GATEWAY
DISTRIPARKS LTD.

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Ref: Communication dated 12th October 2021 and 21st October 2021

Sub: Transcript of Earnings conference call held on Thursday, 21 October 2021

Dear Sir / Madam

We enclose herewith transcript of Earnings Conference Call held on 21st October, 2021 on the unaudited financial results for the period ended September 30, 2021.

Kindly take the information on record.

FOR GATEWAY DISTRIPARKS LIMITED

Veena Nair
VEENA NAIR
Company Secretary
Encl:a/a

"Gateway Distriparks Limited Q2 FY-22 Earnings Conference Call"

October 21, 2021

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MANAGEMENT: **MR. PREM KISHAN GUPTA – CHAIRMAN AND MANAGING DIRECTOR, GATEWAY DISTRIPARKS LIMITED**
MR. ISHAAN GUPTA – JOINT MANAGING DIRECTOR, GATEWAY DISTRIPARKS LIMITED
MR. SAMVID GUPTA – JOINT MANAGING DIRECTOR, GATEWAY RAIL FREIGHT LIMITED
MR. SACHIN BHANUSHALI – DIRECTOR AND CEO, GATEWAY RAIL FREIGHT LIMITED
MR. SANDEEP SHAW – CHIEF FINANCIAL OFFICER, GATEWAY DISTRIPARKS LIMITED
MR. SUNIL NAIR – DIRECTOR AND CHIEF EXECUTIVE OFFICER, SNOWMAN LOGISTICS LIMITED
MR. A. M. SUNDAR – CHIEF FINANCIAL OFFICER, SNOWMAN LOGISTICS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Gateway Distriparks Limited Q2 FY22 Earnings Conference Call. 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 the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. Today on the call we have Mr. Prem Kishan Gupta - Chairman and Managing Director, Gateway Distriparks Limited; Chairman and Managing Director, Gateway Rail Fright Limited; Chairman, Snowman Logistics Limited; Mr. Ishaan Gupta - Joint Managing Director, Gateway Distriparks Limited; Director, Gateway Rail Freight Limited; Director Snowman Logistics Limited.

Mr. Samvid Gupta - Joint Managing Director, Gateway Rail Fright Limited; Director, Gateway Distriparks Limited; Director - Snowman Logistics Limited. Mr. Sachin Bhanushali - Director and CEO, Gateway Rail Freight Limited; Mr. Sandeep Shaw - CFO, Gateway Distriparks Limited; CFO, Gateway Rail Freight Limited, Mr. Sunil Nair - Director and CEO, Snowman Logistics Limited and Mr. A. M. Sundar – CFO, Snowman Logistics Limited.

I now hand the conference over to Mr. Prem Kishan Gupta. Thank you and over to you, sir.

Prem Kishan Gupta: Thank you. Good evening and a warm welcome to all the participants to the Post Results Earnings Call of Gateway Group. We have uploaded our results, press release and presentation on stock exchanges as well as company website. I hope you had an opportunity to go through the same. We have come out with a very strong numbers continuously in Q2 when compared to Q1 and even Q4 of last year. Our rail business is doing well and is outperforming and with the hub and spoke model at Garhi Harsaru and Viramgam, we are able to have some cost efficiencies.

Currently, we are the best performing company in the industry. We had initiated corporate structure reorganization during the last fiscal year. It will help us bring further operating synergies and efficiencies for the group. The shareholders have voted in favor of the scheme of amalgamation and things are on track. We have filed the second motion petition with the NCLT for the purpose of seeking sanction of the scheme and realistically expect to get the final order by calendar year end. With restructuring there will be a lot of synergies on the operational side.

In Q2 FY22 Snowman Logistics has continued to witness robust demand from two segments, pharmaceuticals and ecommerce. From the level of 106,000 pallets, we are now having over 1,13,000 pallets. And over the next three years we plan to expand our pallet size to about two lakhs.

As for the e-commerce fulfillment centers are concerned, we have about 1,10,000 square feet of dedicated space for Amazon. We have three dedicated warehouses for Amazon, and we are in the process of making a larger warehouse for them in Mumbai and a second one in Pune.

We have plan to add around two to three new ecommerce facilities every year. A lot of pharma clients have also asked us for dedicated pharma facilities.

With this, I will now hand the floor for questions and answers session. Feel free to ask anything. And the entire management is there to answer your questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.

Mukesh Saraf: My first question is on the rail business to Sachin sir. So, on the volumes, we have crossed 80,000 TEUs kind of a mark. In the fourth quarter when we hit about say 76,000 to 77,000 TEUs, we got a sense that we are probably kind of at a very high level of fill factors and utilization. So just wanted to get a sense of what has driven this volume growth further, have we added any rakes and how do you see the outlook for this?

Sachin Bhanushali: Yes, Mukesh, thanks for that observation. You are right that we have been able to ramp up our volumetric performance quite a bit as compared to not only the comparable quarter last year, on a YoY basis, but also in sequential basis. Now, I will again bring back our discussion to what happened a couple of quarters ago, when we were discussing whether we need to add capacity to our train sets.

So, the fleet continues to be of the same size – 21owned plus 10 - 31 train sets and the utilization has improved on account of most of the running being on dedicated freight corridor and because of that our ability to carry more containers per train in a month has helped us achieve higher volume. In spite of having reached this volume, we still have some spare capacity which is available because at present we are not doing full double stack in either direction.

So, the answer is that no we are not adding any additional capacity in terms of train sets, but utilization has improved and there is still a good amount of scope which is available for improving it further. We should be able to do roughly 15% more business as compared to the current levels to reach a saturation level and then we may have to think of adding capacity. We are mindful of that and keeping an eye on that.

Mukesh Saraf: And has this also resulted in some market share increase or is this a general industry growth? I mean you usually give us the basic market shares across these NCR and other regions?

Sachin Bhanushali: Yes, it has resulted into increase in market share. So, if we look at the wider NCR market, it has grown roughly by about 18% YoY for the quarter, whereas we have been able to increase our volumetric share for the quarter in NCR by 55%.

The reason for this essentially is that not only have we been able to come out with new products, but there is a new scheme of assured transit which has been started by Indian Railways and we have already started delivering on this as far as better transit times are concerned. And that is why both the shipping lines as well as the importer-exporter community is depending more on rail and within that, since we have the best transit time in NCR, we are a rail operator / intermodal operator of choice. We have been able to ramp up our volumes on account of that.

Mukesh Saraf: And just my last question on this is on the pricing front we have seen Concors take some hikes earlier on and again now they have announced another hike from October 1st. So have we also taken some price hikes, or I think last time you had mentioned that we have not taken as much price hike as them and so some volume benefits we can get. So, how is that thought process on pricing?

Sachin Bhanushali: So, on a competitive landscape, we have taken a price increase in Ludhiana market before others. And in NCR market also we have rolled out our price increase, which becomes effective during the month. This is a marginal price hike. It takes care of a little bit of increase in our cost of operations on account of inflation, etcetera. But still we have gone ahead with the price increase in NCR market as well.

Mukesh Saraf: So, about Rs. 9,200?

Sachin Bhanushali: So, it is Rs. 1000 per TEU, Rs. 2,000 for a 40 feet container.

Mukesh Saraf: So, the basic question is, is this Rs. 9,200 of EBITDA for container, we can look to maintain that at least?

Sachin Bhanushali: That is right. We aim to maintain it above Rs. 9,000. And going forward with higher utilization on Dedicated Freight Corridor, we may be able to do higher volume per train and we will try to improve it further.

Moderator: Thank you. The next question is from the line of Lavina from Jefferies. Please go ahead.

Lavina: Sachin, just a question for you on this volume front only. Concor reported their volume for the quarter. I know you cannot comment on Concor's volumes. But they had seen an EXIM growth of single digits, which was quite a surprise. So just to understand from you that is most of thisvolume growth you have seen is market share again? I know you spoke about DFC, and they started trial runs. But I just want to understand that a little more, please?

Sachin Bhanushali: Yes, that is right, Lavina. Thanks for your question. The growth is primarily on account of growth in Gurgaon market where we are dominant. So, that is the organic growth, which is taking place here, and apart from that we have been able to make significant addition to our portfolio by acquiring additional volume of existing customers as well as new customers. With more reliable service, what happens is that the need to distribute volumes to multiple operators in order to de-risk logistics requirement, more or less goes away.

And since we currently have the best delivery times both in export direction as well as an import direction, the dependence of our customers on our services is increasing. Also, there was some customer concentration as far as we are concerned that has got reduced by addition of new customers in our portfolio.

Lavina: And would this volume growth, I mean with the DFC now what it is understand is from 8th, October you had trial runs. Now full commissioning will happen from Palanpur to Rewari. Are there any issues that are being faced or you think that more volume growth should come up in the coming quarters as road traffics shift to rail?

Sachin Bhanushali: So, this significant shift of road to rail will start when it gets consistently operated on the Palanpur to Rewari section through and through which should not be very far from now. And we expect that the current quarter should see regular operation on Dedicated Freight Corridor for this particular route.

And the Pipavav Rail Cooperation also has been able to electrify their territory starting from Surendra Nagar to Pipavav. So electric trains now can actually run from Garhi Harsaru to Pipavav with double stack and this will be the first time that such a long-distance double stack train would run under wire.

This is something which is going to drive modal shift from road to rail and apart from that, I think the international trade in general is showing robust growth. The merchandise export as you are aware has gone up. For the first half almost, we have touched $200 billion mark. And going forward, this further is likely to intensify. So, the volume growth is expected to continue on a similar line.

Lavina: And therefore, some amount of leverage can be seen for you all as well right or will you pass most of the benefit onto your consumer to look at it EBITDA per TEU perspective directionally more than absolute?

Sachin Bhanushali: I think it should be possible for us to concentrate our margins, improve our margins going forward on account of this phenomenon, but it also depends on weight mix as well as Import Export imbalance. So, it'll be very difficult to pinpoint in which direction we will go but I think there should be a good improvement in margin numbers as well.

Lavina: And Sachin, Lastly, any impact on working capital because of all of this? I mean working capital should not deteriorate right - what I just want to understand is that means this will reflect in your cash flow from operations, volume growth, margins, leverage?

Sachin Bhanushali: So there will definitely be an additional requirement of working capital because you are aware that we pay most of our expenses (which is rail haulage charges to Indian Railways) on an upfront basis, whereas our customers enjoy credit from anywhere between 15 days to 30 days.

So, there will be a marginal increase in working capital, but that is not going to result into the entire cash flow arising on account of operating margins being sucked into working capital requirements. So, we will have additional operating cash flow on hand.

Moderator: Thank you. The next question is from the line of Prit from Wealth Finvisor. Please go ahead.

Prit: Couple of my questions have been answered. But one last thing I wanted to understand is that what kind of growth are you seeing in terms of just the overall economy? And do you anticipate a significant larger transfer of market share from road to rail once the DFCs are properly commissioned?

Sachin Bhanushali: Okay, the answer to the second question is yes, we are expecting a larger share in the modal shift which will take place because of our locational advantage as well as our operating method. As far as the first is concerned, I think my guess is as good as your guess as far as the growth in the economy or growth in EXIM business, international business is concerned, but I think it is going to be very robust.

Prit: So, the current issue with EXIM in terms of containers that is plaguing some of the flow. So, has that impacted you guys in some form or shape?

Sachin Bhanushali: We need to go a little deeper into it. The shortage of containers for the purpose of exports is actually shortage of containers for increase in exports. So, the actual number of exports in containerized form, which takes place out of CFS and ICD, has not dropped on account of non-availability of containers. And the availability of containers over a period of time has improved indeed. So, I think over a period of time it will ease out and it will not continue to be a bigger constraint in the overall scheme of things.

Prem Kishan Gupta: Yes, just to add, you know, post-COVID, the demand has increased both from the exporter side of it and imports. So, it is an imbalance, but I mean, at the same time containers are available, the freight rates are higher. So, it is not that anyone who wants to export or import are hampered because of that. The only thing is that the freight rates have increased. The ocean freight rates have increased to a level where I mean, again, it comes to viability of the product being exported or imported.

Moderator: Thank you. The next question is from the line of Aditya Makharia from HDFC. Please go ahead.

Aditya Makharia: I just wanted a sense on what are our lead distances currently and, you know, with the DFC now getting operational, how will the lead distances change post that?

Sachin Bhanushali: Aditya, the lead distances do not change for us, because we operate between ICD and the port. So, it is almost like a fixed distance that we operate on. We have generally upwards of 1,100 kilometers as far as our leads are concerned. As the component of our Ahmadabad terminal increases, it will result into some amount of dilution of our average lead as well as per TEU performance if the average is taken for all the businesses put together, but we will provide you with additional information when it comes to that.

Aditya Makharia: And second thing, you know, you mentioned there will be a shift from road to rail, but there is some roll on roll off service also which the DFC is doing where the trucks are going. The containerized trucks are moving on the rail network. So, how do those dynamics really work?

Sachin Bhanushali: Aditya, these are not containerized trucks. These are essentially high-density transportation in three-axle trailers, which is taking place, particularly between Gujarat and North India, involving mainly transportation of salt, soda ash and other bulk commodities. So, it is domestic business. This is a temporary arrangement.

At present since the Dedicated Freight Corridor does not have its terminals, it is basically trying to provide a road bridge of what they call TOT (Trucks on Train) and the volume of actual activity which is taking place on Truck-on-Train model is very, very small. It is insignificant from the point of view of business that we do.

And very, very insignificant from the point of view of the volume which is being done by Indian Railways. So, it is more like trying to attract attention as well as provide some service while the Dedicated Freight Corridor becomes fully operational.

Ishaan Gupta: Just to add to that point a little bit. It is not directly comparable, you know, when you say trucks, which are doing RO, Roll on Roll off versus export and import containers which are coming to the inland, because the product is completely different. Out here it is the shipping line which is bringing the container up to the end and the customers clearing it in the north. And in this roll on roll off it is like such a thing mainly domestic but even if it is non-domestic, it is domesticized at the port.

So not all cargo travels. Not everyone wants to convert from container to bulk when the ocean journey has been on container. So, it only makes sense a break of cargo which is already in bulk to be further transported by road.

Aditya Makharia: And just a last question. Has the track now been electrified, or they are still running on diesel locos?

Sachin Bhanushali: Pipavav route has been electrified, but the length of Dedicated Freight Corridor between Madar Junction, that is Ajmer up to Palanpur is yet to be commissioned on electric traction. So currently at present, about 95% of the operations are diesel operations under wire.

Moderator: Thank you. The next question is from the line of Sonali Yadav, Investeurs Consulting. Please go ahead.

Sonali Yadav: Sir, my question is not, you know, related to the latest financials. I was going through the annual financials, and I noticed one thing that from financial year 2020, I am so sorry, this is related to Snowman Logistics. So, from financial year 2020 around Rs. 140 crores have been added as lease for, you know, land lease for building warehouses. Now, I wanted to understand that, you know, can you just throw some light on why land lease has been taken, how it fits in the business model and what are the future plans for same?

Ishaan Gupta: Sundar, can you take that please?

A. M. Sundar: See this land lease, which has been shown is a result of the new Ind-AS regulations which have come. Warehouses have been built on land which have been taken on long term lease of around 20-year period and because of the introduction of Ind-AS we have to show the lease value as an asset and then depreciate it over the lease period.

Moderator: Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Sir, you commented that now, electrified trains can run between Garhi Harsaru and Pipavav. What about Garhi Harsaru and Mundra? Is it possible as of now or is there some bottleneck still on this?

Sachin Bhanushali: Atul, I think there is not much clarity as far as electric traction on Dedicated Freight Corridor is concerned as of now. It will take some time for electric traction on the Dedicated Freight Corridor portion is concerned. The old track of Indian Railways in any case is still a diesel track. So currently it is continuing to operate on diesel through and through.

Ishaan Gupta: If I can just add one point and take this chance - because this is going to be a common question, you know, similar question which multiple people have. Earlier it was important for us to track, you know, which parts of the tracks are diesel route and electric route, and it still is. But having said that, none of that really matters that much anymore because the train running has improved so much. And, like Sachin was mentioning in the NCR market our transit times are the fastest out of all the ICDs including any of our competition.

So, with those transit times that we have and where we see consistency and that is the transit time which we see going forward. So, it does not really matter to us whether the railway uses diesel or electric routes.

Moderator: Thank you. The next question is from the line of Yash Sarda from Daiwa Capital Markets. Please go ahead.

Yash Sarda: My question is with respect to Snowman Logistics. If you could throw some light on the Siliguri and the Mumbai Port facilities which were yet to be started and whether they are started at this quarter and revenue has been recognized on the same?

Ishan Gupta: Yes, Sunil, please take that?

Sunil Nair: So Siliguri is functional now and it got functional by the end of September and now we have started filling it up. And in case of Mumbai ecommerce facility, it is also functional from end of October, and this is also fully operational now. We have migrated from a smaller facility to a bigger facility for Amazon and both are functional. In case of Coimbatore, we are expecting it to be ready by the end of November.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking Limited. Please go ahead.

Prateek Kumar: My first question is on volumes of rail. So, on a quarterly basis now we have moved to eighty thousand TEUs. Do you think our volume can comfortably cross on quarterly basis 100,000 TEUs in FY24?

Sachin Bhanushali: Okay, so it will be very difficult to talk about FY24, which is still away. There is an FY23 in between. So, our aim would be to cross it in FY 23 itself.

Ishaan Gupta: But Prateek, if I can just, you know, build on some of our earlier conversations. Right now, you have seen that our EBITDA margin is growing. And our internal target is that we want to hit 10,000 EBITDA per TEU based on whatever happens with the DFC. So, our volumes will be driven by that. We would rather keep profitability and margins intact or keep growing them slightly. Even today, if we want, we can reach 100,000 TEUs per quarter, but then we will be reducing our margin quite a lot.

So, if you say on a conservative basis, keeping our existing margins, we still assume that our volumes are going to grow, but by how much it is difficult to say from this point what FY24 will be.

Prem Kishan Gupta: And Prateek, we have tried to ramp up the volumes by getting some bad business and it is a bit of minus business. So, we have given up. And these users or, you know, customers they go for the lowest price in the market.

So, by getting them, you know, for one quarter, two quarter we do not expect that they will be giving us the business for the following period. So, we do not want to intend to enter such kind of competition where I mean we lose money without getting their patronage for a long time. So, we will look case by case.

Our existing customers, their volumes are growing and at the same time there are new customers coming in, who are willing to pay the price for our services. I mean we are not charging two times or three times the price - so many people value that. So, we will not do bad business for the sake of increasing the volumes or revenue.

Prateek Kumar: I mean that 100,000 was just to gauge growth expectation so probably we will be growing around 25% year-on-year this year, and 13% to 15% CAGR over next two years will take us to I mean that 400,000 plus number for FY24.

Prem Kishan Gupta: Don't get me wrong, what I am saying is that we do not want to get bad business to increase our volumes. But slowly and gradually, I mean, people who came to us and left us and then again have come back and then again left us - slowly and gradually, we are getting those businesses because of our services.

Both in terms of connectivity to the port, the faster transit times, and all the services that we provide to them from online connectivity to our systems, to our ERP, where they can see on real time where their container lies or even the movement, and when it arrives at port, especially for exporters. But at the same time, importers are also equally important to keep the balance.

And people value these things. And our volumes which have gone up, it is not only because of the EXIM volume grown up, but at the same time we have gained in the market share. We were little below 12%, a couple of quarters back. And now we are almost touching 14%. That is a combination of market share and the volumes that have grown up.

Prateek Kumar: And sir, regarding realization this quarter looks slightly lower Q-on-Q and Year-on-Year. Is it because of some exchange?

Sachin Bhanushali: So, the per TEU realization that you are talking about, it is normally an effect of 20:40 and Import-Export split as well as weight mix split. So, it is not necessary that it will follow a path of either remaining at the same level or growing. EBITDA per TEU as a percentage of revenue per TEU is a better guiding factor., If you compare that we are not doing badly on both YoY as well as QoQ.

Prateek Kumar: Right okay. Post this electrification of the Pipavav route, they have also started some container rail operations themselves i.e., PRCL. Is this something significant or when we should look about it or?

Sachin Bhanushali: So, among the original 14 container train operators Pipavav Rail Cooperation was one of the operators and they had a segmental operation license for Mundra Port, Pipavav Port and Kandla port. It is after almost 14 years that they have started their operations basically because Pipavav Rail Cooperation business by itself is showing good results.

You should not mistake them as the Pipavav Port. Pipavav Port is different entity, Pipavav Rail Corporation is a different entity. It is a joint venture between Indian Railways and APM terminals for the purpose of developing rail line between Surendra Nagar to Pipavav Port. So, that is where this business is being done. It is going to be a small business. I think they have started only operating one train as of now to Jodhpur.

Prateek Kumar: Okay, and just one last question on CFS business. So, their margin pressure seems pertinent again like the pre-Covid times. So, this Rs. 2,500 to 2,700 per TEU expectation seems set now. Are we looking to get back to that number?

Ishaan Gupta: So, it will take some time, but basically, we have not been able to pass on the fuel cost yet. The increase in diesel price and there has been some increase in labor costs which we are looking to address in a different way. And we have been focusing a bit more on volumes. So, if you look at our volume growth, we are higher than last year. So, that might lead to a lower revenue per TEU, but we are looking at the EBITDA margin and then also Punjab Conware is having its retendering now. We have the contract till end January.

So, keeping that in mind also we have to see how to retain our customers best. So, it is a function of all of these things together. But we are still hoping to get back to that Rs. 2,700/ 2,800 figure.

Moderator: The next question is from the line of Vikram Vilas Suryavanshi from PhillipCapital. Please go ahead.

Vikram Suryavanshi: One question regarding the rail business. Now we are seeing good traction in volume for rail. So how is our plan to maintain market share or grow from this level with this satellite terminal? So, if you can highlight about the progress of this satellite terminal? And second one - we are also seeing good traction on domestic side of a business where not only EXIM, but rail domestic numbers also look quite impressive.

So, are there any such opportunities emerging at least on select routes or select kind of a cargo service, where we can also think of our domestic side of the business?

Prem Kishan Gupta: See as far as our expansion into more satellite terminals it will be there. We are working on it for more than a year or so. So, we have some locations in mind, and we are searching for the land parcels which can suit to the rail connectivity.

So, that will definitely come in and that will help us in the accumulation of containers at Garhi Harsaru for the export direction and for the import direction again through Viramgam and Garhi Harsaru we can distribute that. But we will only be able to announce that once we have those land parcels ready or, you know, we are having firm plans in one particular location.

As for your second question, we have not done much domestic in the past and what we are talking about the increment in the domestic movement that is mostly break-bulk cargo of Indian Railways.

So, except for one or two players amongst the container train operators, no one is doing domestic movement from point to point because it is a uni-directional, you know, because the cargo is available in one direction and on the return journey, it is not available and at the same time if you look at the main corridors especially the North to West, it is well connected and it is faster route even after considering the DFC commissioning.

But otherwise, if you go on the other routes of Indian Railways, whether it is towards the South or, mid of India to any location, the train turnaround times are so long that it is not worth deploying the assets out there.

Ishaan Gupta: And just to add to that, also that we do not do bulk movement, we only do container movement. And within containers, the export and imports, which happens is on shipping line containers. It is not on domestic containers. So, for domestic movements, not only is the return journey of the train, which is important, but then we have to deploy our containers which go empty from one place to another on the return lane.

So, to position those to have a place in multiple geographies where we can park those containers. Those are all additional costs. So, while on a single trip basis, if you think it makes sense. As an overall domestic business do not make money in containers.

Vikram Suryavanshi: And in terms of turnaround time, we are obviously seeing that is coming down. But if you can give us what are the average turnaround time for Q2 in terms of hours, and how much we can bring it down because I guess we run express freight trains with almost 23 hours. So, what is the current average turnaround time and going forward how much scope is there to improve it?

Sachin Bhanushali: So, in export direction we have been able to maintain a 27-hour average as compared to once upon a time exactly 72 hours used to be our average time. In import direction it is still slightly on the higher side. So, we are roughly doing about 33 hours in the import direction. Going forward once the entire Dedicated Freight Corridor is fully operational, it should be possible to do both the import as well as export services within 24 hours.

And overall circuit time should come down to a level of about four days for one round trip. So, it should be possible for us to do roughly 7.5 round trips as compared to 6 round trips that we do currently.

Ishaan Gupta: And the location of our terminals in NCR is such that we will always maintain our lead over competition in transit time.

Vikram Suryavanshi: And last question regarding Snowman. We have seen strong growth in transportation side of our business, obviously because of a very low base last year and we are seeing recovery. But if you can highlight what could be the mix between warehousing and transportation going ahead and are we still seeing lot of recoveries expected in transportation business to just bring to that level or how we should look at that transportation growth and how we are seeing growth and mix between these two businesses?

Sunil Nair: So, see basically, the transportation has done better for two reasons. One, yes, last year, the Q1 there was lockdown nationally. Whereas this time the lockdown was not national, city based. So that is one reason, but the major reason is that we have implemented tech-based consolidation and aggregation of these small transporters and their capacities. And that has helped us accumulate close to 150 trucks worth of capacities every month.

And we are using these for our end-to-end customers and making these small transporters part of the larger end-to-end game. And this has helped us a lot and we have seen that the growth against last year first half to this year first half has been close to 40%. Around 20% of this has come from this aggregation technology that we have implemented. As far as the ratio is concerned as of now it is 65% warehousing and 35% to 40% transportation.

We expect that while both the numbers will continue to grow with the addition of capacities - that transportation may grow larger basically because of the tech that we have implemented.

Vikram Suryavanshi: And what kind of ROCE from this business we are targeting say two to three years down the line? Because historically we have seen a pressure on ROCE, but now after seeing good recovery and revival, what would be the target ROC for the coal chain business?

Sunil Nair: See all new capacities that we are adding are somewhere around 17% - 18% ROCE that we are expecting from the new additions, and it is very difficult to quantify what will be the mix of it, but I can just tell you that we add new additions are at 18% ROCE.

Ishaan Gupta: In fact, there are some expansions which we are planning which we will be announcing in due course where the capital deployment will not be so much because we will be either using a model where someone is building the facility for us and leasing to us or we will be building dedicated warehouses for specific products mainly in the pharmaceutical and e-commerce segments but possibly some other segments where the CAPEX requirement is lower because the requirements are tailored for one specific product.

So, over time we are targeting, like Sunil was saying the new projects are at around 18% ROCE. But when you add in Snow-link can you add in these BTS, and lease projects, ROCE will be upwards of 21% or something like that.

Moderator: Thank you. The next question is from the line of Akhil Hazari from RoboCapital. Please go ahead.

Akhil Hazari: I just wanted to know is there any revenue guidance that you could give us for FY22 and going forward what would be the growth rate of the revenue?

Prem Kishan Gupta: See, we cannot make any forward-looking statements, but I can just say that we are planning new locations and terminals and the volumes will grow from here, from what we see in the last two quarters and even today, when we are talking in October it continues to grow. The volumes are still coming.

So, once COVID related things are over, because so far, some industries are closed, some are open and they open at different times. it appears that there will be a lot of exports from India. Imports are also on the rise and for us to have a balance of import and export is absolutely necessary.

And we go by the growth of the EXIM volume, as well as gaining market share, and from the new locations that we will have. Beyond this, I cannot predict, you know, what we be the revenues or what will be our throughput.

Moderator: Thank you. The next question is from line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

Abhishek Ghosh: Sir, just couple of questions. In terms of the interest cost for the quarter while you have reduced the overall net debt but the interest cost has marginally inched up. So, is there anything to read by or will it get normalized going forward? How should one look at it?

Sandeep Shaw: There is some utilization of the working capital and we have taken some new CAPEX loan for trailers and warehouse for Gateway Rail business. That is why there is some marginal increase there.

However, absolutely our overall debt has come down from Q1 Rs. 470 crores to Rs. 440 crores net debt as of 30th September. As on date it is approximately Rs. 425 crores.

Ishaan Gupta: I think you are aware that we will be reducing our interest cost in due course, because NCDs which we have which are very high cost. We will have a coupon reset option with the NCD holders which will be coming up in by March.

So, we have been negotiating with them and our interest costs will go down further.

Ishaan Gupta: The next financial year, our interest cost will also go down, our net debt will also go down because next payment is by end of March, first week of April. So, we still have those Rs. 55 crores ready that we have to pay. So, the net NCD will be Rs. 225 crores where I mean the existing NCD holders have shown interest in, resetting the interest rate. So, our interest outgo will also be less - considering both that the Rs. 55 crores repayment will be there, and the interest rate will also be less.

Abhishek Ghosh: Okay. There is a major impact of the lower yields will be in FY23?

Ishaan Gupta: That's right. Yes.

Abhishek Ghosh: The other thing is in terms of now that the DFC has now got commissioned,.Sachin sir did mention about that 33 hours and 27 hours. But from Garhi Harsaru to Mundra or Pipavav Port just as a benchmark what was the earlier transit time to now post the commissioning? What is the change in that if you can just help with respect to Garhi Harsaru to Mundra or Pipavav any of these?

Ishaan Gupta: So Garhi Harsaru to Mundra on average was 72 hours. And the most fastest transit time, which when this scheme was announced was 22.5 hours and now, we are averaging 27 hours.

Abhishek Ghosh: Okay. But beyond Palanpur are there issues to Mundra in terms of doubletrack, is that a hindrance and can it further come down, when that issue gets resolved?

Sachin Bhanushali: So, the way it works is that the existing situation between Palanpur to Mundra Port continues to be what it was before. But because the single line section on which there used to be quite a bit of congestion as well as priority being given to passenger services, the transit time used to be highest up to Palanpur because up to Palanpur all passenger trains, all freight trains to Pipavav all freight trains going to Nhava Sheva, all freight trains going to Mundra Port would compete for path. So there the de-congestion has already taken place.

Obviously, once the doubling between Palanpur to Mundra port also takes place it will help further but it is not a great obstacle. The overall transit times will only improve once the double track on Palanpur to Gandhidham will be available. Gandhidham to Mundra Port in case is double line already.

Prem Kishan Gupta: And the full electrification of the route will also help. Right now, I mean, some portion is on electrical route and then diesel. So, for the change of power the locomotive takes some time.

So, once the lines are doubled between Palanpur and the ports and it is fully electrified then it will be a non-stop journey for a freight train except for the technical stops. So, less than 24 hours is very much achievable in the coming time, say one, one-and-a-half years from now.

Abhishek Ghosh: So, just to call it out major parts of the relief has been done away with in terms of the Palanpur section. Incrementally maybe residual 20%- 25% of the relief will come through whenever the double tracks up to Gandhidham gets done?

Sachin Bhanushali : Yes, that is correct . About 75% relief is already available, we expect another 25% to come through.

Prem Kishan Gupta: And in addition, whenever a new rolling stock comes, the wagons which are still under trials or oscillation trials - 90 tons, 25 tons axle rolling stock when it comes, then the speed of the train will also be 100 kilometers per hour. So, I mean the ports are at 1,200 kilometers, 1,250 kilometers.

So, I mean going forward, say in 12 or 18 months, we should be talking about less than 20 hours of transit time on one way journey from North to to the western ports and Nhava Sheva however will take some time but even then, we have the advantage of Viramgam. And I think we are the only ones which are running services to Nhava Sheva port through Viramgam.

And again, imports from Nhava Sheva to North via Viramgam where we get the containers from Mundra and Pipavav also. So, we are able to do regular service to all the three ports because of hub and spoke that we have between Garhi Harsaru and Viramgam.

Abhishek Ghosh: Sir, the other thing is if you look at your rail volumes for the quarter and we compare it with the tonnage volumes what the Indian Railways kind of gives out, you see there is a marked improvement. So, is there just a market share gain from the other rail operators or it is also the road to rail shift that you have witnessed in the current quarter?

Sachin Bhanushali: Abhishek, the tonnage numbers which are given by Railways are approximated numbers. So, they just follow a principle of multiplying the number of TEU by tonnage, whereas import and export have a varying tonnage as far as our business is concerned.

But to answer your question, yes, we have been able to claw in more market share, particularly in NCR on account of both reliable service that now we are providing as well as our intensification of dedicated services for most of the shipping lines. We are the leaders as far as the number of dedicated services which are being operated by any private operator currently.

Abhishek Ghosh: And sir, is this also taking market share from other ICDs or is it road also that you are seeing now? Or is it still to kind of get demonstrated because the DFC now has got completely commissioned only in 8th October?

Prem Kishan Gupta: Both I would say, from the increased volumes that we have in the EXIM business and at the same time market share.

Abhishek Ghosh: Okay. And sir, just one last question from my side. We have also hearing price hikes being taken by the industry. Is it also something that you all are initiating in terms of the railway part of the business?

Sachin Bhanushali : In answering one of our earlier question, I had mentioned it. So, we have taken a price increase both in our NCR market as well as in Ludhiana market of a similar magnitude.

Abhishek Ghosh: Sorry I joined in late. So sorry for that. But is it more to course correct the Import Export imbalance?

Sachin Bhanushali: It is both on account of marginal increase in our unit cost of -transportation, as well as on account of increase in other cost, particularly the fixed costs due to inflation. So, the idea is basically to take care of additional costs rather than generate additional revenue out of it.

Abhishek Ghosh: So, this will help you maintain the unit EBITDA per TEU, and not really increase it? Is that the way to look at?

Sachin Bhanushali: That is right, Abhishek.

Moderator: Thank you. The next question is from the line of Rohit Ohri from Progressive Shares. Please go ahead.

Rohit Ohri: A couple of questions related to Snowman. You in the remarks in the opening remarks also you said you are setting up some operations in new locations. Can you help us that what are these places? And what kind of pallets additions are you looking at?

Ishaan Gupta: Rohit, it is too early right now for us to say that until you know we make a formal announcement, but I can just share that what we are planning is a twofold thing. One is that in some of our existing locations, the demand is very high. We are already running more than 100% utilization if you include, the minimum guarantees and the excess spaces that we can utilize. So, we want to expand there and in some new locations where our existing customers are driving us because they have demand out there. So, the pharma is also included in that, like we were saying earlier e-commerce, but there are also our regular customers from the food segment. So, we let you know the location shortly but apart from our existing locations, it will be more like tier 2 cities where the demand growth is higher than in the metros right now.

Rohit Ohri: And in terms of Coimbatore how many pallets will you be adding?

Sunil Nair: 4,200 pallets will be added.

Ishaan Gupta: Which will be operational in this current quarter.

Rohit Ohri: Okay, so there were some talks that we were looking for some QIP proceeds of around Rs. 200-300 crores or so and then we intended to invest around Rs. 425 crores in a period of three to four years. So, can you take us through, is that the right time that you should be talking about the QIP process now?

Ishaan Gupta: So that Rs. 425 crores plan which we had still exists where over the next three years or so we want to take us to 200,000 pallets capacity plus whatever additional e-commerce dedicated warehouse which we do - which currently is at 100,000 square feet and we feel that we will be adding maybe two or three locations every year.

Out of that Rs. 425 crores, the QIP was part of it and internal accruals and debt was another part. Now it so happened that in the current year our cash flows improved substantially. And at the same time, like this project at Siliguri where we have started, Coimbatore which is under construction and the next ones we are planning - so those will be doing first from our internet accruals and from some project loans which are available at very attractive rates right now and then at a later phase we will be resuming our QIP.

Rohit Ohri: Okay. In terms of the pallet additions in Haryana, I am not mentioning the name and other two places in Maharashtra, by when do you think that these pallet additions will come?

Ishaan Gupta: You mean our existing projects which we are doing?

Rohit Ohri: No, the ones which will come up in future?

Ishaan Gupta: So, the next ones, which we are planning in our next phase again, we will be making that announcement in some time. But typically, it takes, two to three quarters for construction to take place and currently we are in the phase of shortlisting the land.

Rohit Ohri: Okay, so by when can we expect Palwal to come onstream?

Ishaan Gupta: We already have a facility in Palwal. We have our existing Ballabhgarh facility, which is next to Palwal. And we also have our Gateway ICD out there. But we do not have any plans for a new cold storage out there.

Rohit Ohri: So, currently we are around 120,000 pallets. So, we intend to close this year at what number of pallets?

Prem Kishan Gupta: Say another 20,000 pellets in the next calendar year, which will be expansion of our existing facilities and there will be some new locations.

So, for existing facilities we have some land and we have bought some land. So, those projects will come in the next calendar year and then whenever we are able to close on the land parcels that will also be coming up in 2023, but normally it takes three to six months for any location after construction to get the business done. Like Siliguri, we have already started getting business, you know, we started operations there in end of September. So, in this quarter we expect that the volumes will be filled up quite rapidly and similarly the Coimbatore facility will be ready in November or latest in this quarter. So, in first quarter of calendar year we will capture the revenue of that location. So, we will be expanding our capacity at the existing locations as well as we will be going to new locations. So, if we are going to close this financial year at 120,000 pallets then next year, we will be closing at something around 15% plus which means another 20,000 pallets in the calendar year 2023.

Ishaan Gupta: Plus, we will be targeting at least two more facilities of ecommerce dedicated fulfillment centers in this period.

Rohit Ohri: In terms of Snow Link, our capacity is around three lakh pallets. So, how many are we handling currently, if you can share that?

Management: You are talking about warehousing or transport?

Rohit Ohri: The IT enabled system?

Ishaan Gupta: That is not measured in pallets. So, we aggregate the freight in the market of refrigerated truck owners, and we match it with our customers. But I will let Sunil give you some numbers on what kind of scale it has.

Sunil Nair: See Snow Link is a tech platform where we aggregate the transportation capacities from the market. And then we offer it to our customers as a part of end-to-end offering. And here it is purely calculated on the basis of number of truck equivalent revenue that we generate from this platform. And this platform actually procures trucks on dedicated basis which is on monthly basis and as well as on trip basis.

So as of now, we are procuring trucks equivalent to around 100 trucks a month equivalent revenue through this platform. I hope that that answers your question.

Rohit Ohri: Okay. So, in your commentary you mentioned that the cashflow have started improving. Sir, one very broad-based question. Sir, by when do you think Snowman will be a dividend paying company?

Prem Kishan Gupta: It is a question of, either paying dividend to the shareholders or creating shareholder's value. Whatever the cash accruals are there, we are deploying it in, and investing into new facilities.

So, whenever the board decides that there is a room for paying dividends to the shareholders, we will definitely look at it.

Rohit Ohri: Like a three years or four years or something, if you want to add some number?

Ishaan Gupta: It is very hypothetical to say that because you heard our expansion plans. And there are some more which we will be announcing. So, we would rather put that money towards expanding rather than taking more debt. But at an appropriate time when cash flows are healthy enough to do both things, we would like that also because as you can see, even Gateway we are, 40% shareholders of Snowman and until now even Gateway has yet to recover money from our investment. But we would rather wait and grow value in the company and then take that call.

Rohit Ohri: One final question. Sunil, can you get the revenue breakup of QSR, pharma, bakery, foods, vegetables, sea food, dairy, others and ready to eat if you have at handy?

Ishaan Gupta: Rohit, we do not publicly provide this breakup, but Sunil can give you a general sense of which segments are performing, you know, after COVID a lot has changed. So, Sunil, can you please give that.

Sunil Nair: Yes. So, Rohit, if we take the top categories, it is Pharma, QSR, Agrifood, Seafood. These are the major contributors in the overall segments. All these four will contribute 60% to 65% of the revenue and then rest is contributed by confectionery, butter, and dairy products, meat, poultry, ready to cook, fruits and vegetables. So, this is the contribution.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraints, that will be the last question for today. Participants who have missed out can reach up to the management and the SGA for the pending questions. On behalf of Gateway Distriparks Limited, that concludes this conference. Thank you for joining us.