



# “Accuracy Shipping Limited Q4 FY-22 Earnings Conference Call”

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**MANAGEMENT: MR. VINAY TRIPATHI – MANAGING DIRECTOR,  
ACCURACY SHIPPING LIMITED**

**Moderator:** Ladies and gentlemen welcome to the Q4 and FY 22 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 expectation of the companies as on the date of this call. These statements do not guarantee the future performance of the company and it may involve risks and uncertainties that are difficult to predict. Now I handover the conference to Mr. Vinay Tripathi – Managing Director of Accuracy Shipping Limited. Thank you and over to you sir.

**Vinay Tripathi:** Good morning, ladies and gentlemen and very warm welcome to everyone to our annual earnings conference call. We have uploaded our Q4 and FY22 investors presentation on the stock exchange and company website. I hope everyone had an opportunity to go through the same. Along with me I have our CFO for Accuracy Shipping Limited, some members of the senior management and team and SGA, our Investor Relations Advisor.

We are hosting our earnings call after a long period of time. Let me give you a quick background of Accuracy Shipping Limited followed by industry insights and then financials and operational performance for Q4 and FY22. Accuracy Shipping Limited was incorporated in 2008, it is an end-to-end logistics service provider for all business needs with more than 14 offices and 64 agency agreements across the globe. We manage and provide all services under one roof for all logistical requirements for the businesses. Accuracy is present across the value chain from collection of goods from the sellers warehouse, that is the point of origin to buyer warehouse, that is the point of destination or at times direct to consumers, this is called door to door delivery concept, end-to-end supply chain.

At Accuracy, we provide multiple services from clearing and forwarding loading, unloading, transportation, warehousing, last mile delivery and so on and so forth. We provide these services as a standalone service as well as a bundle services, so that all the services for the customer can be addressed under a single roof, a single vendor for picking a service off end-to-end logistics and door-to-door or both concepts. For clearing and forwarding, we are the most trustworthy and popular custom broking agent, offering world-class custom clearance services. Our endeavor is to enhance our customer's delight by offering them the right solutions at right time, facilitate shipment of import and export in the shortest possible time of span. While we pay special attention to all the details involved in that customs clearance process, both national and international and ensure that our custom department is constantly updated regarding the new laws and regulations as well as export consignment.

Clearance: We have custom clearance services to customers covering both air and sea with 24-hour support team with multiple cargo handling experts and we handle more than 7000 TEU's approximately on monthly basis. In transportation we have pan India presence. We have operations controlled through a spread-out network of offices and depot including office at six points as well this service handles and deliver a variety of cargo across the country with professionals help. We provide standardized surface transportation services with an assurance of safe handling of the goods. The goods are delivered in flawless conditions thereby providing absolute satisfaction to our client. We also have our own manufacturing facility of trucks trolley

thereby customizing as per the need of the customers. Along with the logistics services, we also have a fueling pump which is one of the biggest fuel storage capacity in Kachchh region. Among all our outlets this fueling station is one stop solution for all fuel and lubricate and user requirements of the client. This also goes well with our own fleet of 375 trucks and hence can generate more margin. On transportation, since fuel cost is one of the largest costs for transportation, the fuel pump is located on two adjoining points of national highway, giving us more and more vehicles using our pumps for refueling with sufficient area of 5 refueling points, enabling us to provide faster services. We also provide complete range of lubrications for cross selling of products. Recently we have signed exclusive dealership agreement with Ashok Leyland for Kutch district and Morbi regions for sale of the heavy vehicle, commercials vehicle and its spare parts across three locations in Kutch district, Gujarat. These locations will have three elite showrooms for sale of HCVs and its spare parts for fleet owner and also workshop for regular servicing of the HCV's. These are strategically located at Gandhidham with 20 bays of workshops and three S model, Mundra with 15 bays with the three S model and Bhuj with 6 bays with three S model. Covering the entry and exit point of the Kutch district this will help us to strengthen our existing relationships further by catering to the needs of fleet owner for new purchase sale and spare parts and selling off the fleet. Also, it is a strategic fit to our transport segment to service our own fleet of 375 trucks and commercial vehicles thereby leading to cost savings and synergies.

At Accuracy, we have reported **3 prolonged strategy of**, revenue diversification, industry diversification and addition of wallet share among the existing customer by cross selling our variety of services. Number one, by revenue diversification we mean to add more and more revenue from our new age services like transportation 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. Number two, in the industry diversification, we want to add more and more newer industries to our horizon other than our strong presence in our granite tiles industry. We have taken a while to add meaningful revenues from new industries like tyres, paper, textile, agri, wood etc. number third, alongside we will keep adding our wallet share among our customers for selling multiple services and increase our services in their logistics requirement.

Let me speak on industry front; that year gone by, was the recovery year from the impact of COVID-19. We have observed that the logistical requirement and services specifically from the organized players have increased during the post COVID-19 period. There was disruptions in the supply chain due to the geopolitical tensions on the back of the Ukraine and Russia war. Ongoing pandemic and post pandemic effect and short supply of availability of mode of transportation this has led to increased dependency on organized player like us, especially from the tier I and tier II cities we have been able to onboard more and more customer in this year. This capability which has been built over the years and wide range of services we provide under one roof.

Let me now take you through the financials and operational highlights for the quarter and year and FY22. On revenue front our consolidated revenue for Quarter 4 2022 stood at Rs. 255 crores

as compared to 135 crores in Quarter 4 FY21, up by 89% compared to same period last year. Consolidated revenue for FY22 stood at Rs. 824 crores a growth of 120% as compared to revenue for FY21. Our volume growth for container handle were up by 14% as compared to FY21. Average realizations for the containers stood at Rs. 92,000. EBITDA level, we are almost at breakeven level at EBITDA during Quarter 4 FY22. This was primarily due to **inflationary** environment on account of Ukraine-Russia. There a sharp increase in the freight rate higher than average and detention charges which will be passed on the customers with a quarter lag time. However, there are some one-time costs which will be borne by Accuracy. However, we have been witnessing the situations coming to normalize levels and are optimistic of better realizations going forward which should stabilize and increase the margin. Our consolidated EBITDA for FY22 stood strong at Rs. 46 crores as compared to Rs. 29.5 crores in FY21, a growth of 57%. If there would have not been an abnormal situation in Quarter 4 we would have been able to deliver even higher growth in FY22. We are optimistic of this growth for FY23. PAT, our consulted profit after tax for FY22 stood at Rs. 19 crores as compared to Rs. 9 crores in FY21, a growth of 106%. We are very optimistic of the further growth and increase in profitability for the upcoming years. With this I would like to open the floor for questions and answer.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Dipti Kothari from Kothari Securities.

**Dipti Kothari:** My first question was that there has been a sharp increase in the revenue compared to previous year but as per your presentation volume growth has only been 14%. Is this increase in revenue because of freight rate increase over the last year?

**Vinay Tripathi:** Yes, you are very correct. The continuous increase because the freight rate this is the reason the top line is increased. Correct.

**Dipti Kothari:** Can you guide us that what will be the steady state growth rates for the company going forward?

**Vinay Tripathi:** Yes, Dipti. It is correct, it will be the same, because the market projections up to 21-22 is the same way.

**Dipti Kothari:** My second question was that apart from the traditional services of clearing and forwarding what are the new age services we are providing; can you elaborate on that?

**Vinay Tripathi:** We are providing them clearing, forwarding, transportation, door to door logistics or end to end logistics services which means pick up the cargo from origin, mines, warehouse or factory and deliver to the factory or warehouse like this way.

**Dipti Kothari:** How do we ensure cross selling of these new services for our existing customers? Is it bundled with C&F?

**Vinay Tripathi:** Yes, it's basically we are doing a consolidated service to our clients.

- Dipti Kothari:** What will be the margin differential between our C&F vertical and the new age verticals like transportation, warehousing last mile etc.?
- Vinay Tripathi:** Yes. I will explain you, clearing and forwarding Rs. 620 crores in March FY22, transportation is Rs. 109 and other services Rs. 14 crores and total is Rs. 744 crores.
- Dipti Kothari:** The last questions on my end would be that can you give up the revenue breakup from fueling pumping, sale of HCV and our core logistic services for Q4 and full year FY22?
- Vinay Tripathi:** Yes. The motor division is Rs. 38.69 crores and fuel division is Rs. 34.82.
- Moderator:** Our next question is from the line of Vikram Suryavanshi from PhillipCapital India.
- Vikram Suryavanshi:** Fortunately, containers players are really doing good. If you can give some idea for our revenue mix of total 824 crores or total volume of almost 81% TEU. How is the mix between import and export for that, is my first question?
- Vinay Tripathi:** Clearing and forwarding is 73.3% and transportation is 15.9% and rest others are 1.8% and petroleum and petroleum products are 4.3%, sales of HCV's 4.7%.
- Vikram Suryavanshi:** My question was that mix of import and export.
- Vinay Tripathi:** Yes. Import and export, I am also giving that clarification, import and export almost, we are doing basically the bundle services but if you want, I can give you the brief for that because in bundle we are giving a combo service, clearing and forwarding and transportation all together to clients. But however, the clearing and forwarding approximately you can take clearing is 35% to 40% and rest is the forwarding part. Actually, clearing and forwarding at Accuracy as ASL we are giving clearing and forwarding combo. If any customer is denying for clearing, we are not giving a container to them. If any container denying forwarding, we are not giving clearing to them. So basically, we are trying to give a customer a logistic clearing and forwarding all together but approximately figure in clearing so far 35% to 40% and rest is the forwarding part.
- Vikram Suryavanshi:** And import side do we handle any import commodities where we are seeing a growth?
- Vinay Tripathi:** I am handling import marble and granite, basically majorly cargo, and that is a segment and regular cargo.
- Vikram Suryavanshi:** We have seen a strong relative to last year a decline in the marble and granite, is any particular reason for that?
- Vinay Tripathi:** No, it's not very much declined but now it's improved. We are handling the many more cargoes. Marble, granite, textiles, agri, ceramic tiles, machinery, wood, paper and steel. So, marble and granite now is not declined. Now is stable or little bit improved, Vikram bhai.

- Vikram Suryavanshi:** How is the currently freight rate, are we seeing some correction happening or they are still at a very high level and outlook on broadly freight rate and profitability for us?
- Vinay Tripathi:** Till now the freight level are very stable and freight level will increase or stable because China is getting opened now in the phase-wise. Like Shanghai port is opened 15% to 20%, this month and till end they will operationalize the Shanghai port 50% or July they will open the Shanghai fully. The freight level will be managed same or little bit chance to increase.
- Vikram Suryavanshi:** In terms of availability of containers or lead time are we able to like if we compare to pre-COVID kind of time taken to resale, long haul or medium haul is there an improvement in lead time or how is that situation if you can give some idea about container availability and lead time.
- Vinay Tripathi:** As per the market, it is very correct market maybe, there is container shortage but as far as concern we as Accuracy in about last 3 years we have some carriers tie-up for six boxes per vessel per week. We don't face a lot of problem about this inventory and space
- Vikram Suryavanshi:** Normally even today if someone has to send it to USA west coast or east coast or Europe, how is the lead time typically within how much timeframe we can manage to move container from India to say a destination?
- Vinay Tripathi:** We will arrange the container within hours. Not a matter because we don't face inventories problem or space. From India to US now lead time decreased, not increased or stable, 45 to 55 days transit time. Earlier was 65 to 90 days but now the congestion is getting over at the Los Angeles, North Pole and Houston all three ports, congestion is getting over now. There is no vessel in waiting for unloading. So vessel frequency is getting now normalized.
- Vikram Suryavanshi:** This 45-55 days is port to port?
- Vinay Tripathi:** Yes, port to port, total turnaround the boxes from India to US and US to India is almost 90 days. Round trip.
- Vikram Suryavanshi:** How is the profitability in trucking part of our business with the diesel price volatility? Are we able to pass it on whenever diesel price increase or does it impact our profitability in trucking? If you can give some sense on the profitability of trucking business about the impact of diesel price.
- Vinay Tripathi:** Whatever that diesel price increasing the same increase cost we are passing to the client. We are not finding the long-term agreement because the fluctuation is so much, inflation is so much. We are not having the long-term agreement with anyone. We are giving the port month on months, otherwise no case-to-case basis or lot to lot basis.
- Vikram Suryavanshi:** Last question from my side, we have seen huge diversification in terms of our freight forwarding business in terms of cargo. Now we are handling different cargoes we are primarily focused on marbles and tiles. Similarly, now we are expanding for the heavy trucking business with tie-up

with the Ashok Leyland for distribution. Can trucking be increased going forward and we can also enter into like a full truck load cargo movement across the country or it will be more focused about freight forwarding business in terms of opportunity and growth going forward?

**Vinay Tripathi:** Good question Vikram ji. Vikram ji first point answers for your questions. My focus is clearing, forwarding and trucking but as you know very well Accuracy is developing integration backward and forward development, I'm involved in the industry's, **CHA'S**, freight forward and transport. So, I have developed the fuel divisions, I have developed the dealership division because I know the many customers, transporter customers. I have to be with dealership for Kutch district as an exclusive but yes, I'm not going to add, point #2 I'm not going to add the more truck for my own transportations. This dealership I have taken up to sell the truck to the public.

**Moderator:** Our next question is from the line of from Ankit Agarwal from ARC Capital.

**Ankit Agarwal:** I had a couple of questions on the HCV business. So, one was answered in the previous question only, by the previous participant. A few further questions, what are the margin in the business of state of HCV in the spare & repair business of HCV?

**Vinay Tripathi:** EBITDA level is almost 5% to 7% approximate.

**Ankit Agarwal:** This is in the sale of HCV?

**Vinay Tripathi:** Sale of HCV is 3% and it's the service almost a 9% to 10% and spare part is 9% to 10% because I have Three S, sales, service and spare part.

**Ankit Agarwal:** So, the total mix coming out 5 to 7?

**Vinay Tripathi:** Yes, means maximum 8 or 5 to 7 is the variable.

**Ankit Agarwal:** What is the working capital requirement for this business?

**Vinay Tripathi:** Actually, this business doesn't be quite so much long working capital. The working capital requires only 15 to 20 days for rotation. You purchase the truck, when the truck reach in our depot we will sell and get the payment and within 7 days. So, 15 to 21 days the capital cycle in this particular around CV business, dealership business.

**Ankit Agarwal:** What is our targeted ROCE, like the return on capital that we plan to target from this line of business?

**Vinay Tripathi:** Approximate as of now 5% to 7%.

**Moderator:** Our next question is from the line of Atul Kothari from Progwell Securities.

**Atul Kothari:** If you can throw some color in terms of how many customers, we have added during the last 2 years in terms of count and as well which industries they primarily belong to?

- Vinay Tripathi:** Your voice is breaking. Can you repeat your question?
- Atul Kothari:** Can you throw some color in terms of how many customers we have added during the last 2 years in terms of count and as well as which industries they belong to?
- Vinay Tripathi:** We have added almost 130 customers. 130 customers in tiles, 19 customers as a broker means buyer which I'm giving door to door services. 30 and two big customers tyre industry which almost you can say 250 around 250 to 300 around. We have added new customer tiles, tyres and agri and paper.
- Atul Kothari:** These new customers recently which you have added, they are just using the C&F services or they are using the bundled services including the new age services?
- Vinay Tripathi:** I'm giving only bundled services. My all-whole business is almost 95% to 98% bundled services clearing, forwarding, transport warehouse and empty depo. These all five facilities I am giving to my client as a bundled service and if any customer ask me only for transportations or only for CHA or only for freight forwarding. So, we are not adding particular that customer. We convince, we try to convince, we request to them this is my **CHA** service, this is my transport service, this my freight forwarding service and this is my warehouse service. Please take all so that I will give you a more competitive rate and good service, on time service. My motto is to convert them, to explain them to give a good service because if I'm giving my truck to any company, any customers with who is handling others **CHA**, other booking freight forward so my truck will be hold at port like Mudra and Kandla so my day will be waste. My truck will get idle. I don't want to prefer like this way, so we convert and we try to get bundled service.
- Atul Kothari:** You partly answered my next question basically. I wanted to ask you have we been successful in cross selling multiple service for existing customers? If you can quantify that or in the qualitative terms, it will be great?
- Vinay Tripathi:** Your voice is little bit cut; can you repeat please?
- Atul Kothari:** Basically, I wanted to ask you that have we been successful in cross selling the multiple services to our existing customers?
- Vinay Tripathi:** Yes.
- Atul Kothari:** And if you can quantify that?
- Vinay Tripathi:** Till 85% to 90% we book the round trip services.
- Atul Kothari:** Last question from my end. Currently our dependency on marbles, tiles and granites is very high. What will be the ideal revenue break-up 3 years from now?



- Vinay Tripathi:** Machinery, wood, paper and steel. Next 3 years which we are focusing for development. The commodities wood, paper, steel and machinery four commodity and agri product, five commodity we are focusing for next 3 years or; 4 years because this is a big volume of this commodity which we export from India.
- Moderator:** Our next question is from the line of Vikram Suryavanshi from PhillipCapital (India) Private Limited.
- Vikram Suryavanshi:** There I was just wanted to check I think most of this our container movements to the port, what we are doing is by road movement or are we also using the rail because what we heard is that there are ICDs coming up in Morbi which can be connected to the rail side and they can move containers by rail connectivity. So, I just wanted to know that competition from that kind of business model and are we flexible to move to road and rail for movement of containers to the port. So, your thought on that?
- Vinay Tripathi:** Vikram your question is very good. I know Mr. Adani has just started the rail facility from Morbi and many more locations however but it is not, we have not as of now plan but yes in futures we will get opportunity definitely we'll develop it. But as of now not.
- Vikram Suryavanshi:** This year particularly we have seen slightly higher tax rate. So just wanted to get your comment on what will be our effective tax rate for our company on 2-year basis going forward?
- Vinay Tripathi:** Next year the tax rate approximate 33.98%.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Mr. Vinay Tripathi for closing comments.
- Vinay Tripathi:** I take this opportunity, first of all thank you very much to joining all participate for our con call and now I'm going to take this opportunity to, end the meeting. I take this opportunity to thank you everyone for joining the call. We will keep updating in the investors' community on a regular basis for incremental update on your company. I hope we have been able to address all your queries. For any further information kindly get in touch with us or Strategic Growth Advisors our Investors Relations Advisors. Thank you once again and stay safe.
- Moderator:** Thank you. On behalf of Accuracy Shipping Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.