personnel have collective industry experience of close to 200 years.
- Having an experienced dedicated technical management company ensures delivery of high quality service to our customers together with minimising operating expenses and maximising operational efficiencies

Logistics solutions

- Providing customized logistics solutions from the load port to the point of usage to its customers.
- The Company has won high revenue generating contracts due to this unique advantage

Awards and recognition



Mercator Lines (Singapore) Limited

Global Entrepreneur of the Year 2010

Emerging India Awards 2010

SINGAPORE CORPORATE AWARDS

Best Investor Relations (Gold) for 2011

Singapore Corporate Awards

SINGAPORE CORPORATE AWARDS

Best Investor Relations (Silver) for 2010

Singapore Corporate Awards

SINGAPORE CORPORATE AWARDS

Best Annual Report in 2008 (Silver) and 2009 (Bronze) amongst Singapore listed companies

Singapore Corporate Awards

THE BUSINESS TIMES

Ranked amongst the top public listed companies in Governance and Transparency Index (GTI)

NUS National University of Singapore

DEMONSTRATING STRONG CORPORATE GOVERNANCE TRACKRECORD



MARINE MONEY INTERNATIONAL

Ranked 39th in overall performance amongst listed shipping companies in the world – Marine Money June/July 2013

Winning awards for consecutive four years in a row in the Singapore Corporate Awards emphasizes our drive towards better corporate governance and Investor Relations

Fleet profile

MERCATOR

Owned Geared Panamax Vessels

S. No	Owned Vessels	IMO No.	Type	DWT	Year Built	Shipyard
1	Sri Prem Varsha	9311165	Geared Kamsarmax	82,379	2006	Tsuneishi Corp, Japan
2	Sri Prem Vidya	9326275	Geared Kamsarmax	82,273	2006	Tsuneishi Corp, Japan
3	Sri Prem Aparna	9239991	Geared Panamax	73,461	2001	Tsuneishi Corp, Japan
4	Kalpana Prem	9212254	Geared Panamax	73,652	2000	Imabari Shipyard, Japan
5	Kesari Prem	9130963	Geared Panamax	69,186	1997	Tsuneishi Corp, Japan
6	Kanak Prem*	9130975	Geared Panamax	69,221	1997	Tsuneishi Corp, Japan

Owned Gearless Panamax Vessels

S. No	Owned Vessels	IMO No.	Type	DWT	Year Built	Shipyard
1	Chitra Prem	9426049	Gearless Post Panamax	93,270	2010	New Yangzi, China
2	Sri Prem Veena	9336373	Gearless Kamsarmax	82,459	2007	Tsuneishi Corp, Japan
3	Garima Prem	9349320	Gearless Panamax	74,456	2007	Hudong, China
4	Gauri Prem	9318369	Gearless Panamax	74,405	2007	Hudong, China
5	Garv Prem	9386251	Gearless Panamax	74,444	2006	Hudong, China
6	Gaurav Prem	9305142	Gearless Panamax	73,901	2005	Jiangnan, China
7	Aarti prem	9087738	Gearless Panamax	69,087	1994	Imabari Shipyard, Japan

Chartered-in Vessel

S. No	Chartered vessels	IMO No.	Type	DWT	Year Built	Built
1	Maria Laura Prem	9450894	Gearless Post Panamax	91,945	2010	South Korea

** Sold on 5 May 2015*

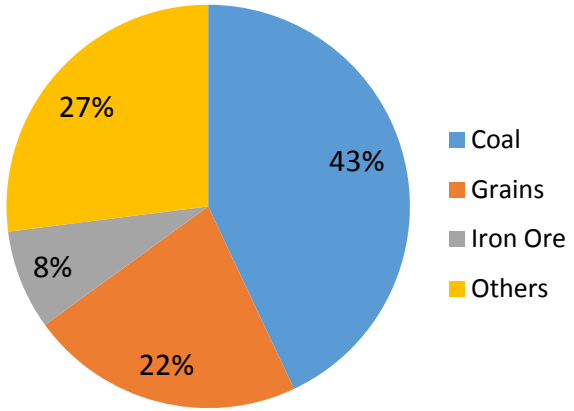
Diversification of Cargoes and Client Base

MERCATOR

Diversification By Clients

TATA STEEL
TATA POWER
VALE
Louis Dreyfus Commodities
oldendorff
ANGLO AMERICAN
GLENCORE INTERNATIONAL AG
NORDEN
RioTinto
ArcelorMittal
Vitol
torrent POWER
noble group
BUNGE
MMTC
ATLAS
सेल SAIL
Marubeni
JSW
Ultrabulk
ADANI
JINDAL STEEL & POWER
NYK LINE

Diversification By Cargo



Other cargoes include Alumina, Bauxite, Salt, Limestone, Pyroxenite, Steel, etc. (Total cargo in FY2015: ~5.4 mmt)

- Capability to carry diverse cargo types
- Cleaning skills between cargoes provides competitive edge

Current chartering strategy – maximize spot, short term TC exposure to position for market recovery

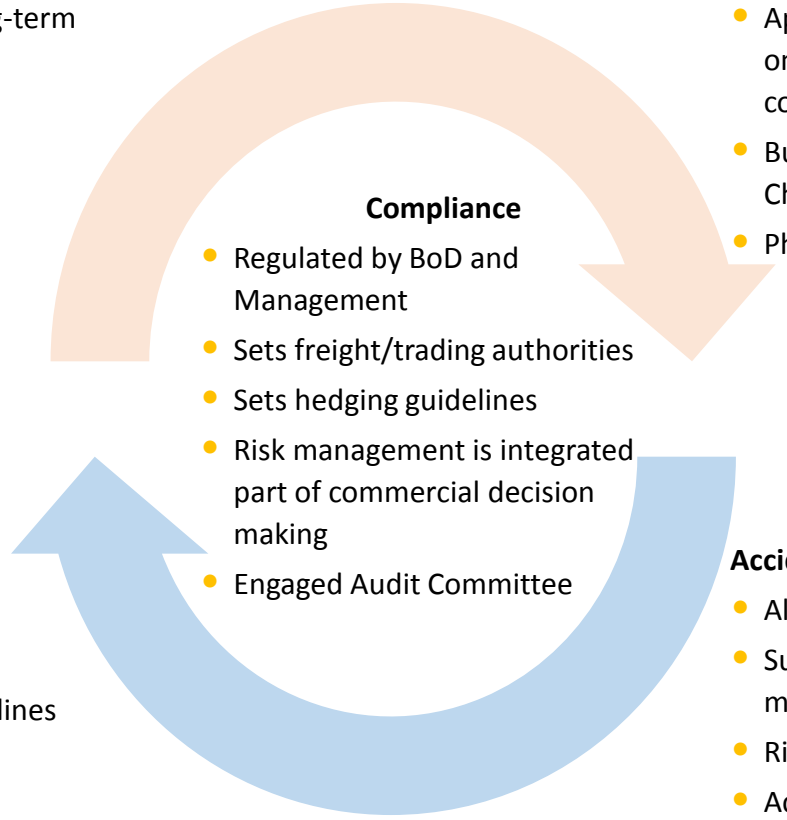
Risk management

Freight Volatility

- Manage an appropriate mix of long-term contracts, COAs, spot exposure
- Hedging through FFAs
- Limits set counterparty risks
- Continuously monitor risk profile
- Charter-in/out policy guidelines

Bunker Fuel Costs

- Appropriate Bunker adjustment factor set on all long term voyage and COA charter contracts
- Bunker cost borne by Charterer in Time Charter Contracts
- Physical hedging policies



Compliance

- Regulated by BoD and Management
- Sets freight/trading authorities
- Sets hedging guidelines
- Risk management is integrated part of commercial decision making
- Engaged Audit Committee

Credit & Currency risks

- All incomes are earned in USD
- Majority of expenses are in USD
- Counterparty & Credit policy guidelines
- Anti bribery guidelines

Accident risks

- All vessels insured adequately
- Successful implementation of safety management practices
- Risk Management Culture
- Active P&I engagement

Multifaceted risk management strategy attuned to market volatility

Glossary

Contract of Affreightment (COA)	• Under a COA, the ship owner provides capacity to transport a certain amount of cargo within a specified period from one place to a destination designated by the customer. Typically all of the ship`s operating, voyage**and capital expenses are borne by the ship owner. Freight rate normally is agreed on a per cargo ton basis.
Time Charter (TC)	• A charter under which a vessel is chartered to a customer for a fixed period of time at a rate that is typically fixed. The charterer pays all voyage costs. The owner of the vessel receives monthly or semi monthly charter payments on a per day basis and is typically responsible for providing the crew and paying all vessel operating expenses(including maintenance, repair and docking) and capital costs of the vessel.
Time Charter Equivalent (TCE)	• A standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company`s performance despite changes in the mix of chartered types.

****Voyage Expenses - Expenses incurred due to a Vessel`s travelling from a loading port to a discharging port, such as fuel (bunker) costs, port expenses, agents` fees, canal dues, extra war risk insurance and commissions.**

Mercator Lines (Singapore) Ltd.

THANK YOU

Investor Relations Contact:
Tel: +65 6220 9320
Email : ir@mllsg.com