“Gateway Distriparks Ltd & Snowman Logistics Ltd

Q2 FY27 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '27 Earnings Conference Call of Gateway Distriparks Limited and Snowman Logistics Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call.

These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Please note that this conference is being recorded. Before we proceed, we request everyone to include their firm's name, alongside their name in the Zoom display.

Today, on the call, we have Mr. Prem Kishan Dass Gupta, Chairman and Managing Director; Mr. Ishaan Gupta, Joint Managing Director; Mr. Samvid Gupta, Joint Managing Director. From Gateway Distriparks Limited, Mr. Kartik Sundaram Aiyer, CFO; Mr. Rajguru Behgal, Chief Business Officer. From Snowman Logistics Limited, Mr. Padamdeep Singh Handa, CEO and Director; Mr. Raghav Garg.

We will now directly begin the question and answer session.

Moderator: The first question is from Jainam Shah.

Jainam Shah: Yes. Hi team, this is Jainam Shah from Equirus Securities. This question relates to the Gateway Distriparks mainly. When we see the railway-specific volumes that eventually suggests that there has been a good recovery on a sequential basis by around 11-odd percentage. And wherein I believe overall macroeconomic situation has not been great. So how do we see this going forward for the next half and for the next year, how do we see this momentum going on? Overall rail volume has been, you can say, at a good rate for this particular quarter?

Samvid Gupta: Yes, volume, we expect to continue at a similar trend. There is still uncertainty overall, like 1 month is good, 1 month is bad, it's been going like that. But overall, we've been able to gain some volumes, a little bit domestic also has started. Ankleshwar has got all its EXIM permissions now in place. So Q3, we'll see some volumes of that come in. So rest of the year also, this 100,000 for the rail volumes is the bare minimum that we're targeting for the quarter. And next year should see some additional growth on that because we'll be getting a full year of Ankleshwar EXIM operations as well. So our guidance remains in that double-digit thing for both -- maybe this full year, we have to see again because Q1 took a big hit. But for next year, we maintain a double-digit growth.

Jainam Shah: Got it. On the realization front, overall blended realization has been improved around 5% Y-o-Y, 7% Q-o-Q. So is it on the back of some mix change, mix change in a sense, railway volume higher and CFS volume lower or let's say, something on, you can say domestic higher or, let's say, it would have a negative impact if Ankleshwar has contributed as well. So if you can just throw some light on this. Is it a structural realization change or just a mix change? Or has there been any price action during the quarter?

Samvid Gupta: There was some price increases. This was mainly after fuel hikes came in, so we've passed that on to customers. But our cost also increased accordingly to that. So that was pretty much a pass-through. Ankleshwar mix, yes, that has also made some difference. And with EXIM coming in

at Ankleshwar, you'll see the realization per TEU go down a little bit because of its shorter lead distance. So we'll be focusing on the overall EBITDA numbers going forward as well.

Moderator: We take the next question from Prashant Kale.

Prashant Kale: This is Prashant Kale, an Individual Investor. Congratulations on good set of numbers. Sir, my question is regarding Snowman Logistics. So Snowman Logistics is generating very negligible profit despite of having in operations since a long time. So what is the prospect for Snowman Logistics? And do you see any possibility to generate, let's say, INR10 crores, INR15 crores of profit per quarter in coming years?

Samvid Gupta: We're reinvesting whatever we can. So that's why there's a higher interest and depreciation cost that's coming in. But if you look at the operating cash flow and if you look at the EBITDA also, it's a healthy growth happening in Snowman Logistics. Revenue side has been slightly lower because 5PL, we've not gone as aggressive as we projected earlier because of lower margins in it. We can take some 5PL business if we want, but that's at low margin. So warehousing and transport is seeing improvement. In fact, this year, we're probably on track to cross INR100 crores EBITDA again.

Prashant Kale: Yes. But PAT, significant PAT bottom line. Do you see the possibility in next year? Or when can we expect better profitability?

Samvid Gupta: So PAT, like I said, because we're reinvesting, the interest and depreciation will continue to be there. There might be some growth in PAT, but we're more focused on the operational cash flow coming through all our investments. And these are long-term generating assets. So these are made with a horizon of 30, 40 years. Our initial cold storages made in the 1990s are still running to date. So we have to look at from a long-term point of view. It's not just an accounting figure that we want popping out.

Prashant Kale: All right. Sir, my next question is regarding this Jaipur ICD, which has been still stuck for almost 2 years now, and we see very little progress. Is there any new update or any progress in that court case?

Samvid Gupta: Yes. So we reported in our notes to accounts. If you see at the bottom, every quarter, we give an update. So all the final arguments have happened now and the order is reserved. So we should be hearing about the order soon. And we're hopeful that it comes in our favor that we can start construction and then plan for operations accordingly.

Prashant Kale: Okay. And if the order comes in our favor, how much time it will need for us to get the ICD up and running fully?

Samvid Gupta: Up to 18 months.

Moderator: We'll take the next question from Aditya Mongia.

Aditya Mongia: This is Aditya Mongia from Kotak Securities. A couple of questions from my side. The first one being in the press release, there's a mention of fairly decent revenue, EBITDA and PAT growth

on the container business side. I couldn't fully fathom what is defined as a sub-segment over there because the overall numbers are not as good. So could you give us a sense of what business have been talked about in the press release?

Samvid Gupta: So this is Q2 versus Q1 that we are showing these growth numbers. Container business numbers basically means the standalone GDL plus 100% numbers of Gateway Distriparks Kerala and Kashipur entity. So together, all the CFS, ICD and rail transportation, road transportation business, basically, everything, except for Snowman in our consolidated counts as the container business.

Aditya Mongia: Okay. So just a clarification isn't there a meaningfully strong seasonality between 1Q and 2Q as is visible in previous quarter's numbers or previous year's numbers? And if you could give us a sense whether there's meaningful improvement beyond seasonality when you're talking these numbers?

Samvid Gupta: Yes, there is a seasonality impact. So Q2 is normally a stronger one. That's why our main reporting on top the table we've given is year-on-year, but we just wanted to highlight that Q1 was extra on the lower side, and we've bounced back and come back to normalized levels.

Before the war, what we were looking at the 100,000 TEUs per quarter, INR100 crores EBITDA from the container business, that is what we were trying to highlight that it's come back to that situation, even though there's still so many macro issues going on. The war is still on. The tariff situation is not clear. So it was just to kind of say our performance has been quite decent compared to the global scenario going on.

Aditya Mongia: Understood. That clarifies. The second question that I had was more the preparedness of the company with the Western DFC opening up. I think in today's press release, Adani Ports has talked about the partial connection happening on Western DFC. Could you give us a sense of where the Gateway Distriparks is on that journey?

Rajguru Behgal: Yes. In fact, when the DFC got completed, Gateway Distriparks was the first one who started their first double stack train on 20th of June. So we are very positive on this development. And in fact, we are anticipating that once the road to rail shift is going to happen, so we want to participate in that business plus -- we have now Ankleshwar coming in. So, we will be using our EXIM volumes and mixing it with the domestic volumes and moving up to north. And so there is a good strategy. So we definitely would like to take advantage out of the situation about this double stack.

Again, the trade is also looking at other options because whenever there is a congestion at other ports like Mundra and Pipavav, so they always like to look for a third option. And Indian Railways is also looking at that how they can increase the traffic on this JNPT leg. And in addition to that, the JNPT ports are also working on a strategy that how to increase the rail coefficient, which is very down there. It is only 14% to 15%. So once the rail coefficient increases, so we are very hopeful that we will also try and get some benefit out of it.

Aditya Mongia: Thanks for that. Just a basic question on this one. As in we do understand that with increasing speed, the capacity also goes up. So part A of the question, what kind of EBITDA growth and

not volume growth can happen because of the DFC boost? And part B, in which quarter of this fiscal should we then be testing this thesis?

Samvid Gupta: It's very hard to predict because other operators will also be there in JNPT. It's not just us. So it depends how much we pass on to the customer, how much we retain and part of it is also additional cost that we've received that we've not been able to pass on. So somewhere we have to see what the overall EBITDA comes like. It is definitely better because it's a direct connection right to the port. So, turnaround time and asset utilization will improve. But how much volume then goes to JNPT depends on what the shipping lines do. And there's no clarity on when they'll start calling more on JNPT. We keep meeting the lines regularly, and they've not given any indication yet. So until they take action, we can't really comment on this.

Aditya Mongia: Yeah. But does it assume that one needs to grow JNPT otherwise, road to rail shift may be just a feeble effect over here?

Samvid Gupta: Yes. So definitely, overall volume at the port has to also grow. But even within that, I mean, like there's a road to rail shift that can happen. So that is a smaller component right now. The main chunk depends on how much the lines again will call. Right now, we've estimated maybe 10,000, 15,000 TEUs moving to North by road can be shifted by the DFC, but it takes time.

Moderator: The next question is from Kunal Tokas.

Kunal Tokas: My questions are on Snowman. The first question is if you can let us know what the volume growth was Y-o-Y for this quarter in terms of pallets handled?

Padamdeep Singh Handa: So if we talk Y-o-Y, it is close to around 10% increase in terms of number of pallets stored, not handled. Handling is separate.

Kunal Tokas: 10%? So the increase in warehousing revenue was less than that, right? Was that a function of the product mix or reduction in pricing?

Padamdeep Singh Handa: See, it is a mix of the frozen chilled, dry what we keep. So at times, the overall revenues look different if there is a more of dry depending upon seasonality.

Kunal Tokas: Okay. And the pallet capacity also reduced from last quarter, why was that?

Padamdeep Singh Handa: So some of the park-and-pay warehouses, the lease and tenure has ended. So that has been removed from the overall capacity.

Kunal Tokas: Are we still on track for this year's addition?

Padamdeep Singh Handa: Yes, we are -- I mean, see, our own capacity additions, we are still on track. We are bringing up close to 23,000 pallets in the next few months, which is the expansion strategy. These are short-term arrangements which we do specifically for certain customers wherein an arrangement is for a year, at times 14 months, 10 months. So those all warehouses we keep adding and reducing, which are on park-and-pay mode, we go to the market and hire certain pallets on asset-light model, you can say.

Kunal Tokas: And the last question is on 5PL, if you can give some update in terms of increase or decrease in scope of work, number of customers, prospects for this segment.

Padamdeep Singh Handa: So so far, we have not added any new customer in this financial year in 5PL. A few of the discussions are on the verge of closure, yet not concluded. In terms of growth within the partners who are already there, one of the customer has shown a negative growth, but rest have shown a positive growth. And overall segment grew by 1% or 2% to be precise. So overall growth was a little sluggish, but we expect it to catch back in Q3 and Q4 and meet our targets.

Kunal Tokas: Was there any increase or decrease in the scope of work that you handle for your customers in terms of more geographies?

Padamdeep Singh Handa: So there is an increase in scope with one of our major customers wherein we were earlier doing 2 geographies, 3 geographies. Now we will be doing pan-India for them. So there is a definite increase in that.

Kunal Tokas: Just to confirm, your pricing is linked to the volumes that flow through your business, right?

Padamdeep Singh Handa: Sorry, come again? Your voice was not clear.

Kunal Tokas: Your pricing, how is it determined? Is it a share of the amount of inventory handled or is it fixed?

Padamdeep Singh Handa: See, it depends from customer to customer, but mostly it is linked to the overall sales the customer do.

Kunal Tokas: Okay. Does it decrease as the customer sales, the volume it gives?

Padamdeep Singh Handa: There are certain guardrails in the contract. If there is a decrease in customer sale, yes, to a certain extent, we also slow our procurement, but then there are certain guardrails, which covers our overall exposure.

Kunal Tokas: Do you mean floors and caps?

Padamdeep Singh Handa: In terms of stocks, in case if there's an over-procurement - that gets covered.

Kunal Tokas: Okay. But otherwise it's really linked to the volumes handled.

Padamdeep Singh Handa: Yes. I mean if you can repeat the last one again, I couldn't get.

Kunal Tokas: If it's really variable in terms of the volumes handled?

Padamdeep Singh Handa: Yes.

Moderator: The next question is from Jojo Shaju.

Jojo Shaju: This is Jojo Shaju from Tirthan Capital. So, my first question is, how is the EXIM trade imbalance currently trending in terms of import versus export ratio? And are we planning to monetize on the recent Indian railway reforms such as the containerized fly ash or fertilized earth, to generate revenue from return trips that previously ran on empty containers?

Rajguru Behgal: Yes. So EXIM imbalance has been like -- it is 56% import and 44% exports. So it is in the same range. Regarding this fly ash circular, so that is one business we are not participating as of now. That is under domestic segment. And as of now, we are not into that business.

Jojo Shaju: Okay. And sir, we have seen another reform, wagon design liberalization from Indian Railways. So now that private operators are permitted to induct customized wagon designs, so are we evaluating specialized refrigerated container rakes with the collaboration of Snowman Logistics to run on scheduled cold chain rail corridors?

Samvid Gupta: We're exploring common opportunities, but there are some movements that we started in reefer exports. A little bit we've done in domestic also, but it's very minimal right now. But long term, we might look at some more opportunities as our network expands.

Jojo Shaju: Okay. And sir, what is the current monthly volume run rate in the Ankleshwar MMLP? I think we have given a target of 5,000 TEU per month target. So how is the volumes currently going on?

Samvid Gupta: So EXIM is just starting out now. We've got all the permissions in place. It's the final. We are getting the B/L points opened. And so right now, it's minimal. But anyway, we don't share location-wise throughput.

Jojo Shaju: Okay. And sir, lastly, on the Indore ICD, what is the status of the current construction? And when can we expect the facility to be fully commissioned, start contributing to our overall revenue?

Samvid Gupta: Yes, it's in full swing. So civil and rail works have started. We're targeting by within December 2027, if we can be operational. And following, say, 6 months after that, it can start contributing some good volumes. It takes 2 years to ramp it up after operations, but we should start seeing something within the first year itself.

Moderator: The next question is from Harsh Patel.

Harsh Patel: This is Harsh Patel from Alpha Alternatives. Just to confirm, you said 10,000 to 15,000 TEU shift from road to rail per month, right?

Samvid Gupta: That's on JNPT, which could happen, yes.

Harsh Patel: So on an overall basis, because of the DFC, what kind of volume shift do you expect?

Samvid Gupta: So, one is the road to rail angle that we said. So 10,000 to 15,000 is what's moving by road today that can be targeted. Not all of it might get shifted and not all of it is going to come to us. It will be split amongst other operators, too. And then there's the other angle of how much will move from other ports to JNPT, which we cannot predict. It depends on what the shipping lines do.

Harsh Patel: Understood. So the second question is on market share. Now some of your peers like Adani offers end-to-end bundle offerings. So how do you defend your market share against them and CONCOR?

Rajguru Behgal: In fact, the bundled offerings, in fact, we were the ones who started way back in 2008. So we have already offered railroad services along with the terminal services to the customers. So we are able to protect our market share like NCR, Punjab and Uttarakhand. And so we are able to protect our market share. In fact, in some of the areas, we are able to increase our market share as well.

Harsh Patel: Okay. But this is largely because you are also doing the same offering as them or you were the first one to start this?

Rajguru Behgal: No, no. So this is -- we have a good network of terminals. So we have a good stickiness with the customers. And we have also done some IT advancement in terms of AP integration and latest technology like tracking and tracing the container cargo like OCR. So we have been constantly doing the improvement in terms of the latest tech so that we are able to have a long-term association with customers.

Harsh Patel: Got it. And lastly, the capex that you have done and you have planned, what kind of asset turnovers do you typically think will come in the next, let's say, 3 to 5 years?

Samvid Gupta: In terms of -- I didn't understand -- what kind of capex we want to do?

Harsh Patel: The capex that you are planning. What kind of typical turnover ratio do you foresee in the coming future, when I say future, let's say, 3 to 5 years on a long-term basis?

Samvid Gupta: See, it depends. A lot of it is replacement capex also. A lot of it is shifting from leased trains to own trains, but also electrifying our fleet. So hard to give an asset turnover like this, but any new project that we're doing, we're targeting like it's at least a 15% IRR and a 7-year payback, if that kind of helps the guidance a little bit.

Moderator: The next question is from Prateek Giri.

Prateek Giri: Hi. Thank you for the opportunity. This is Prateek Giri from Shubh Labh Research. Sir, my first question is post the DFC linkage with JNPT. Initially, the data which we track from JNPT about evacuation of the containers via train, probably the numbers are not very encouraging.

The number of trains which are reaching there or rather the number of containers that are getting evacuated via trains is probably the same on an average if we take pre-DFC, post-DFC. I just wanted to understand if you are seeing any pricing intervention from Indian railways, where they are intending to probably lower the price to gain more market share from road. Are we seeing something like that from Indian Railways, Sir?

Rajguru Behgal: Yes. I'll start with your first question. So you were saying that this JNPT after DFC, because it has started very recently June. So it will take time, some time for some traffic to shift because that last stretch, which was not completed, so it happened recently. Number two, there are various factors for the shift that is going to happen because one is that extra distance of 350 kilometers over Mundra and Pipavav, that comes into play. Then the shipping lines, they need to decide how they are going to route their vessels and what are the offerings which will be given by the port. I'm talking about the port terminals at JNPT.

And yes, you are right, there has been representation to the Indian Railways, how to rationalize the tariff post JNPT, so that they will be able to compete with the Mundra and Pipavav. But it is too early to comment on this, that how much ultimate benefit will be passed on. And maybe we will have to wait for another couple of months to see some incremental volume happening on the rail side at JNPT.

Prateek Giri: Understood, sir. Helpful. Sir, my second question is on probably earlier there was some understanding between container train operators and Indian railways that the second stack container will be at a discounted rate. So first, does that still continue?

And just a follow-up on this is - does that discount is being retained by the CTOs to boost their margins or in the competitive forces working in the industry, they are being passed on to the end user to gain market share? If some initial sense you can help us with.

Rajguru Behgal: In fact, once you're saying that there's a discount on the upper stack. So that is given by Indian Railways to the CTO. But again, it depends that how much double stack you are able to do that. So if we look at -- so the CTOs are not able to optimally utilize that train. So once you have the entire double stack, those volumes are not sufficient enough. So that kind of discount can be passed on. But as of now, what I can comment is that what we deal with the customer is based on their overall volumes. So we don't give double stack discount separately.

Prateek Giri: Okay. Got it. So as of now, there's no competitive forces working to probably offset that discount, which is offered by Indian Railway to us. The discount is there, but that is on the basis of some other business agreements.

Rajguru Behgal: Yes, -- it is a function of the volumes.

Prateek Giri: Got it. My third and last question before I join the queue back is -- so there's -- one of our major competitors has been continuously talking about assured time trains on fixed routes, probably the longer routes. So I just wanted to get your opinion on this. Is it something really value additive to the customers because Indian Railways to an extent, have some scheduling and timing. Are we also doing it -- will it add real value to the customer? Does this give very clear visibility for the freight? If you can throw some light there.

Rajguru Behgal: Yes. In fact, I would also like to tell you that like I said that we were the first one who started the double stack train from JNPT. And this timetable train also started from our terminal in Gurgaon. So yes, it gives a definite benefit because especially on the export side, the customer is looking at the reliability of the service.

So earlier, what used to happen, one train used to take, say, 40 hours, other train used to take 80 to 100 hours. But now this timetable train ensures that it is between a reasonable range. So if a normal train takes 40 hours, so the timetable trains, they are taking much lesser between 30 to 35 hours. I'm giving you example from Gurgaon, say, Mundra.

In fact, after the trials, now they have started these timetable trains for other ports also like Pipavav, it has started. And we have also done trials for JNPT. Yes, it has given a lot of confidence for the exporter. And some of the shipping lines, they have also started block trains,

export block trains. So that has also given them the confidence so that they are able to catch the vessels.

Prateek Giri: Got it. This is again helpful. Just one small follow-up on this. Does this give railways, I mean, our ecosystem, our CTO ecosystem, any edge over the roadways, the trucking ecosystem, sir?

Rajguru Behgal: Yes, definitely, it is now railways is easily able to compete with the road in terms of transit. Because if you look at, the train is also taking almost the same time which a truck takes from North to Gujarat ports.

Moderator: The next question is from Jai Unadkat.

Jai Unadkat: These questions are related to Snowman's updates. I am Jai from Noni Investment Trust. There was this indication that we will have INR100 crores plus kind of potential EBITDA this year, which is good to know. I wanted to understand what kind of deployment or capex are we looking at for this year as well as a couple of years forward?

Given our utilization at 85% odd, I'm assuming that we would get into expansion. So I wanted to understand whether we are focused on being asset-light or do we intend to own assets, how this expansion will work.

Also, the reduced cyclicality or seasonality of the business with extended summers as well as expanding use of a cold storage requirement for categories like ice creams or pharma, which are actually doing well, need to know if there is any realignment that the business is looking to do whereby the profitability and the mix can improve?

And the last one being that there was this, again, guidance on the call earlier that the 5PL growth is not on anticipated lines or we are not being as aggressive because of the lower margin potential there. Looking to understand what has really changed there in the last 3 years such that the focus or the fact that our opinion of having that grow as a profitable separate vertical is now turning to say that there is growing risk and lower margin?

Padamdeep Singh Handa: So in terms of expansions and investments, we are continuously looking at both BTS and own capacities. So we do have a plan wherein currently, we are constructing around 23,000 pallets odd pallets, which are under construction and another 20-odd thousand pallets are under discussion. So this will continue to -- I mean, we will continue to grow as per our P&L -- I mean, as per our P&L thing. So, the expansion is on radar.

When it comes to your 5PL question, I would want to clarify that one of the customers has not done in line with the projected volumes. That was the reason why we have had lesser top line in that, but the other customer has filled in the shoes and has done much better. So that is the reason why we grew and we're still able to maintain or match our target numbers in terms of EBITDA.

Other than that, we are very bullish on adding more customers. But as mentioned earlier, we are not looking for customers wherein the margins are negative or almost nil. So we would want to work in that domain and expand. As I said earlier also that we are on a verge of closing a couple

of accounts. A few other accounts which were supposed to be closed due to commercial inabilities, we could not close those.

Jai Unadkat: If I may I have a follow-up, if that's okay to ask or would you like me to join the queue, whichever is there?

Padamdeep Singh Handa: Sure, you can ask quickly.

Jai Unadkat: So on this part that went unexplained is the mix improvement, which I indicated earlier as well, if I could know because I think it's also the mix which makes the difference to our margin and profitability. So at this point in time, on a year-on-year basis or I don't know how you internally look at it, but how is the mix changing?

And how is the mix of that profitability coming from better segment like pharma, ice creams, if my understanding is correct of that segment being a little more profitable than the average business. So that is one. And the power cost because for us, the largest cost would be stemming out of there. How are we managing that or balancing that, if there's a sense that you can share, please?

Padamdeep Singh Handa: Sure. I mean mix is a constant thing. From location to location, we keep on replacing lowest paying customers with the top paying customers available in that location. So that helps us to grow margins, and that is a constant thing which we keep doing. It doesn't -- I mean, pharma, ice cream, they have their own cycles as well.

So we'll be very cognizant on the fact that we need to ensure that the mix gives me a constant utilization as well. Considering all those parameters, we get into a mix for each location of our warehouse, and that has helped us remain around 85%, 86% utilized throughout the year. There was one more question you wanted?

Jai Unadkat: Yes. If the power cost and how we're managing that, is that absolutely a pass-through for us? Or would that be impacting profitability in the last 6 months to say?

Padamdeep Singh Handa: Some of the contracts -- I mean, during renewals, we pass it through. That is how it is because the contracts are done considering certain power increases in the year -- I mean, coming year. That's how we typically do our math. So at the time of renewal of contract, it is, I mean, further negotiated with the customers.

Jai Unadkat: So fair to assume that we are absorbing some burden at this point in time in the last 6 months or not sure if...

Padamdeep Singh Handa: No, we typically take like 6% to 8% increase, which is expected in the coming year. When we do a contract, we take that -- we consider that sort of an increase already in the pricing.

Moderator: The next question is from Kunal Tokas.

Kunal Tokas: The first question is what will the share of dry versus cold be in the new capacity that you're planning for this year and future years?

Padamdeep Singh Handa: So, the new facilities are all cold temperature controlled. We have a very minimal share of dry there. Typically, we're planning to shut a chamber and do it in initial time and then convert everything into frozen.

Kunal Tokas: And this share for your existing capacity would be what?

Padamdeep Singh Handa: Around 10%, 12% of the total capacity right now. Other than few dedicated warehouses, which are purely dry, like they are not part of our cold facility, they are adjoining to cold facility. We have three such warehouses.

Kunal Tokas: Okay. The reason I ask these two questions is, that if you look at the very long-term trend, 7, 8 years, margins have been structurally going down and this quarter was no better, even if it was better than last year. And I think if I remember correctly from past concalls, you had indicated that the major reason was a shift in dry versus cold and the shift in product mix. And my question was what can we do to improve this metric?

Padamdeep Singh Handa: See, if we -- overall warehousing revenue has grown close to 10%, 11% this time as well, whereas my mix of revenue has not grown, as I said, in 5PL business, we saw a flattish quarter. Otherwise, the warehousing revenues are well in line with our targets. Yes, we are -- we could have been 88%, 89%. That's what was the targeted utilization, and we were at 85%. So that has impacted the overall 2%, 3% margins there. So otherwise, as we have been constantly moving from converting certain dry spaces into chilled and moving from dry to cold part, it is helping us out.

Kunal Tokas: Okay. But if we see the average margins pre-COVID and for some years after and during COVID, they were close to 18% versus the 10%, 11% that we are looking now. That can't be all attributable to having more dry capacity, right, because you said it's only 10% to 12%.

Padamdeep Singh Handa: See, 10%-12% is in terms of capacity, not the margin percentage.

Kunal Tokas: And my question is on margins. Why are the margins for warehousing going down and not increasing?

Padamdeep Singh Handa: That is because of increase in 5PL business. That is what is contributing to overall reduction in number, but absolute number is increasing. Percentage is decreasing, but absolute number is increasing.

Kunal Tokas: Why 5PL affect the segment level margins of warehousing?

Samvid Gupta: So that's also because of minimum wage hikes, power hikes, everything. So that's an annual thing. But this year, out of turn with the wage code coming in gratuity numbers got affected, PF ceiling limit got changed. So all these factors haven't been passed on yet because we have annual contracts. Karnataka, for example, they raised minimum wages by close to 70%. Haryana was 35% Punjab was about...

Kunal Tokas: Not just this year. From FY '22, it has gone from 18% to 16%...

Samvid Gupta: Right. No. So then what you're referring to is basically because we started adding park-and-pay in that time and started some dry warehousing too, like in Shoolagiri and we had Tauru earlier. So, it all comes under the warehousing division.

But if you look at the overall EBITDA, that's what we're focused on. There was also a reclassification of costs, which if you look at our transcript of Q1, you'll get some further details of how we've allocated our fixed costs between the verticals.

But broadly, if I tell you that the core warehousing of cold storage, owned and long-term lease cold storages, those margins are intact. Build-to-suit will have lower margins. But since there's no capex from our side at a PAT level, it is better.

And then park-and-pay is obviously a spot basis where the margin is very, very thin, under 10%, but that's pure -- you take it from someone and you give it to someone for a few months here or there. So, park-and-pay capacity has gone up - before FY '22 didn't have that. So all these factors have contributed to the overall percentage appearing lower than it actually is.

Moderator: The next question is from Prateek Giri.

Prateek Giri: I just wanted to understand a bit more about capacity expansion that has happened because of DFC on JNPT. Probably there were some numbers on probably number of trains that can reach JNPT on a day. How much has that gone up if you have that number? Secondly, there were some teething issues which were discussed initially related to co-pilot rather railway pilot, loco pilot shortage. So two things if you can share your opinion.

Samvid Gupta: So on the JNPT figures, we wouldn't have access to that, but they have approximately, I think, 15 rail lines there. And now most of them, barring maybe 1 or 2 can handle double stack trains. So theoretically, the TEU capacity goes up by that much. But it's obviously not practical to assume that all of it will be utilized right now. So we're not seeing any capacity constraints at JNPT in terms of container handling by trains. It needs to increase, the volume needs to increase for them, and then you will see an increase in throughput.

Rajguru Behgal: Regarding loco and crew shortage, that is a seasonal problem. And it happens during some peak seasons wherein there's a shortage of drivers in the crew and other railway staff. So that is not something a new problem. It happens on different divisions across India.

Prateek Giri: Got it. Got it. And all the terminals at JNPT are now DFC linked? Probably there are 4 container terminals there and all are linked with JNPT -- sorry, DFC now.

Rajguru Behgal: Yes.

Moderator: Thank you very much ladies and gentlemen that was the last question for today. Participants that have missed out due to time constraint can reach out to the management and SGA for Gateway Distriparks and Snowman Logistics for any further information. With that, we conclude the conference. Thank you for joining us, and you may exit the meeting now. Thank you.