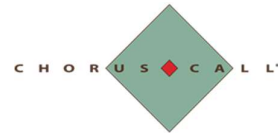




“Accuracy Shipping Limited  
Q2 and H1 FY ‘23 Earnings Conference Call”  
November 23, 2022



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ACCURACY SHIPPING LIMITED  
MR. HIREN SUKHWANI – CHIEF FINANCIAL OFFICER –  
ACCURACY SHIPPING LIMITED  
SGA – INVESTOR RELATIONS ADVISOR – ACCURACY  
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**Moderator:** Ladies and gentlemen, good day, and welcome to Q2 and H1 FY '23 Earnings Conference Call of Accuracy Shipping Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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 this conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vinay Tripathi, Managing Director for Accuracy Shipping Limited. Thank you, and over to you, Mr. Tripathi.

**Vinay Tripathi:** Yes. Good afternoon, and a very warm welcome to everyone to our Q2 and H1 FY '23 Earnings Conference Call. We have uploaded our updated investor presentations on the stock exchange and company website, and I hope everyone had an opportunity to go through the same. Although along with me on our call, I have Chief Financial Officer and SGA, our Investors Relations Advisors.

Accuracy Shipping Limited was incorporated in 2008 and is an end-to-end logistics service providers for all business needs with more than 14 offices and 64 agencies agreement across the globe. We manage and provide all services under one roof for logistics requirement of the business. Accuracy is present across the value chain from collections of goods from the seller's warehouse that is the point of origin to buyers' warehouse that is point of destinations or at time direct to consumer.

At Accuracy, we provide multiple services from clearing and forwarding, loading, and unloading transportation, warehousing, last-mile delivery and so on and so forth. We provide these services as a standalone service as well as a bundled service, so that all the services for the customers can be at under a single roof with a single vendor. At Accuracy we had adopted three close strategy of revenue diversification, industry diversifications and additions of wallet share among the existing customers by cross selling our variety of services.

By revenue diversification, we mean to add more and more revenue from our new age services like transport, last-mile delivery, warehousing, sale of petroleum products and so on and so forth, apart from our traditional services of clearing and forwarding and freight forwarding. In industry, diversification, we want to add more and more newer industries to our horizon, other than our strong presence in marble, granite, tiles industry. we have been able to add meaningful revenues from new industries like tyre, paper, textile, agri, wood, et cetera.

Alongside, we will keep adding our wallet share among our customers for selling multiple services and increasing our share in their logistics requirement. Let me speak on the industry front. FY '23 was a difficult year for us on the back of multiple front. Inflationary environment across the globe on account of uncertain geographical situations and the war-like scenario in the first quarter of FY '23. This had an overall impact on the global supply chain systems.

We also faced difficulty from our core sector of marble, granite, light and tiles due to prolonged shut down of factories at Morbi due to energy crisis in August and September, which has still not resumed to its full potential. We also faced issue on availability of containers and prices on the uptrend in the early first half of the financial year impacting the overall margins. We have observed things have started to stabilize over the last few weeks, But as per our internal estimate, it will take a couple of months more things getting back to normal, and we will see some impact of the above mentioned scenario in quarter 3 FY '23 as well. Meanwhile, we have been working on multiple fronts to stabilize the cost and control our overheads, which will have a positive impact going forward. Multiple initiatives have also been taken for increasing the wallet share from existing customers and also, we have developed a sales force for adding new customers from our existing geographies and adding new geographies and trade lines and route under our service basket.

We have been all able to crack many new customers in the year gone by and have shared the business with them, which is initially similar in ticket size. As we build our relations and deliver our services level with on time and convenient service, we envisage the wallet sales to increase going forward. Speaking of the new business verticals of sales of HCV's and its spare part and also service and repairs of HCV, we have added three showrooms for dealership of HCV's of Asoka Leyland at Gandhidham, Bhuj, Mundra.

These showrooms have the best-in-class facility for sale of heavy vehicles and equivalently equipped workshop for repair and maintenance of the vehicle. With these three new showrooms, we plan to increase our revenue of commercial vehicles and revenue from spares and repair business going forward. Initially, since the costs are high, we have been seeing impact on our consolidated EBITDA. However, once we see increased sales and services, business, we envisage the cost stabilizing and increase in volumes will have operating leverage play out which will have a positive impact on the overall margin.

Alongside the logistics services we provide, we also have fueling pump with one of the biggest fuel storage capacity in Kutch region, among all Essar outlets. This fueling stations is one stop solution for all fuel and lubricant requirement. This also augurs well with our own fleet of 375 trucks and hence, can generate more margin on transportation, since fuel cost is one of the largest cost of transportation. The fuel pump is located in two adjoining point of National Highway giving us more and more vehicles using our pump for refueling with sufficient area of 5 refueling points, enabling us to provide faster service and we also provide complete range of lubricant for cross-selling of products.

Let me now take you through the financials and operational highlights for quarter 2 and H1 FY '23. On revenue front, our consolidated revenue of Q2 FY '23 stood at INR 238 crores as

compared to INR 190 crores in quarter 2 FY '22. Revenue have increased however, there was very limited activity in H1 of FY '22 on account of second wave of COVID 19 and disruptions in the supply chain industry.

Consolidated revenue for H1 FY '23 stood at INR 487 crores as compared to INR 250 crores in H1 FY '22. Number of containers handled in H1 FY '22 was 42,652 as compared to 80,971 in FY '22. Average realization per container was 87,000. Speaking of the segmental breakup of the quarter 2 FY '22, revenue from our logistics services stood at 77%, commercial vehicle stood 20% and 3% from sale of petrol and petroleum products.

Service-wise revenue from clearing and forwarding stood at 68% and transport and last mile stood at 10%, sale of HCV stood at 20% and others stood at 3%. On the industry front, marble and granite formed 36% of revenue for quarter 1 FY '23 as compared to 52% in FY '21. Detailed breakup has been given in our investor deck.

Gross profit from quarter 2 FY 23 stood at INR 18.1 crores as compared to INR 19.8 crores in quarter 2 FY '22. And H1 FY '23 is stood at INR 32.8 crores compared to INR 36.9 crores on H1 FY '22. EBITDA of the quarter stood INR 14.9 crores in half yearly 2023 as compared to INR 27.7 crores in half quarter '22, dip in EBITDA is majorly attributable to low business volumes from marble, granite, tiles segment on account of uncertain situations in Morbi Gujrat. Initial cost to stabilize the new business vertical of sale repair of commercial vehicles and its spare. Also, Services business of CV started in Q2 FY '23 for which revenue will ramp up over the next quarters. With this, I would like to open the floor for questions and answers.

**Moderator:** We will now begin the question-and-answer session. The first question is from the line of Devendra Pandey from DP Financial Advisory Services.

**Devendra Pandey:** So I have three questions. My first question is despite increase in the revenues, realizations, and volume growth, what are the reasons for declining the gross and EBITDA margins?

**Management:** Sir, we recently initiated our new segment with the sale of commercial vehicles, spare parts and services. Well, service and spare part portion was just started in quarter 2. And first quarter was just with the sale of the vehicle. So there was a decline in profit due to actual earnings from this particular segment. And also, there was an inflationary environment around the European Union countries, Gulf countries, wherein we have a good proportion of sales, so it was impacted. Also the Morbi sector wherein Morbi was completely in shutdown position, they were not transporting anything with marble, granite, tiles as you might see the reduction in marble, granite and tiles also. So this is the reason that the EBITDA has been affected over there.

**Devendra Pandey:** And what is the steady state margin which we see for our business on gross as well as EBITDA margin levels going forward?

**Management:** So I cannot say anything for this quarter, but for the fourth quarter, we will definitely see a positive remark towards EBITDA, side

**Devendra Pandey:** Any guidance as such on the numbers you can share a particular range for gross as well as EBITDA margin?

**Management:** At the closure of the year, EBITDA might stay between 3% to 4%.

**Devendra Pandey:** And gross margin?

**Management:** So gross margin will be around 1% to 2%.

**Devendra Pandey:** And also, if you can let us know our vertical-wise margins, margins for clearing and forwarding, transportation, fuel pumps and sales and services of HCV?

**Management:** So if we talk a percentage wise the forwarding portion within the shipping sector is accumulated around 65%, whereas clearing and forwarding stays for 30% and rest for the road transportation and last mile?

**Moderator:** Next question is from the line of Anjana Shah from Shah Investments.

**Anjana Shah:** Sir, just one question from my end. You mentioned slowdown in Morbi regions for marbles and tyre industry. Can you let us know the current situation there? And also by when should we expect it to stabilize?

**Management:** No, Morbi has now more or less almost stabilized, everything has been opened, but it has been just recently after Diwali in November. So this quarter has been impacted a bit.

**Moderator:** Next question is from the line of Kanika Kothari from Kothari Capital and Securities.

**Kanika Kothari:** My first question is, what is the trend of the freight rates and availability of containers by far. I mean are you seeing a stable like stable rates? Or is it decreasing?

**Management:** Still rates are not yet stable. We are seeing some what declining position in the freight rates due to this -- after the Morbi event and everything. But we can't comment anything right now that where it will be going. It will be upper side or the lower side because still freight rates are disturbed and shipping companies are continuously trying to boost up the freight rates.

**Kanika Kothari:** And my next question is like which are the industries which are seeing more traction from the export point of view. I mean is there a way that you are targeting those industries to expand the sales?

**Management:** Now we are targeting to diversify more and more. As you can see, we have just initiated with our tyre sector, plastic and paper sector. Other than that one, there is a decline in the construction more or less because due to inflationary the European and gulf countries are just not storing way more goods.

**Moderator:** Next question is from the line of Pratik Shah from Motilal Oswal Financial Services.

- Pratik Shah:** My question would be around your customer base. So first of all, I just wanted to understand what will be the revenue contribution from the top 10 customers that you have? And also, what can be the active customers that you have and you service currently?
- Management:** The top 10 customers in most revenue is around 3% to 5% and not more than that, other than we have in our books like RK Marbles, Ingersoll, Apollo Tyres, Chromeni, Varmora.
- Pratik Shah:** And also just the second part of my question, what can be the active customer base that you are providing your services to right now?
- Management:** Sir, we have almost 1,500 customer base right now, and we are still trying to diversify and to get more and more customers.
- Pratik Shah:** Also, focusing further on that, how do you all focus on your marketing strategies to acquire the customers to get some new customers on board or customers from any new segment that you are not present in maybe on board? How do you go about that strategy?
- Management:** Sir, we are the member of the World Cargo Alliance, and we have 14 branch offices, 64 agency agreements all over the globe, which help us to get more and more sales force. We also trying to get more and more like branches at each and every part of India, so that if anything gets stuck in operation, also, it might help support sales more or less are representative travel all over the country, all over the financial year. So that can pull up some of the sales revenue.
- Pratik Shah:** So what kind of the sales force that you have?
- Management:** The sales force, we have around 300 people over here.
- Pratik Shah:** And this will be across your geographies and your office?
- Management:** Yes sir.
- Moderator:** Next question is from the line of Akash Mehta from Capaz Investments.
- Akash Mehta:** I may have two questions. One is more of a bookkeeping question. What is the current working capital requirement of the company? And what will be the current debt on our books?
- Management:** The current debt is around INR 125 crores and current working capital is met with this debt portion. There is no additional requirement of working capital.
- Akash Mehta:** And are we planning to raise any funds by way of debt or equity in the future?
- Management:** So it might take some years.
- Moderator:** The next question is from the line of Anup Shah from Shrinath Securities.

- Anup Shah:** I wanted to understand, what is the strategic rationale to enter the business of sale of CV . I mean, this is not a core logistics business. So what was the thought process when we first started it?
- Management:** So when we started it, actually, we are in operation from the regional area of Kutch wherein no proper service or a sale of vehicle was available. So we thought that it might be a good opportunity if we enter that sector, because our own vehicles, we own almost 372 vehicles in our group company. So we were not getting a proper service or spare parts at our own region. And it is a kind of a hub, transportation hub. There is a kind of port nearby Mundra Port nearby and various other ports located around that city. So if we are not able to provide a proper transportation facility from here, it might not be able to boost up the shipping sector. So by opening these commercial vehicle showroom and service points, we are going to get benefit not in recent times, but definitely after some period of time.
- Anup Shah:** What is our revenue targets and margin profile for this business? Or if you can comment on the ROCE?
- Management:** The return is going to be around 6% to 7% return on capital employed. But overall, the business will generate around 4% to 5% so much.
- Anup Shah:** And lastly, what would be the current working capital blockage?
- Management:** Sir, currently, it is around INR 28 crores.
- Anup Shah:** Sorry, can you repeat that?
- Management:** INR 28 crores.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.
- Management:** Handing over to Mr. Vinay Tripathi our Managing Director.
- Vinay Tripathi:** I take this opportunity to thank everyone for joining. We will keep updating the Investors Community on a regular basis for incremental update on your company. I hope we have been able to address all our queries. For any further information kindly get in touch with us or strategic SGA, our Investor Relationship Advisor. Thank you once again.
- Moderator:** Thank you very much. On behalf of Accuracy Shipping Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.