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Dear Sir/Madam,

Sub: Transcript of Conference call

Please find attached the transcript of Q3FY23 post results conference call held on 24th January 2023.

Kindly treat this as compliance under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

For Snowman Logistics Limited

KIRAN
PANACHIK
KAL
GEORGE

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“Gateway Distriparks Limited
&
Snowman Logistics Limited
Q3 FY '23 Earnings Conference Call”
January 24, 2023

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MANAGEMENT: **MR. PREM KISHAN DASS GUPTA – CHAIRMAN AND MANAGING DIRECTOR – GATEWAY DISTRI PARKS LIMITED; CHAIRMAN – SNOWMAN LOGISTICS LIMITED**
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MR. SAMVID GUPTA – JOINT MANAGING DIRECTOR – GATEWAY DISTRI PARKS LIMITED; DIRECTOR – SNOWMAN LOGISTICS LIMITED
MR. SANDEEP SHAW – CHIEF FINANCIAL OFFICER – GATEWAY DISTRI PARKS LIMITED
MR. RAJGURU BEHGAL – PRESIDENT, RAIL, GATEWAY DISTRI PARKS LIMITED
MR. MANOJ SINGH – PRESIDENT – CFS – GATEWAY DISTRI PARKS LIMITED
MR. SUNIL NAIR – CHIEF EXECUTIVE OFFICER AND DIRECTOR – SNOWMAN LOGISTICS LIMITED
MR. N. BALAKRISHNA – FINANCE CONTROLLER – SNOWMAN LOGISTICS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Gateway Distriparks Limited and Snowman Logistics Limited Q3 FY '23 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 the 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

Today on the call, we have Mr. Prem Kishan Dass Gupta, Chairman and Managing Director, Gateway Distriparks Limited, Chairman, Snowman Logistics Limited; Mr. Ishaan Gupta, Joint Managing Director, Gateway Distriparks Limited, Director Snowman Logistics Limited; Mr. Samvid Gupta, Joint Managing Director, Gateway Distriparks Limited, Director Snowman Logistics Limited; Mr. Sandeep Shaw, CFO, Gateway Distriparks Limited; Mr. Rajguru Behgal, President - Rail, Gateway Distriparks Limited; Mr. Manoj Singh, President - CFS, Gateway Distriparks Limited; Mr. Sunil Nair, CEO and Director; Snowman Logistics Limited; and Mr. N. Balakrishna, Finance Controller, Snowman Logistics Limited.



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

Prem Kishan Dass Gupta: Thank you. Good evening, and a warm welcome to all the participants to the post-results earnings call of Gateway Distriparks Limited and Snowman Logistics Limited. We have uploaded our results, press release and presentation on stock exchanges as well as company website. I hope you all had an opportunity to go through the same.

Due to global macroeconomic situation, there is a dip in the throughput in Q3, particularly in the export direction. For various reasons, running of the trains to the ICD because of the track work and fog got delayed. But the company still continues to show a healthy growth of over 15% profit after tax as the company continues to reduce its debt.

In Snowman, we are pleased to report that Q3 FY '23 has been a quarter of outstanding financial performance for our company. Moving forward, we'll be focusing on expanding our capacity and identifying new market opportunities to drive growth. Snowman will be establishing custom-built facilities for multinationals, and we have already started with one in Shoolagiri, Tamil Nadu and other locations where the work in progress is there, which will offer a comprehensive range of services, including storage, handling, order processing, warehouse management and secondary transportation.

Our strategy at both Gateway and Snowman includes expanding into new industry segments and geographical regions to increase our market share and reach. By executing these efforts effectively, we aim to consistently meet the expectations of our stakeholders and drive long-term value for our shareholders. With that, we would like to open the floor for an interactive question-and-answer session. We welcome any questions or comments you may have at this time. Thank you, and over to the moderator.

Moderator: First question is from the line of Amit Dixit from ICICI Securities.

Amit Dixit: I have a couple of questions. The first one is essentially on the drop in throughput volume, both at CFS and ICD. If it is possible to explain the reason for that, typically, what all centers did contribute to this drop and the outlook going ahead, that would be very helpful.

Prem Kishan Dass Gupta: Yes. Amit, as I mentioned, the exports have dropped considerably. If you look on a quarter-to-quarter basis, it is over 15% drop in the volumes of export. Imports have increased a little bit, but what happens is that because of this our double-stack ability comes down and because of that EBITDA per TEU also drops. So the volumes are mainly down due to the exports, which we have seen going down in the last quarter. We have seen some improvement in the current month, but this trend is to be seen how it turns out over the period of next two months. But we are hopeful and with the addition of Kashipur, as you know, we have to maintain the service level and we have to maintain the imbalance because of export and import. Our cost per unit has gone up, and that is because of that you can see the drop in the EBITDA.



On the CFS side, if you see, I mean, we are maintaining the same EBITDA. If you exclude Punjab Conware, which was there for the full Q3 in 2021. I hope that answers your question.

Amit Dixit: Yeah, but EBITDA per ton, if I look at, on overall throughput it has gone up slightly compared to last quarter. While yes, your volumes have gone down, but EBITDA per TEU has gone up actually. So double stacking certainly doesn't explain the whole story.

Samvid Gupta: EBITDA per TEU is roughly the same only, if you look at it. I mean a little bit here and there, changes depending on the volume mix. So it's not a significant growth as such. So, yes.

Amit Dixit: On net debt-to-EBITDA, if I look at it, after going down for many successive quarters, we have seen that this quarter has seen a little bit of an inch up. Is it a temporary thing or there is some working capital buildup or whatever or is it that it will I mean come down again going ahead?

Samvid Gupta: Sorry. I didn't understand the question. Which figure are you referring to?

Amit Dixit: Net debt to EBITDA?

Samvid Gupta: Net debt to EBITDA. Yes. So we're not using any CC levels right now. Net debt to EBITDA, we laid out the plans at Kashipur, we only took INR 60 crores debt to finance the transaction that was done through internal accruals. So that's the main change that you would have seen in the books on both cash in hand as well as the gross debt that we have. But if we look at our net debt, net debt is about INR 349 crores as on date. So if you look at net debt to EBITDA, if we take the annual thing, we'll be below 1.

Amit Dixit: No, the question was that if I look at quarter-on-quarter, it has after dropping for several quarters, it has gone up 2.88 from 0.67. So while I understood that the target is to maintain at 0.65. So the question was whether it's a temporary phenomenon, we expect it to normalize? Or is it the level that we are going to see below 1 but at around 0.9 or something?

Samvid Gupta: Yes, yes. So it will stay below, on an annual basis, net debt to EBITDA will be around 1 only. Like I explained, this is because we used internal accruals, so that would decrease our cash, and we increased our debt to fund the Kashipur transaction. So that's the main change. But it is normalized. There's nothing, outlook on net debt to EBITDA hasn't changed.

Moderator: The next question is from the line of Lavina Quadros from Jefferies.

Lavina Quadros: Sir just wanted to understand, in the industry, are you seeing competitive intensity increasing like we've been reading that -- I mean you don't need to mention any specific name on the competition side. But for example, we've been reading that Adani has just bought some containers looking to enter into logistics in a bigger way and a couple of other unlisted players are also entering in. Are you seeing this in competitive intensity or not really?

Samvid Gupta: No, it's the same as earlier. So no change on that side.



Prem Kishan Dass Gupta: There have been no new entrants. And basically, the drop in our volume is, as I explained, the drop in exports, which we hope that it will pick-up. And Kashipur, this will be the first full month of operation. So this quarter, we will have volumes added to our total throughput on the ICD side. So I don't think that there's an intensity in the competition. And this competition was always there. And we haven't seen anyone. I mean, to the best of our knowledge, we don't see any intensity in the competition that any new further locations or any further products coming up online.

Lavina Quadros: And sir, lastly, I know the DFC, I mean the railway ministry is best placed to answer this. But just in general, are you hearing any dates on the commissioning of Dadri Rewari stretch at all of the DFC?

Prem Kishan Dass Gupta: See, Dadri Rewari, there was a trial that they said, but the full construction is yet to be done. And it is a matter of -- we don't have a timeline yet when this Dadri Rewari, but the DFC from Rewari to...

Samvid Gupta: So Rewari to Dadri 2023 end is what we're looking at. That's the rough timeline. For the rest of this section will take longer all the way to JNPT. That will take a couple of years probably.

Lavina Quadros: JNPT like will take time. At least Mundra to Rewari for that. So Rewari to Mundra is done? Basically, it's a Dadri Rewari, that's left. I mean, Mundra to Pipavav?

Samvid Gupta: It's done till Sanand. So beyond that, it connects to the port via non-DFC right now. But essentially, Dadri to Mundra will then be connected by end of the year.

Rajguru Behgal: There is a new development earlier, the trains which we used to send on the DFC, it used to connect from New Delhi. But now they have developed a stretcher from 40 kilometers. So that is a shorter distance to our terminal. So now the DFC starts from a New Rewari section. So that is one development.

And second is that earlier when we used to send the trains double stacking via Viramgam which we used to double stack till 800 kilometers. So we were doing only after that to Pipavav. But now there were two over bridges. So they are like increasing the height of those over bridges. So by May, Viramgam to Mundra will also be double stacked. So that will help in improving our double stack performance also.

Moderator: The next question is from the line of Deepak Krishnan from Macquarie.

Deepak Krishnan: Maybe just a follow-up from the previous question as well. As you said, the competitive intensity is not increased in the market. If you look at rail tonnage volume on a Y-o-Y basis is up 5%. But we see that both you and Concor has seen like a close to about 10% decline on a Y-o-Y basis in terms of TEU. So anything specific that is happening like is one player disproportionately gaining share or any competitive change that has taken place in the industry specifically?

Samvid Gupta: Yes, Deepak, so the tonnage which you are referring to, that is bulk commodities.



- Deepak Krishnan:** No, I'm just talking about EXIM container tonnage?
- Prem Kishan Dass Gupta:** See, EXIM container tonnage has no meaning because there's no set formula to convert 20 feet or 40 feet container into tonnage. So we have been saying that for long. But somehow, some agencies convert that into tonnage, and that does not reflect the true picture because the container can be 10 tons, 12 tons or it can be 30 tons. So I mean, how do we take the average, even we don't have that calculation. So we always talk in terms of 20 feet and 40 feet container. So that is what we report also, and that is what we talk about also, that number of TEUs handled by us in the ICD business or the CFS business.
- Deepak Krishnan:** And maybe just in terms of like atleast six months now, we have the Rewari to Sanand or Palanpur equivalent working. But we've really not seen any modal share gain towards rail in a big way. So how do you kind of look at it maybe from a shorter-term perspective as well as a longer-term perspective? When do you really see modal share shift towards rail really picking up?
- Samvid Gupta:** So, there has been a shift like in the last two years. So in the last three, six months, nothing major like that, and it's not measured that frequently also. But overall, if you see since the start of COVID, there has been a significant shift. The the next level will come when it's connected all the way to JNPT, when the full DFC is operational, basically, then that's when the next level of growth will come from -- shift from road to rail will happen.
- Deepak Krishnan:** And maybe any outlook that you would want to share, for like FY '23 or FY '24 in terms of the just rail volumes?
- Samvid Gupta:** So for the current year, we're looking at, like at least matching last year with a slight growth because of Kashipur. And then going forward earlier, we had given a guidance of about high like around 18%. We'll revise that to slightly lower. We'll wait another quarter before giving a full proper guidance for next year.
- Moderator:** The next question is from the line of Achal Lohade from JM Financial.
- Achal Lohade:** So my question was with respect to rail volumes. Now unlike in the past, this is the first time we have seen a drop in the rail volumes for us. And as you said, the tonnage Indian railway EXIM tonnage, it doesn't really matter. But if you -- is it possible to know how the railways container volume have been in terms of TEUs? How that growth or a decline could be? What I'm trying to assess is that have we gained, maintained or lost market shift on a Y-o-Y basis for 3Q?
- Samvid Gupta:** So our market share is not lost. Overall, rail volumes have been flat. So overall, also, if you look at our market share, it's grown on a 9-months compared to 9-month basis. NCR were at about 16%. And I think we used to be at 12% about a year, 1.5 years ago. And then Ludhiana, we're at about 35%, and this is after a fifth ICD has also come in.



So market share is doing well. It's just the macroeconomic situation with the decline in exports in a big way. And also slower running of trains, which was there in December. So just for example, our pendencies at the port have piled up so much because double-stack and hubbing operations were reduced due to the track work. We have about 3,000; 3,500 just lying at the port right now.

Achal Lohade: If I get you right, you're saying basically the double stack got impacted, which resulted into higher pendency, which had an impact on volumes handled being lower in 3Q. The market share, what you gave on...

Samvid Gupta: Along with the overall dip in export due to the macroeconomic conditions.

Achal Lohade: So the markets what you did for 9-months, can it be possible to know for third quarter, specifically for NCR and Ludhiana?

Samvid Gupta: We're at similar numbers.

Achal Lohade: In terms of Q-o-Q flat or Y-o-Y?

Samvid Gupta: Overall basis, our market share is in NCR continues to be about 16% and in Ludhiana it continues to be 35%. So it's remained the same almost Q-on-Q.

Achal Lohade: And if you could talk about the EBITDA for these two segments because I see that we have not disclosed that in the presentation this time - while we had disclosed in the second quarter, we didn't disclosed first quarter. Can we just have some clarity as to how you want to present this on a consistent basis, please?

Samvid Gupta: Yes. So we didn't give it in the second quarter also. I think we stopped splitting EBITDA this financial year. But if you just look at the historical trend, we're seeing along the same lines of where CFS is around 2,200 and rail is close to 9,000. So that same trend is carrying on right now.

Achal Lohade: And with respect to the pricing, how the pricing situation has been in NCR and Ludhiana markets? Have you seen any drop in the realization, any increase in the realization, how the competitive intensity is shaping up, given we are hearing that one of your large competitor is talking about introduced schemes?

Rajguru Behgal: Yes. So, Rajguru this side. So Ludhiana market has now got interesting because of this coming of investment of Tata Steel in Ludhiana and with this what has happened is there is an increase in import of scrap in Ludhiana market and resulting which we have also gained a good market share in terms of imports. So some of the shipping lines that they were importing to other ICDS due to increase in the volume. So we have started getting good market share in that. So that is one interesting fact which has happened. And we are expecting this scrap market to remain stable for another three months' time. And this should help in not only gaining our market share in both segments, but also in the export segment as well in Ludhiana.



- Achal Lohade:** In terms of pricing and the empty handling, any comment on the same?
- Rajguru Behgal:** Empty handling, that is because as you know that railway has withdrawn the discount, which they were giving in running the empty containers. But we are tying up with the shipping lines. So, we are also working on some cabotage model wherein we will try and reduce that cost. And we are also creating some space wherein we can store shipping line empty, so that they can use them for the exports. So our focus is also in that area.
- Achal Lohade:** You had talked about 18% volume growth for the rail segment, including Kashipur. Any comment on the CFS in terms of the volume and the margins for FY '24?
- Samvid Gupta:** Yes. No, CFS is expected to remain flat. So there is a slight growth if you look at the numbers without Punjab Conware, but what we have been reporting for the last few quarters will be the CFS numbers going forward also.
- Achal Lohade:** So on a blended basis, we should look at the further improvement in the margins given higher growth in the rail business. Is that a fair assessment?
- Samvid Gupta:** Yeah.
- Achal Lohade:** So for the third quarter, we were at around 5,400 excluding the other income. So that should keep on inching up.
- Samvid Gupta:** Yes, our target is 6,000.
- Achal Lohade:** This target is for FY '24 or the longer-term target?
- Samvid Gupta:** There's no specific timeline to it. It's just we're doing everything we can to reach that number as soon as possible.
- Moderator:** The next question is from the line of Rohit from Progressive Shares.
- Rohit:** All questions related to Snowman. So first, with the BDP partnership, what sort of revenues do you anticipate? And what sort of margins are you expecting from this business?
- Sunil Nair:** This is Sunil here. So with the BDP, we are setting up a best-in-class chemical handling warehouse, which is around 55,000 square feet warehouse in Shoolagiri near Bangalore. And we expect the warehousing plus transportation, we will be storing as well as we'll be distributing these chemicals within the radius of 300 kilometers from the warehouse. So both put together, we are expecting around INR 12 crore of top line per annum from this business with a 12% margin.
- Rohit:** So Sunil, any particular guidance that you would like to share on a blended basis? Will you be able to maintain the normal range of 20%, 22% EBITDA margin?



- Sunil Nair:** Yes. So see, as you know, we had started distribution business as well last quarter onwards. So the mix that we have today, we believe the similar mix will continue to grow. And anywhere upwards of 20% is what we are expecting in the coming quarter also.
- Rohit:** Any price hikes that you're taking during the quarter under review?
- Sunil Nair:** So price hike usually happens in the Q1 where the agreements are due for renewal. So last year, overall, we have -- if we compare Q-on-Q, we have a 7% price increase, ASP increase, Average Sales Price increase over last year same quarter. Once this renewal is due in -- from March onwards, we start discussing with the customers. So we are expecting more or less similar increase in the ASP for next year as well.
- Rohit:** Can you share the ASP currently?
- Sunil Nair:** Yes, sure. Our ASP current is INR 1,521 per pallet per month.
- Rohit:** And last question is related to the net debt. What is that number? And what is the comfortable debt equity that you're looking at?
- N. Balakrishna:** Bala here. The net debt of the company right now is INR 86.57 crore. The debt equity ratio, we are at 0.25%.
- Moderator:** The next question is from the line of Harsh Shah from Dimensional Securities.
- Harsh Shah:** My question is for Snowman. In the Trading and Distribution business, the margins on Q-on-Q basis, we have seen a jump from around 4.6% to 7.1% on a net debt basis. So what would be the sustainable margin in this business?
- Sunil Nair:** See, that is because of the mix change. We have only three clients now. So depending on their - and the three clients with different margins. So depending on the volume, it changes, but we are looking at 5% margin on an average basis as we scale up this business.
- Harsh Shah:** Sir, current mix, we have a revenue of 25% from trading and distribution, if I talk about Q3, you said that we will maintain similar mix. Is that right? This revenue will stay 25%?
- Sunil Nair:** Yes. It will remain 25% or it will grow further from...
- Harsh Shah:** In the previous quarter, we were talking about aggressive growth in the trading and distribution segment, I mean we were targeting somewhere close to maybe INR 500 crores, INR 600 crores, if I'm not wrong?
- Sunil Nair:** No, I have no idea on these numbers. We will have to take it...
- Harsh Shah:** If you talk about growth, what kind of growth are we expecting in this business?



- Sunil Nair:** So see, as I said last time, we are just setting up things and we have migrated to an ERP system, which takes care of this kind of business as well. We are putting the commercial processes in place. So we are expecting anywhere to the extent of 40% to 50% growth year-on-year in this store distribution model.
- Harsh Shah:** And for our warehousing business, I believe this quarter on Y-o-Y basis, we saw a decline in the pallet set. Can you specify what would that number be?
- Sunil Nair:** Decline in pallets, build pallets.
- Harsh Shah:** Warehousing?
- Sunil Nair:** No, there is no decline actually at all.
- Harsh Shah:** Q3 over Q3?
- Sunil Nair:** Q3 over Q3, there is an increase in pallet.
- Harsh Shah:** How much increase that is?
- Sunil Nair:** Can I get back to you in a couple of minutes?
- Harsh Shah:** Sure. That's fine. And that was my last question.
- Moderator:** The next question is from the line of Yash Tanna from iThought PMS.
- Yash Tanna:** So we have seen about 13% de-growth in TEUs, this is rail TEUs quarter-on-quarter while the realization has actually improved 11%. So what explains this?
- Samvid Gupta:** This is basically a change in volume mix. So that's the main difference that you see these variations quarter-on-quarter. And import normally has better pricing and imports have grown, whereas exports have declined. That would explain why revenue per TEU might be higher.
- Yash Tanna:** And does this mean that EBITDA per TEU would also be higher?
- Samvid Gupta:** It's along the same trend because while imports are better, our imbalance has increased. So the cost of imbalance is negating that increase in margins for the imports.
- Yash Tanna:** And that's why maybe the margins on a blended basis are flat?
- Samvid Gupta:** Right.
- Yash Tanna:** And you mentioned that exports are weak. I couldn't get you what trend you spoke about in December, January? How is it picking up? Or how are you seeing the market shape up in exports?



- Samvid Gupta:** So it's still subdued only. So no sign, even in January, we haven't seen any signs of exports picking up yet. But hopefully, after this quarter, we should see some growth again.
- Yash Tanna:** And on Snowman, one question. Are you giving any guidance on the blended basis? What will be the revenue or margin guidance? And could you break it up by volume and price hike?
- Sunil Nair:** So we will continue to have the existing ratio of Q3 ratio to be there in Q4 as well. And as I said, from a pricing point of view, we will be able to comment only in the first quarter of next financial year because that's the time we close agreements with our customers.
- Yash Tanna:** So the Q3 momentum will be maintained in Q4. I was actually asking more from like full year perspective, if possible?
- Sunil Nair:** We will talk about it in the coming quarter by the time we finish our budgeting process.
- Moderator:** Next question is from the line of Atul Tiwari from Citi.
- Atul Tiwari:** Yes. Sir, in the last conference call, you did talk about adding new rakes on the lease basis. And like I think you alluded to taking delivery of 3 rakes per year going ahead. But given the fact that we are now entering a phase of slowdown and while all of us hope and wish that things recover very quickly, but we don't know because the global decision may continue for some time. So is there any rethink on that in terms of increasing the capacity on the rake side?
- Samvid Gupta:** No, we'll definitely add to our fleet because of our expansion of networks of Kashipur and Jaipur being added, we will meet more trains. So three is definitely on the cards. And then we'll take a call after that because these are available on at least six months' notice so we can accordingly change our plan if we need to reduce our outlook.
- Moderator:** The next question is from the line of Jay Shah from Capital PMS.
- Jay Shah:** We had actually spoken about even looking at the automotive sector for onboarding them as and how the DFC gets operationalized. So, have we started looking or onboarding any customers from the auto sector like for the double stacking or even for the normal stacking?
- Samvid Gupta:** So we already worked with auto companies, like Maruti is one of our largest customers. We worked with a few others also and auto ancillaries but this is on the container side. For the finished vehicle side, is a separate license, AFTO license, it's called. That's a more longer-term things that we might have. We don't have plans to start, finish vehicles, auto rakes anytime soon.
- Moderator:** The next question is from the line of Sumit Kishore from Axis Capital.
- Sumit Kishore:** On the last conference call, you had mentioned that rail volume growth is expected to touch high teens in next fiscal as volumes from Kashipur get added for the full fiscal and Jaipur for a part of the year. How is that outlook looking like? And you had said that revenue growth for FY '23



is likely to be 6% to 7%. We had a disappointment on export volumes in Q3, how would you review the growth for the balance fiscal and next fiscal?

Samvid Gupta: So for the rest of this year, we'll be looking at similar to last year's numbers. And then earlier in the call, we said we'll still take some time to evaluate as the macroeconomic situation has changed quite a bit in the last three to six months. So by next quarter, we'll give a guidance for the next financial year. Kashipur and Jaipur, so Kashipur this quarter, will get the full benefit of it. So those volumes will get added. And Jaipur we're hoping it's operational by end of this calendar year.

Sumit Kishore: So, we'll benefit from Kashipur or will it just offset the decline that you have seen because you're saying we are expecting numbers similar to last fiscal?

Samvid Gupta: Yes, something like that, maybe slight growth because of it.

Sumit Kishore: And just to understand in terms of the mix that you have on import and export, what was it like in Q3 when you say that there was a steep decline in exports. And what percentage impact on the decline was because of this track work and fog related issue just slowing down the trains - just to segregate that portion which can come back on track and is not due to macroeconomic factors.

Samvid Gupta: Yes. So roughly our mix used to be at -- we had reached a mix of 50-50. Now our mix is something like 60% imports 40% exports. So that's been the shift. And the second part of your question, if I understood correctly, you're asking what is the impact of the fog in the slow running?

Sumit Kishore: Yes if you can segregate what is attributable to macro-economy and what is attributable to such issues?

Samvid Gupta: Yes. So say, about 7%, 8%, we could have better throughput if the entire hubbing and double stacking and the faster running of trains was done.

Moderator: The next question is from the line of Bharat Sheth from Quest Investment Advisors.

Bharat Sheth: One question. Several North Indian company were evaluating sending their goods to South India by using Mundra Pipavav and then via sea freight. So are we getting any kind of a those volumes?

Samvid Gupta: No. We aren't into coastal shipping. But once in a while, we do some domestic movement between Mundra, Pipavav, JNPT ports with our ICDs and maybe someone else who is into that uses our service, but we don't know whether it's for coastal or not. We're just moving it from ICD to port.

Bharat Sheth: Do you see any potential further any?



- Samvid Gupta:** Any potential for what?
- Bharat Sheth:** So any potential for this rail container movement from, say, North India to the Pipavav or Mundra? Where they will you use for coastal or they may use for export also?
- Prem Kishan Dass Gupta:** So right now, the Indian railways network is not good enough to have that movement, because the running time is very slow. And whether it's from Mundra to South or the coastal or from North to South, this domestic business, while there might be a requirement, but the pricing and the turnaround of the asset is not good. So we have been watching it and we will keep an eye on it. But right now, we don't have any plans to go into that sort of domestic movement.
- Bharat Sheth:** Even with DFC you are working in full-fledge, don't you think that turnaround time has improved?
- Prem Kishan Dass Gupta:** No. DFC will be only from the hinterland to Mundra, Pipavav and Nhava Sheva on the western side. So it is not going to be from North to South or from West to South or East to South. Those circuits, whatever those DFCs are a long, long way...
- Bharat Sheth:** Sir, I'm not talking for this DFC circuit. Sir, I'm talking, I mean, using DFC and taking it to these ports and may move it through by coastal to South India.
- Samvid Gupta:** It is possible but I think people just normally send it by road because once the container goes back from Mundra to say Cochin, for example, there's hardly any return cargo. So people don't prefer the coastal shipping route right now.
- Prem Kishan Dass Gupta:** There are some movements happening. I understood your question now. So there are moments happening in that leg, that from north to the western ports and from there on the coastal vessels. But we studied that in detail, and we don't have any interest in doing them.
- Moderator:** The next question is from the line of Bharti Sawant from Mirae Asset.
- Bharti Sawant:** My question pertains to the discussions that you've already had with regards to volume decline that we saw in the rail business. So can you just explain what kind of volume growth would we have witnessed in both on the import side? And what is the impact on the export side?
- Samvid Gupta:** Yes, just one second. So, imports are more or less the same sales like single-digit growth, but exports have seen a decline of 15% to 20%.
- Bharti Sawant:** And is the track issue now sorted which impacted - because you also mentioned that because of the track issues, your overall volumes have declined by about, say 8%. So had this not been there, it would have been more like flattish compared to last year?
- Samvid Gupta:** Yes, the track work is complete now.



Bharti Sawant: So effectively, Q4, because you are guiding for a flattish Y-o-Y growth FY '23 full, which indicates roughly 13% decline for Q4 compared to the run rate of 90,000-odd TEUs for Q4 of last year? And if the track work is complete, are we expecting significant weakness in the EXIM volumes, EXIM trade?

Prem Kishan Dass Gupta: See, right now, it cannot be said for sure. This year, the Chinese New Year is now you know, 22nd of January. So the imports will also slowdown in the next two to three weeks. And thereafter, the pipeline looks good. But on the export side, we are not seeing much improvement. Though, I mean if you compare on a month-to-month basis between December and January, there a growth of 5%. But after having gone down by 15% to 20%, 5% growth, is welcome, but I mean we cannot say for sure how it will take shape in the next two months or what will be the total impact in the quarter.

Bharti Sawant: So there is more to the weakness. It's not just the track issues, which is impacting the export like, but as an overall weakness, which is impacting the volumes for us?

Prem Kishan Dass Gupta: See, the track issue will clear the pendency which is at the ports. And exports, if they keep on growing like in January, that will add to our volumes. Imports right now, they are good, the arrivals are good, but they will slow down in the next two, three weeks. But again, after that, there are signs of -- we have the visibility that until end of March, the imports will also grow.

So to give you a certain figure, it is not possible right now. But we will be having higher volumes because of clearance of pendency, because of some uptake in both the export side and import side. And we can only hope for better things to prevail in the present microeconomic situation. And then let us see how the budget comes out, because a lot of export and import will also depend on the budget announcement.

Bharti Sawant: Just two more questions from my side. One on the Kashipur and Jaipur. What is the annualized volume contribution we are expecting from Kashipur terminal in the next financial year once fully operational? And once Jaipur is operational, what could be the volume contribution that can come from that terminal?

Samvid Gupta: Kashipur about 3,000 a month, so say, 36,000 for the year. Jaipur, it will take more time since it's a Greenfield project. There's a process of shipping lines opening their BL point. They have to start positioning their empties. So it will be a slower ramp-up. So this financial year, we can pretty much say no volumes from Jaipur, may be a few hundreds.

Bharti Sawant: But Kashipur is already doing roughly 3,000 TEUs a month?

Prem Kishan Dass Gupta: Yes. So the full impact will come next year in FY '24 from Kashipur, which is what we are saying is 36,000 TEUs per annum. And Jaipur, we expect to start by Q3 of this year or which will be -- sorry, Q3 of FY '24. So that will be a slow start to build up the volume. So we cannot say it will be a significant contribution for FY '24. Yes, for FY '25, it will definitely be addition of both from Kashipur as well as Jaipur apart from our existing terminals.



Bharti Sawant: And last question on the rail margins. The rail EBITDA per TEU historically, over the past two years specifically, we have been doing about INR 9,000 per TEU or in excess of that. With Kashipur and Jaipur, do we expect to continue with this run rate? Or would there be some dilution?

Prem Kishan Dass Gupta: No. Temporarily there might be some dilution because to place the empties for imports or to vacate empty container from the terminal. So these costs, Kashipur we have shown, and this quarter, there might be some additional cost. But from Q1 next year, we will be able to have similar kind or even higher margins. And once the volumes are established, that will help us in double stacking from Garhi Harsaru to all the ports bringing on single stack from Kashipur to Garhi and then sending it out to the ports. Similarly on Jaipur, whenever it comes in, it is already on the double-stack route. So it will only add to a double-stack percentage that we normally have, because leaving from Garhi it can be topped up from Jaipur and send to the ports.

Bharti Sawant: So what is the potential EBITDA improvement, one can look from a three to five-year perspective once these terminals are operational and even DFC is operations?

Prem Kishan Dass Gupta: We are aiming at INR 10,000 per TEU.

Bharti Sawant: This is with DFC, right? DFC and terminal?

Prem Kishan Dass Gupta: Yes, this is with DFC and including our two terminals and macro may improve -- seeing some improvement.

Moderator: Next question is from the line of Rahul Chandran from Sunidhi Securities.

Rahul Chandran: Yes. So my question is again pertaining to the EBITDA per TEU asked by the previous lady. So I wanted to gauge like the DFC is operational from quite some time. Then too, we don't see any increase in the EBITDA per TEU because this quarter around I thought that we had an increase in realization, then we will have growth in the EBITDA per TEU. But as said by Samvid, it's in the same range. So can you guide us with certain things like when will it be on an incremental side? And after this, I have one more question.

Prem Kishan Dass Gupta: See, basically, there are some factors and one of the biggest factor is the imbalance between import and export during this quarter. Otherwise, we had already touched INR 9,500 per TEU. And we are trying to get back to that with our new terminals. And the target is 10,000 per TEU and one of the things we have not mentioned about from slow movement due to track work and all that is that we had some acquisition expenses, which were incurred -- which were booked during Q3. So that brings down our EBITDA a little bit. But we'll definitely be there at 9,500 very soon.

Rahul Chandran: And the second question is, sir, that you are planning two more ICDs as you had written in the press release? So have you identified any places for those? Or are you still looking out for those things?



Samvid Gupta: We're still finalizing but it's along our strategy to increase as much along the Western DFC. So it might not be directly on the DFC, but it will get connected to the western DFC to one of our hubs.

Moderator: Next question is a follow-up question from the line of Yash Tanna from iThought PMS.

Yash Tanna: My question is on the Snowman business. So, on the distribution business, what kind of return ratios are we looking at? And if you could also highlight what kind of opportunity we have in this business, since we have mentioned that we are the first ones in the country to do this 5PL sort of a thing in cold chain?

Sunil Nair: Yash, I have not understood the question with respect to return ratio. But if you're asking about the margins, I can say that at a gross level, it is around 10% margin and at a net level, 4% to 5% margin is what we are commanding now and this should be maintained as we grow.

Yash Tanna: And on the size of opportunity, if you can highlight a little bit on the 5PL size?

Sunil Nair: So size is very difficult to estimate. This is one of the most wanted service that the industry were looking for and this is a very well-known model globally. There are companies which are as big as 2 lakh crores of Indian rupees turnover in the US, which are running similar business model. But in India, it is a new thing, and we are very specific to food. There is no research work as of now to quantify the market size.

But I can say that we do hold inventory of close to INR 12,000 crores worth of inventory in our cold storages. And we are just trying to speak to those potential customers who would value the value-add that we can offer in this model. So maybe in a couple of quarters down the line, we'll be able to have some estimate on this.

And there was a question earlier, which we had parked because I didn't have the information handy. So the build pallets, we build 3.34 lakh pallet positions in Q3 this year, as compared to 2.87 lakh pallet position last year Q3, an increase of 16% pallet positions.

Moderator: The next question is a follow-up question from the line of Achal Lohade from JM Financial.

Achal Lohade: You have mentioned 3,000 per month kind of volume from Kashipur ICD. Is it possible to know what is a broad market size there, what has been the growth? How do you look at what is your market share we are talking about there today?

Rajguru Behgal: Rajguru this side. So if we talk about the overall market catchment of Kashipur. So we are looking at the volumes of -- apart from the 3,000 which approximately we'll be doing. We'll be targeting the volumes of Moradabad, which is doing around 6,000 containers. And then Pantnagar ICD, which is doing around 2,000, so 8,000 to 10,000 is the target catchment we are looking at. Plus in addition to that, we are also -- we have mapped some of the customers which are going as far as Dadri.



So if we put it all together, so the size is between 12,000 to 15,000, which we'll be targeting. And we are expecting that we should be able to onboard many customers because when we have started our services, there is a lot of excitement in the trade. And there have been a lot many queries which are pouring in because many of the customers which are having their units near our existing terminals like Gurgaon, and Ludhiana. So they also have their suppliers and OEMs, and they know our company and they were waiting for these services, especially for the JNPT and Pipavav services, which was not prevalent in this area. So we are the ones who have already started these services from that location. And we are very confident that we should be able to gain a sizable market share in this entire catchment.

Achal Lohade: So if I understand you correctly, sir, what you're saying does 3,000 is a base for volume on top of that. So the entire market size in and around Kashipur ICD is somewhere around 20,000 TEUs per month. Is that a fair assumption? Of that, we currently have a share of 3,000 TEUs. Is that right understanding?

Prem Kishan Dass Gupta: It's about, say 18,000s TEU roughly, including the road movement, which comes to ICDs in the NCR region like Dadri, like Rajguru just mentioned. But some of it is going directly to the port or coming directly from the port to these locations because of not so reliable services. So we are going to offer a product where, I mean, we will have the deliveries or evacuation by our standards, and so that the customers get their deliveries on time, both on the export and import side.

So that is what we are targeting that. First target would be people who are moving by road whether via NCR region or directly to the ports. So that will be easy to get. And then of course, once people see the service levels and then definitely, the terminal will attract the volumes itself.

Achal Lohade: So 18,000 is basically the total size, which includes road. As of now, how much of this is coming off of rail at present? Would that be 10%, 20%, 30%?

Prem Kishan Dass Gupta: Say about 10,000.

Achal Lohade: 10k by rail as of now.

Prem Kishan Dass Gupta: Including 3,000 of Kashipur.

Achal Lohade: Including 3k of Kashipur. So when you're guiding for 3,000 per month for FY '24, you're not assuming any scale out for these -- have I got it right?

Samvid Gupta: Yes. We're giving this as the base volume number in the overall market scenario. So once that improves, our guidance for this will also improve.

Achal Lohade: And is it possible to give some sense in terms of how competitive rail would be compared to road given its long lead for JNPT or Mundra. Is there any scope to improve the per TEU margins there in Kashipur?



- Samvid Gupta:** Per TEU margins will be roughly the same only, because there are two other terminals also and that's Concor. Maybe some scope slight improvement because NCR has many more terminals compared to this region. But there is scope to offer a better service level when compared to road especially for the JNPT and Pipavav region, which right now wasn't being serviced by the earlier CTOs here.
- Achal Lohade:** And just a clarification, when we talk about rail volumes, it includes the laden-plus empty, right?
- Prem Kishan Dass Gupta:** Yes. We are talking about only laden.
- Samvid Gupta:** 10,000 is laden but...
- Achal Lohade:** No, the general, not specifically for Kashipur. When we report the volumes, that is laden plus empty, right?
- Prem Kishan Dass Gupta:** Yes.
- Achal Lohade:** For both rail and the CFS business?
- Prem Kishan Dass Gupta:** Yes.
- Achal Lohade:** Got it. And if you could give some sense about the capex for FY '23 and '24 and in which areas?
- Samvid Gupta:** So, Jaipur ICD is continuing. Kashipur more or less everything done, there will be some minor improvements we'll be doing there. So Jaipur total is a INR 90 crore project, out of which 30 was for the land and say, we've spent about INR 5 crores, INR 10 crores already. So that's the plan for, say, the next six to nine months. And as and when we add other ICDs like the two we're talking about, that we will add incrementally. Rakes will be on lease most probably, but we can look at buying them also, so that dependence on -- if we do that, then that automatically gets added to capex.
- Achal Lohade:** So, I mean if you can give some ballpark number, FY '23, how much have we spent in 9 months and how much would be spend in total for a full year in FY '24 - a ballpark number would do, excluding the two potential terminals that you are talking about.
- Samvid Gupta:** Yes. Other than Kashipur we've spent about INR 50 crores in 9 months. And then we will be spending maybe another INR 20 crores within this financial year. And then next financial year, you can assume probably about INR 75 crores capex.
- Achal Lohade:** Which will take care of the Jaipur as well as the other maintenance capex, excluding the two potential locations that you're talking about.
- Prem Kishan Dass Gupta:** And possibly buying the rakes now, because rail is an asset, which is depreciated over 15 years, though the life is 25 to 30 years. And interest rates have come down, even though having gone up in the last couple of quarters. Still, I mean, if you add interest and depreciation, it will be



almost equal to the lease but then this asset remains with you, I mean, for almost 25, 30 years, whereas interest will be for seven years and then the depreciation is over 15 years. Then after that, whatever the next 10-15 years, the rakes are -- there will be no costs. So we are evaluating that, and we might get into buying some rakes. Right now, we have 21 owned rakes and 10 leased rakes.

So we'll keep a mix and match keep on changing the tech -- I mean, with the change in technology we will be getting in the upgraded versions of the trains with high speed and high load-ability. So that is a continuous process and which we'll keep on doing just so that you know the first rake that we had purchased in 15, 16 years back is still running and in good condition, and it will run for another good 10 years. So it's worth examining whether we should buy or whether we should lease it.

Achal Lohade: But is the availability of rake is the challenge in terms of buying or leasing or not really?

Prem Kishan DassGupta: No, it's not a challenge. I mean there is some talk that the resets are not available or there is a shortage of rakes, but I mean, nothing like it. I mean, the lead time is anywhere between six to eight months or nine months maximum but rakes are available.

Achal Lohade: And last, I know you have clarified in the past, but we're not looking at any domestic business, right? We are fully on EXIM side.

Samvid Gupta: Yes, just a little bit within our terminals if something comes. And if we have just spare capacity, then we'll do it. Domestic is a more longer-term thing we're looking at. Once our network is more presented more regions, then domestic makes sense.

Moderator: Thank you. Ladies and gentlemen, that will be our last question for today. On the behalf of Gateway Distriparks Limited and Snowman Logistics Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.