Date: 21st November 2023

To,
National Stock Exchange of India Ltd
Exchange Plaza, Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051

NSE Symbol: ACCURACY ISIN: INE648Z01023

Subject: Intimation pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of Earnings Call

Dear Sir/Ma'am,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Earnings Call held on November 17, 2023 with the investors to discuss the Financial and Operational Performance for second quarter and half year ended September 30, 2023.

The aforesaid Transcript has been uploaded on the website of the Company under the following link: https://www.aslindia.net/financials/earning-call-transcripts.html.

This is for your information and record.

For Accuracy Shipping Limited

Vinay Dinanath Tripathi
Digitally signed by Vinay Dinanath Tripathi
Date: 2023.11.21 17:47:53 +05'30'

Vinay Dinanath Tripathi
(Managing director)
DIN : 02344536

“Accuracy Shipping Limited's Q2 & H1 FY24 Earnings Conference Call”

November 17, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 17th November 2023 will prevail.

MANAGEMENT: MR. VINAY TRIPATHI – MANAGING DIRECTOR, ACCURACY SHIPPING LIMITED
MR. ASHISH LALWANI – CHIEF FINANCIAL OFFICER, ACCURACY SHIPPING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Q2 & H1 FY24 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 of the company, and it may 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 touchtone phone. Please note that this conference is being recorded.

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

Vinay Tripathi: Good afternoon, ladies and gentlemen and a very warm welcome to our Q2 & H1 FY24 Earning Conference Call.

We have uploaded our updated "Investor Presentations" on the Stock Exchange and company's website and I hope everyone had an opportunity to go through the same.

Along with me on the call, I have Mr. Ashish Lalwani – our CFO, and our SGA, our investor relations advisor.

I will talk about the economy first:

The global economy continues to remain weak despite marginal recovery in the first half with high interest rate, sluggish global demand and geopolitical tensions. India on the other hand continues to remain resistant and stand as one of the fastest growing economies in the world and is likely to be the third largest economy in the world by 2027. The IMF anticipates a growth of 6.3% in India's GDP for the financial year 2023-24, reflecting at 20 basis points increase from the July forecast. Our ongoing optimism is anchored in the promising trajectory of India's economic growth.

Shifting our focus to the industry:

The global shipping sector has been contending with an extended period of diminished freight demand throughout the current year. The first half of the year showed no sign of improvement in ocean freight rate, coupled with the subdued cargo volumes. Customer inventory levels persisted at elevated levels due to a subdued consumer demand. A swift rebound in rate is not anticipated at this time.

Now, let me provide you with an overview of Accuracy Shipping Limited:

Accuracy Shipping Limited incorporated in 2008. Our company has involved into end-to-end logistics solutions provider. The company has a wide reach with 14 branch offices and 64 agency agreement across the globe. We are present across the volumes chain from collections of goods from the sellers warehouse to delivery of goods to the buyers warehouse. Accuracy is a trusted partner for both bundled as well as standalone services. Our expertise spans across clearing forwarding, warehousing, transportation and more all under one roof to provide the best services to our clients.

Accuracy started as a custom clearance provider, and we have been able to diversify and create new revenue stream for the business and we have adopted the three-progressive strategy. In industry diversifications over the years, we have been able to reduce our reliance on marble, granite and ceramic tiles. We are focusing on other industries such as tyre, paper, textile, glass and other sectors. We are committed to increase our share of business from the other industry.

Under revenue diversifications, we have extended our service lines and creating more avenues for revenue generations. The multiple services offered under Accuracy Shipping for clearing and forwarding, last mile delivery, warehousing, sale of petrol and petroleum products, sale of heavy commercial vehicles and its spare parts. We are confident of increasing our revenue with the help of our diversified portfolio.

Our third strategy of growth is the focus on increasing our share of business from existing customers and onboarding new customers across service.

Let me now speak on the factors driving the segmental performance for the half year ended September 2023:

Our first segment of logistics in the current trade scenario has unfortunately eroded our negotiating power with the shipping lines and with last mile operations further impacted by high operating cost. Despite these challenges, we at Accuracy maintain optimism regarding the success of this segment. Our confidence stems on the wealth of experience and expertise that has allowed us to carve out a reputable brand for Accuracy in the industry.

The second segment involve in the sale of heavy commercial vehicles and their spare parts. This segment continued to exhibit strong performance contributing to an enhanced profitability profile. A key rationale behind this segment was the cost synergy and saving achieved by providing services to our own fleet 373 trucks, strategy that is proving to be highly advantageous. Additionally, the high margins arise from the sale of spare parts further bolsters the segment's overall success.

For H1 '24 the segment contribute nearly 31% to the overall revenue. Our strategic approach to the revenue diversification has proven instrumental, particularly during the challenging times when our core business faces pressure.

Lastly, our segment involving the sales of petrol and petroleum products through fueling stations operate strategically along two points of the national highway with five refueling points. We ensure swift services and our comprehensive range of everything facilitating effective cross-selling. These positions allow us to serve our increased number of vehicles and our commitment to provide a complete range of products, reinforce our competitiveness in this segment. Our diversification strategy is beginning to yield positive results as we persistently work towards cost control and overall stability.

Initiatives to increase wallet share from existing customers have been successful complemented by the establishment of the dedicated salesforce. This team is actively engaged in bringing new customers within our existing geography, while expanding into new territories, trade lines and routes broadening the scope of our services offering.

Like to take you through the financial and operational highlights for Q2 and half year 2024. Our consolidated revenue from operations stood at Rs 207.4 crore as compared to Rs 238.1 crore. The revenue was impacted due to weak demand environment. Gross profit for Q2 2024 stood at Rs.11 crores as compared to Rs.18.1 crores in Q2 FY23. The gross margin for the quarter stood as 5.3%. EBITDA for the quarter ended September 2023 stood at Rs.2.4 crores as compared to Rs.4.4 crores.

Turning our attention to the half yearly performance:

The consolidated revenue from operations amounted to Rs.349 crores, a decline from Rs.487 crores. This decrease is attributed to the subdued global demand, which significantly impacted our performance in the first half of the year. The gross profit for half year 2024 stood at Rs.20 crores as compared to Rs.32.8 crores in H1FY23. EBITDA for the half year ended September 2023 stood at Rs 5.2 crore as compared to Rs.14.9 crores.

Service wise, revenue for the half year ended September 2023 from clearing and forwarding stood at 49% and transport last mile stood at 15%, sale increased to 31%, sale of petroleum and petroleum products stood at 4% and others stood at 1%.

On the industry front, marble and granite formed 41% of revenue for half year 2024 as compared to 36% in half year '23. Detailed breakout has been given in our investor deck.

With this, I would like to open the floor for questions-and-answers to our friends and our investors and all. Thank you.

Moderator: We'll now begin the question-and-answer session. The first question is from the line of Amit Shah from ACE Securities. Please go ahead.

Amit Shah: How many of our customers are taking integrated service of transportation and clearing and forwarding, and how many are just using clearing and forwarding services?

Vinay Tripathi: 70% to 75% of our customers taking end-to-end services from our side. 15% to 20% customers only taking clearing and transport, and rest only taking forwarding part.

Amit Shah: What will be your revenue contribution from top-10 customers and what has been in the past?

Vinay Tripathi: More or less 5% is the revenue for the top-10 customers.

Amit Shah: And in the past?

Vinay Tripathi: In the past, more or less is 5% to 10%.

Moderator: Next question is from the line of Karan Mehra from Mehta Investments. Please go ahead.

Karan Mehra: Sir, a couple of questions from my end. We recently signed a contract with a leading tyre manufacturer. So, if you can help us like how has the ramp up of this account been and what is the wallet share from that customer? Also, how has the contribution to our top line been from this?

Vinay Tripathi: Sir, we have signed an agreement with the tyre companies like Apollo and Fiat. Almost that help us by about 3% to 5% in our total turnover.

Karan Mehra: If you can share your views on the HCV dealership business like what are its margins and ROCs that we are looking at and do we look to divest that business or there is still some synergies to be continued in Accuracy itself?

Vinay Tripathi: Already I have mentioned in my speech. I am a clearing forwarding and a transporter and also a fuel provider company and involve door-to-door logistic business. So, many of the transporter is our vendor also and company involved in transportation business in the last 18 years. My career is totally in industry near about 23, 25 years from a job of an entrepreneur and till chairman. I got this opportunity from Ashok Leyland to sell this vehicle dealerships in Kutch district. Because of this, I know almost all the market buyers and service people. So, we started this new business as an MHCV under Accuracy. And this will help us with almost Rs.200 crores by end of the year.

Karan Mehra: What is the current debt level on our books and any plans of repayment?

Vinay Tripathi: Total debt total is Rs.98 crores including vehicle loans and term loans and CC loans.

Karan Mehra: What is our plan of repayment?

Vinay Tripathi: Gradually, we are paying every month on an installment basis and our loan will be complete by 2027 March with nearly 80%, 85% loan debt.

Moderator: Next question is from line of Rajvi Shah from Bright Securities. Please go ahead.

Rajvi Shah: I have a few questions. First is do we see logistics pressure on account of the ongoing war that we see across the globe?

Vinay Tripathi: Of course, we all as a logistics company facing a global pressure. First, Russia and Ukraine war happened and all Europe suffered. Now is the Middle East, Israel and Palestine war. And because of this, all the Middle East and the upper gulf sector is now in panic positions. But as far as it is concerned, we are the logistics provider and we all know without logistics nothing can happen in the world. So, yes, little bit of pressure is there, but of course logistics will not stop, it will bounce back.

Rajvi Shah: What would be the overall revenue and margin guidance for FY24 and FY25?

Vinay Tripathi: Top line more or less Rs.700 crores and EBITDA is more or less 2.5% to 3%.

Rajvi Shah: What differentiates us from other competitors? And also, do we have any like-to-like peers?

Vinay Tripathi: Your voice is not clear.

Rajvi Shah: My question is if you just share some light on what differentiates us from our competitors and do we have any like-to-like peers?

Vinay Tripathi: Yes, yes, yes. We at Accuracy have all facility like own custom clearance license which is normally known by everyone and we have owned our freight forwarding license, we have our own trucking, we have our own warehousing, and we have our own bonded warehouse. So, this all four combo which is called an end-to-end logistics service provider. And the same way, same time I have strategic partnerships with 69 countries and that partnerships are long-lasting partnerships more than 10 to 12 years with many of the countries. My strategic partner also like us they are very strong in a particular country. Now, the peer-to-peer in India as far as concerns under one roof, one combo, I don't think anybody has this kind of facility or skill to provide end-to-end logistics services. People are writing end-to-end door-to-door, but someone have only C&F license, then freight forwarding license, don't have trucking, don't have bonded warehouse, don't have warehousing facility, but some have trucking only as C&F. But as far as concerns, door-to-door if you want any kind of commodity I can pick up, I can store, then again, I can load on the containers, load on the ships and in the same container I can deliver at USA at a particular position, a particular warehouse, a particular house, particular showrooms like that. So, this kind of a facility in India I don't think anyone has.

Moderator: Next question is from the line of Jigar Shah from AK Securities. Please go ahead.

Jigar Shah: Sir, I have a couple of questions. As we can see that there has been a volume growth in terms of containers handled, but there has been a sharp decrease in the realization. So, does this impact our profitability in a big way or majority of the costs are passthrough and we can maintain similar margin?

Vinay Tripathi: It is correct because of the freight reduction. Because I have freight forwarders, my main product is freight booking with the shipping lines, because I'm handling the bulk containers, so I'm booking almost vessel-to-vessel very heavy containers and the freight is reduced by like anything. I will give you an example for you to understand our industry better. From India to US freight one year back and before COVID average freight from India to US almost was $5,000, $6,000 average, and today average freight is 1,800 to 2,500 or 3,000 sometime for some vessels. From India to gulf like Jebel Ali from Nhava Sheva, from Mundra, from Chennai, average freight in COVID was near about $1,200 for 20 foot to $1,700 to $1,900 for 40 foot and before COVID it was $500 to $620 or $840 and today it is minus $50 in gulf countries, gulf means Jebel Ali specific in cases, just as an example. Because of that our of course booking margin, if I have a cushion of $7,000 freight, I have a power to negotiate with the shipping line and get the profit because I have a cargo, I have a shipper, I have a supplier, I have a buyer. But now the shipping line freight decreased by a number of 1,000% down and that's the reason impacting our margin. But it is, yes, it is the time being because of the globally economic tension. But once it will be little bit slow and settled, it will be again boom up and we will grow in the same way.

Jigar Shah: Secondly, what can we expect our steady state margins for our C&F business?

Vinay Tripathi: Can you repeat question please?

Jigar Shah: What can we expect steady state margins for our C&F business?

Vinay Tripathi: In custom clearance and forwarding, we're about 5% to 7%.

Jigar Shah: Lastly, what is the outlook on freight rates and how has this trend been prevailing in the last few months?

Vinay Tripathi: I have a cargo. My company has a strong position with the customer base, volume base. Once the freight bounce back, our top line and the bottom line, everything will be improved. You see, in the custom clearance there is no decrease in the margin. In trucking, even stable, but the freight decreased by 1,000%. And the freight is our main component in our industry where we are not playing we can say, but we are earning a good margin because if the freight is $32,000, I can push the shipping lines, I have 5,000 containers need this freight. Now, I have a container but shipping line don't have freight to negotiate for $100, $500 or $700. This is the reason it is impacting now, but we at Accuracy because I have seen the industry in the last 23 years before corona in 2006-07 drastically you can say recession, and '17-18 recession also I have seen before COVID. So, we are waiting. The shipping industry in five years going very, very fastly on top and after five years it will be going down, then it will reflect on medium level and then again it will pick up. So, I'm hoping that till March if this Middle East, Israel and Palestine war will be settled or something will not happen bigger now than this, then freight will be revised, because Russia-Ukraine war almost now in a cool mode. So, people are now take it as a liberal or normal way, it will continue like we are facing a problem with India, Pakistan, the same way in the Russia and Ukraine, now people will take it lightly. So, all the economy started people have started buying, selling, doing their normal business. So, I hope till March the situation will have

change a little bit. If this Israel and Palestine war is more dangerous than the Russia and Ukraine war, and it will be cool and calm, not happen more than this, then the situation will be something better than this now.

Moderator: Next question is from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.

Vikram Suryavanshi: I joined the call a bit late. So how is the import and export mix for us, and particularly from export side, are we seeing any opportunities?

Vinay Tripathi: Export is growing by 7% to 9% every month. As far as it is concerned, you are the very best-known person of our logistics industry because you have almost all data of import, export minus, plus growth ratio. I think the last month you have sent the report which I was going through and it was really fantastic report for Nhava Sheva up and down decrease data, That will help me to make the same way data for Mundra and Chennai also. So, I have seen Mundra and India almost growing by 7% to 9% in the export growth.

Vikram Suryavanshi: Do we see that Hazira port is also an opportunity for us or we will more stick to Mundra port?

Vinay Tripathi: Yes, Hazira is growing by 3% to 4%.

Vikram Suryavanshi: Non-marble or tiles segment, particularly textile or any other goods, are we seeing any some kind of recovery or it's still -?

Vinay Tripathi: If you see the tyre, pharmaceutical and even paint industry is growing in a very good way particularly in this scenario also. So, as far as India is concerned some of the industry, I don't know any industry, which industry I'm belonging or I'm doing the business particularly and they are really in the good state; tyre, paint industry, yarn, fabric, these are the industries growing.

Vikram Suryavanshi: Rest of the things are quite good only. I think freight rate is a bigger concern for us -?

Vinay Tripathi: Yes, yes, being a global freight forwarder, it is really very bad for us because we are hoping and we are praying to the god, the freight should improve and increase. In this case, there is no panic. But in this case our margin got reduced because if the market is improved or freight will increase then our negotiation power will be strong and buying and selling will be strong because we have a very good relation with the Maersk line, MSC, CMA, Hapag & NVOCC carriers because of the volumes controlled since many years, so we have a very good agreement with them. But the problem is that the freight level decreased by anything what we negotiate with them. Sometimes we also feel pain for them. I can give you one example. I have never seen in the last 23 years as an entrepreneur from Venice in Italy port to Mundra, never, ever decreased from 700 to any single dollar. And today freight is $150. In the COVID, it's worth $7,000, $9000 and before COVID almost $700, $800 every month, and the last 10 to 12 months, the freight is $150, sometimes reached $120 mark each. In $120, what we will negotiate with them? Supposing, $700, I'm negotiating 550, 600, 620 and selling 680, 690 or something like that. 15% to 20% or 30% margin. But in $120, what do we keep in the margin? Because of this our margin got

reduced. But I hoping am till March it will bounce back because I have seen this recessions in 2004, 2005 and 2006 also. This would be the best time to industries get settled.

Vikram Suryavanshi: If we look at our bulk cargo rates, we are into containers only, but just as an industry phenomena when container rates are so low and bulk rates are quite relatively high, so, is there any some type of cargo which can move to container because of rate or is that helping us or a possibility?

Vinay Tripathi: Absolutely, your question is a fantastic question. This is the reason nowadays containers cargo increase because freight rate is decreased by anything and still break bulk cost is high compared to the containers. So, the break bulk exporters are now seating the sample by containers because in the container they can load 500 tons one way, 2,000 tons one way. In the break bulk, even the rate is high and then also they have to beat for the full vessel lot. And in the container, no need to wait, 500 tons you can load, 1,000 tons you can load, like that way. So, container business is booming a lot.

Moderator: Next question is from the line of Yug Mehta from AB Capital. Please go ahead.

Yug Mehta: Do we see increased volumes across industries and which are the industries which are seeing higher traction from India?

Vinay Tripathi: Now, the pharmaceutical has a very good volume for Africa, Middle East of course, Europe also. Now, second, tyre industry is booming a lot, if you see the MRF tyre result, Fiat, very good. Cement is doing an export a lot to Colombo, Madagascar, Africa. So, these are the industries booming a lot.

Yug Mehta: Can you also provide the margin split between our three main business verticals that is clearing and forwarding, transportation and petroleum?

Vinay Tripathi: Clearing and forwarding, transportations, warehousing and other things were 1.78% and fuel 0.70%, ASL motors 1.30% on EBITDA level.

Yug Mehta: Can you provide margin split in clearing and forwarding and within that in transportation -?

Vinay Tripathi: You mean sales figure, right? Actually, we are providing the bundle services door-to-door maximum 70%, 75%. I don't want to disclose the market how I am running the door-to-door as the number one position. So, most probably I'm giving a bundle services.

Moderator: Next question is from the line of Ravi Shah from Opal Securities. Please go ahead.

Ravi Shah: So basically, I was going through a presentation. In that it shows that we have roughly 370 trucks and our peers are all moving to an asset light model. So, what I'm trying to understand is what are we doing -- so are we going to go there, are we still going to stay on the same model, what's our strategy?

Vinay Tripathi: No. This 370 trucks it is our own company truck to provide the customer better service. I know nowadays the light model many people are doing like that way, But being as a logistic company door-to-door service provider, it is not possible to take 100% truck from outside to serve our client on their own satisfaction level. My main product is a service provider. If my truck will not reach on the morning 10 o'clock 10:30, then the customer will be not retain or remain with us. Yes, every day, I'm taking all over India basis 50 to 100 trucks from outside. But in that my contribution is only 30% to 50% and 50% truck I'm taking from outside only. So these many vehicles I'm keeping for being on the safer side to make our service level intact for my client.

Ravi Shah: One more question would be like a broader understanding on the overall industry like where are we headed now, even our company, where are we headed like keeping in mind the declining freight rates, etc., so how are we planning things out just like an understanding on that?

Ashish Lalwani: Declining of freight rates is a temporary problem and it will be resolved by a year or two. So, we are constantly sticking towards our shipping division only and not looking towards as a diversified industry or anything like that

Ravi Shah: Any particular sector we're looking at catering to more for efficiency purposes?

Ashish Lalwani: For efficiency, we are continuously trying to diversify our industry. As of now, you can see that we have moved towards the tyres and yarn, textile towards the pharma also a little bit, but we are trying to diversify as more and as well as possible. We are also looking towards agri; we are exporting wheat powder and rice. So, we are trying to diversify as much as possible.

Moderator: As there are no further questions, I will now hand the conference over to the management for closing comments.

Vinay Tripathi: Ladies and gentlemen, thank you very much for giving a time for our earning call and keep supporting and soon we will come back with new earning calls. Bye-bye.

Moderator: On behalf of Accuracy Shipping Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.