November 17, 2022

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Fax No: 2659 8237/38	**Fax: 2272 1072/ 2037/2061/ 41**
Email: cmlist@nse.co.in	**Email: corp.relations@bseindia.com**
Scrip Code: SNOWMAN	**Scrip Code: 538635**

Dear Sir/Madam,

Sub: Transcript of Conference call

Please find attached the transcript of Snowman Logistics Ltd-Q2FY23 post results conference call held on 10th November 2022.

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

For Snowman Logistics Limited

KIRAN PANACHIKKAL GEORGE

Digitally signed by KIRAN PANACHIKKAL GEORGE
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Date: 2022.11.17 09:30:05 +05'30'

Kiran George
Company Secretary & Compliance Officer

Encl: as stated above

Snowman Logistics Ltd.

(BSE: 538635 | NSE: SNOWMAN)

Earnings Conference Call
Q2 FY2023

November 10, 2022

Management:

Mr. Ishaan Gupta	Director,
Mr. Samvid Gupta	Director
Mr. Sunil Nair	CEO & Whole Time Director
Mr. Balakrishna N	Financial Controller
Mr. Kiran George	Company Secretary

Moderator: Ladies and Gentlemen, Good day and welcome to the Snowman Logistics Limited Q2 FY23 Earnings Conference Call.

We have with us on this call Mr. Ishaan Gupta – Director, Mr. Samvid Gupta – Director, Mr. Sunil Nair – CEO & Whole Time Director, Mr. Balakrishna N – Financial Controller, Mr. Kiran George – Company Secretary.

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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ishaan Gupta – Director, Snowman Logistics Limited. Thank you and over to you, Sir.

Ishaan Gupta: Thank you. Good afternoon, ladies and gentlemen and a warm welcome to our Q2 FY23 Earnings Conference Call. I hope you all have the chance to produce our financial statements and earnings presentation that are already made available on the exchanges and our website. Before we start the Q&A, I would like to give you an overview of the company and some of our recent activities.

Snowman is India's leading logistics service providers in the temperature-controlled warehousing & distribution space. We have a large network of 41 warehouses in 17 cities having 130,000 pallets and operating a fleet of over 500 vehicles. Apart from our regular warehousing and transportation activities, we are happy to announce the launch of our Fifth-Party Logistics (5PL) services, becoming the first Indian cold chain company to offer end to end solutions to our customers in this regard – from procurement, sourcing, warehousing, distribution, inventory management, quality control, and a host of other value added services. This is a natural shift for a company like ours in line with global practices in the industry, and it helps our customers with creating a more efficient supply chain so that they can focus on their core business. These services also help increase customer stickiness and gives a rise in revenue and profits for our company. We started offering 5PL services only in last quarter, and currently our customers include IKEA, Baskin Robbins and Tim Hortons. We are very optimistic of increasing this line of business in the time to come.

Another significant inclusion to our infrastructure during the quarter, is the addition of a warehouse in Hyderabad of 26,000K sqft with a pallet capacity of 1,200 with 6 docks. We have been growing our presence in dry warehousing for meeting the requirements of our existing customers & new clients, as well as dedicated warehousing for eCommerce customers.

Going ahead we plan to continue exploring expansion opportunities in temperature controlled warehousing, dry warehousing as well as the new distribution model. SnowLink growth. With this, we would like to open the question and answer session. Operator, over to you **Moderator**:

Moderator: Thank you. Ladies and gentlemen, we will now begin with the Q&A session. The first question is from the line of Sudhanshu from Arunova. Please go ahead.

Sudhanshu: The company has started reporting a new segment called trading and distribution and from the first quarter of reporting it is contributing 25% of the revenues, so could the management provide some clarity on the nature of these revenues, so what kind of business is it exactly and how is it kind of scaled up through significantly in the first quarter itself?

Sunil Nair: This trading and distribution business comes under our 5 PL service offerings wherein as Ishaan mentioned we do right from sourcing to distribution end-to-end solutions where we develop vendors, we do quality audit, negotiate with them, we will buy inventory from them and then we sell it to our potential customers that is when we are a sourcing partner. In case of selling the things we also provide sale support to the product which the customer wants to distribute in each products where this should be helpful. So, in this the inventory is held through our books. So, typically a trading business that is where the trading and distribution revenue has come where includes our service income as well as the cost of goods which are distributed.

Sudhanshu: And so what proportion of this revenue is it the service income and what proportion is the cost of goods that is being routed through the books?

Sunil Nair: 10% of this is service income and 90% is cost of goods.

Sudhanshu: I mean trading is quite a risky and volatile business, so how do you take a call when you want to hold inventory or how you want to increase or decrease your inventory levels because that could also lead to trading profits or losses and that could introduce more volatility in the earnings, so could you shed some light on that please?

Sunil Nair: So, the arrangement is complete end-to-end from supplier to the customer we have tied it through the agreement which clearly states that we will buy against the projections from the customers and they will have to buy that much quantity against the projections. In the case of overall SKU that we have today with these three customers, 50% of them are, just in time the day we buy the same day we sell as well. So, yes there is a risk associated with this, but we have covered that through various terms and conditions and at the same time we are doing business only where there is very less of seasonality or ups and downs in the sales and requirement of our customers.

Sudhanshu: And what would be the kind of strategy to scale up and grow the trading and distribution business who do you see as your competitors in this space?

Sunil Nair: So, for the type of service that we are offering which includes typically the 5PL where we are sourcing and vendor services, there is no other 3 PL or cold chain company which is offering this service. So, we do not find direct competition, but there are many distribution company. So, from the distribution point of view yes there is competition. We have huge potential yes we take this as one of the may be in couple of years' time this will be one of the biggest segment for us because today the amount of goods that we are distributing under 3 PL agreement is close to Rs. 12,000 to Rs. 15,000 crores of worth of material and our intent is to move these customers and do a 5 PL service offering.

Sudhanshu: Distribution seems like a completely new business vertical from cold chain warehousing which has been Snowman historical strength, so what is your competitive advantage in distribution?

Sunil Nair: No, if you see, we are doing the same thing despite we have also come with an attractive business proposition because the warehousing and transportation is the base here. So, the additional services are just an expansion of those 3 PL activities that we have been doing and all these customers who are now ongoing are our 3 PL customers and they saw better integration and we are taking more responsibilities from their supply chain team and executing, that is what the customer looks at it and we are also looking at that from their supply chain spent we get a larger pile up share. So, it is a win-win as we move forward multiple customers of same segments would be able to get a better pricing because of we are doing consolidated buying for them. There are four, five QSR customers who are board in we can do a consolidated buying from various manufacturing companies and the bulk quantity would always give a better price which is reasonable for the manufacturer, for distribution company and as well as to the customers. So, that aspect is taken care of.

Sudhanshu: You mentioned that the inventory is purchased on projection and if those projections are not met so do we still have to end up holding it because we have bought the inventory

Sunil Nair: Yes, we have to still hold it. The risk that in this business typically you face is the expiry risk because most of it is food products perishable in nature, but that risk is with the customer because it is not against the projection.

Sudhanshu: But let us say that the projection is not met then what happens to these goods, would they have to be written down on our books or what are the safety and action in place that we have if the projections are not met?

Sunil Nair: If the projections are not met the product have to be disposed-off or the customer will sell it on a promotion. All the cost either whether it is disposed-off, returned to supplier or promotions or it's offerings and all this to the customer accounts.

Sudhanshu: And then what would be the order pipeline for this segment trading and distribution, are there any other contract that are under negotiation?

Sunil Nair: Yes there are.

Sudhanshu: And can we expect any announcements in the next few quarters, or it is more long term?

Sunil Nair: It depends how fast the customer wants to switch. Typically, customers who like to change during year beginning. So, if it is a multinational company where the year begins from first January maybe we will be able to have some news in the coming quarters. If it is Indian company from first April there will be changeover. So, it all depends on which one gets closed and when.

Sudhanshu: And just one last question probably so you mentioned that you do not have competitors on the 5 PL side which is all 3 PL warehousing and transportation, but you have a lot of competition on the distribution side, how do you kind of standout from the companies on the food distribution side, what advantage do we have?

Ishaan Gupta: One major advantage which we have over the competition is that we are giving a bundle like Sunil said our base is warehousing and transportation. So, compared to a pure distributor or a pure cold chain supplier, we are able to offer all these services in a single platform. So, apart from like you were mentioning how soon do we plan to build this up further. Apart from existing customer shifting their arrangements from 3 PL to 5 PL there is a huge opportunity of new brands and new QSR specifically entering India. One example is that out of the three who we have started with IKEA, Baskin-Robbins and Tim Hortons, Tim Hortons is a recent brand from Canada which has just entered India and from the beginning we have partnered with them and wherever they go we will be growing along them. They have only 5 stores now and they have very aggressive plans for opening all over India. So, like that if any new chain wants to enter India, for example, the advantage that we will have over a pure distributor is that they will be speaking to us for cold storage anyway. So, we can offer them the full package.

Moderator: Thank you. The next question is from the line of Kushagra Bhattar from Old Bridge Capital. Please go ahead.

Kushagra Bhattar: Few questions so basically to understand this 5 PL business more can you help us picturize or probably take an example for example IKEA versus the traditional services of 3 PL what incrementally you would be doing for them, what commodity probably you would be doing it for them, so just to picturize us?

Sunil Nair: So, Kushagara typically a distribution company or a 3 PL company would do the primary transportation, warehousing and the secondary transportation and these are the typical service offerings but what we do under 5 PL offering to them is let us take an example of the ice cream cone. Now they would say that I want to sell ice cream in cones now, so can you help me with buying ice cream cones and then we go and find out ice creams cone manufacturers in the country. We do a quality audit of their facility to see that all food safety norms are followed. We take specification of the products, we collect samples, we go and give it to the product development team of IKEA. They test the product, they identify it to two or three options. They give it back to us, we go back, we do the commercials with the manufacturers and we do a recommendation to IKEA saying that okay these three we validated and from various technical assessment of the suppliers, their financial condition, everything put together we recommend buying it from this and this suppliers. Once that is identified and they approve it then we buy that product and supply it to IKEA under this arrangement. One we have a service charge for doing all the sourcing and vendor development activity. Second, is we have a distribution mark up and margin on the whole trading. So, this is typical arrangement.

Kushagra Bhattar: So, just to understand the way you report right now you say 10% is the services component 90% and if I look at the 10% it is actually your gross profit from that business, so basically had you not reported the inventory or not taken the inventory on your books probably the revenue which you would have reported otherwise would have been that gross profit which is a service components which is a 10% of the goods which you are mentioning?

Sunil Nair: No, it would not be even 10% because this 10% includes our service charges for resourcing and also the trading margin. So, it would be lesser than that if it is not 5 PL service.

Kushagra Bhattar: So, then I mean if you can give some more color as to generally what are the broad trading margin and then second if I look only the gross profit of that and if I compare the EBIT portion of it that comes out to be a significantly high margin business for you, this particular business. So, though it looks a little bit margin dilutive because of the higher inventory which you are booking, but overall, it is probably adding you or giving you some more cash flows because of the value-added services which you guys are providing?

Sunil Nair: You are absolutely right. So, see if you take a generic distribution business where you do the 3 PL services, primary transportation to a secondary transportation, matured sales would be 6% to 7%. So, we are taking that to 10%. So, definitely this is going to be the higher margin, higher cash flow business as we move forward as compared to our earlier business model. Important is to understand that we are looking at it as an incremental opportunity from the infrastructure which is already created. So, instead of doing a business with that revenue and that margin, we have the opportunity to have the same infrastructure used to create better revenue and better margin and that is the whole intent behind this distribution business model.

Ishaan Gupta: Just to add to that a little bit more from the strategic point of view rather than specifics. One of the reasons why we have entered this business is not only for the additional revenue increasing the throughput of the company, but more importantly on absolute terms like you said EBITDA also our cash flow benefit from this rather percentage it might look lower. It definitely will look lower, but as an absolute number it is increasing. At the same time the customers are getting sticky. Again, I will take the example of right now the three customers where we have any one of them if they want to migrate to someone else offering the same services they have zero options available in India because we are giving them this whole package end-to-end. Going ahead apart from these specific customers' requirements of sourcing once we have a base of few more customers, we will have negotiation power from the buying side also. So, hypothetically speaking, tissue paper for example if a bunch of restaurants need tissue paper and we are already doing storage and transportation for them. We can source tissue paper at a larger volume and then sell to each of our individual customers and increase our trading margins of them. So, those kinds of possibilities will come in and over time in the developed part of the world, this is the model that cold chain and food companies are operating in. So, Snowman will transitfrom warehousing and transportation company to a food services or a food distribution company in the time to come.

Kushagra Bhattar: Few more question on your traditional 3 PL business which you are doing so when you say you are expanding it asset light, can you give some more color as to how you do it I mean is it largely on the leases and going forward if you can give some sense on the quantity of expansion from dry pallet and cold storage, so probably right now dry would be around 20,000, 25,000 out of those total 1,30,000, but going forward as you move towards 2,00,000, 2,30,000, 2,50,000 pallets what proportion you are seeing coming from the dry ones overall?

Sunil Nair: So, you are right. Three years back we had some strategies on going little asset-light and we started with the transportation where we created this Snowlink platform and wehave leasing on an average anywhere between 150 trucks to 200 trucks on a daily basis. Coming to warehouse we started leasing dry warehouses wherever we have cold storage and we have same customer needing dry space, we started leasing next to our existing cold storage facilities and that is where we are starting and now we are also going into leasing larger independent dry warehouses and offering dry logistic services to food and near food segment. So, as of now our dry capacity is around 18% a year back it was 15% and we believe that in a year's time it should go up to almost 25%, 26% dry contribution in overall capacity that we have.

Kushagra Bhattar: Yes generally you go out and scout for independent warehouses and get them on lease?

Sunil Nair: So far we were doing it on a back-to-back basis where we already have demand and hence we have to go for a dry space. Now we may also go for leasing the dry space and then at the same time looking for customers.

Kushagra Bhattar: So, there is a significant expansion in the dry service, can you give some more color as to what sort of goods get stored I mean how different would this business be versus the cold storage both in terms of your margins as well as the realization, broad color would be helpful?

Sunil Nair: Lease warehouse would be different, but on a plain vanilla basis if I leave the dry warehouse and without much modification and if I further lease it to customers and start offering services we get anywhere around 13% to 15% margin there. So, that is the thumb rule that we have and the lease would typically be anywhere between 6 to 9 years lease both ways and there are other model where we have to put some infrastructure within the warehouse where the racking and all those things are done in that case it worked out to be around 20%, 22% EBITDA, with a PBT of around 10%.

Kushagra Bhattar: What I was trying to get from you is I mean given there would be some differences between the goods which you will deal in the dry and the cold storage, if you can give broad color as to what sort of goods gets stored in the dry segment and also I mean cold storage we totally understand the way you guys have differentiated in terms of quality, in terms of delivery and all those sort of things, but dry there would already be a lot of inventory or lot of capacities in the market, so I am just trying to figure out how you guys sort of differentiate in that particular segment?

Sunil Nair: One important thing that we should keep in mind is we are still focusing on food as a category, and our differentiation primarily come from ensuring the FSSAI compliance on the ground where there are lot of complications right from your people, self-check up every 6 months to the upkeep of the warehouse, to the track documentation, traceability of product and all those things. So, that is our differentiation in the market and typically the products are you can say FMCG products, one chemical products are also something which we store. So, the ones which do not need temperature control that need all other things from the compliance point of view is what we are looking at. So, we do not want to do a generic warehouses which other 3 PL services offer. We want to do where there is some complexity in terms of compliance, documentation. We are well in placed due to our experience in Food and PHARMA handling

Kushagra Bhattar: Just one last question from my side if you can give broadly what would be the fixed cost in the business let us say considering the electricity, the manpower at this point of time and once you change in shift more towards asset light the rentals which would be signing would also be a component of your fixed cost, so just broadly if you can give some numbers around that?

Sunil Nair: It is very difficult because each vertical has a different ratio of fixed and variable, I can roughly tell you in case snow preserve business, which is warehousing business, our fixed cost comes to somewhere around Rs. 600 per pallet that is the average of frozen, chilled and dry. So, it is difficult to quantify this at a business level.

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

Rohit: Couple of questions related to the 5 PL business and the other aspects of the operations. Firstly you did touch upon some of the risks which are associated and there are certain terms and conditions related to that, but what sort of special certifications or compliance requirement are there for 5 PL business since you are looking at vendor sourcing as well as vendor development and in addition to that you are looking at quality inspection also, so are there any special certifications required for this business?

Sunil Nair: Rohit for us as an entity there is no special certification required all what is required is in place in terms of warehousing and transportation whether you talk about license or BRC certification or ISO 22,000 certification those are in place anyway and we have to ensure that all whether it is a food processing or the special requirement related to each product whether they are complying to that or not. So, it is part of our audit process where we check I think that is an external level. For us as Snowman we do not have to go for any special lines of the requirement.

Rohit: In addition to the stickiness of the customers, some of them are already with us, what is the other factor that will differentiate you from the competition then it is somebody as a client base then we can also startup with the 5 PL services?

Sunil Nair: You are right if someone is already working in 3 PL is someone they can always start this thing, the differentiation that we have is the amount of client base that we have and some of our clients are actually suppliers to our other clients. So, they are storing in our warehouse only. So, I have the supplier and the customer meeting in my warehouse. So, that is one major benefit that we have found. So, when we are doing the buying and selling we are doing just in time without holding any inventory. It is basically moving from one chamber to another chamber. So, this is one sense. second sense is all our target customers in each segment we have good number of different customers which are stored and operated from a single facility. So, when I consolidate over a period of time their volume go back and negotiate with the supplier we would have a much larger volume for negotiation and that would differentiate in the market very clearly.

Rohit: My next question is related to the CAPEX plan that we had earlier. You had indicated that somewhere around Rs.75 to 100 crore was planned over the next two years, so are you still continuing with the plan or are you trying to become more aggressive or there is some let down on these CAPEX plans that you have?

Sunil Nair: We are still with that plan we have to say Rs. 75 crore to Rs. 100 crore in 12 months to 18 months we are still on that this quarter we will decide about Calcutta where the land is already purchased. We are also leasing some dry warehouses where we may have to do some fit outs for our customers. So, this Rs. 75 to Rs. 100 crore in 12 to 18 months is still on.

Rohit: And if you can take us through the progress on the expansion plan for one Kolkata, two Pune and three Hyderabad which you have also mentioned in the PPT as well?

Sunil Nair: So, Pune and Hyderabad are existing facilities where we have some small portion of land where we are expanding. Calcutta is Greenfield project which will be close to 10,000 pallet position built in two phases of 5,000 each and there is a some dry warehouses atTauru in Haryana and one in Bangalore where we will be doing some fit outs for the specific customers.

Rohit: And in terms of capacity utilization of Siliguri we have been to scale it up some 35%, 40% or is it still the same?

Sunil Nair: Yes we are in 55% now and with the business pipeline by December end, we should be somewhere around 75%, Coimbatore is at 85%.

Rohit: In terms of 5 PL and the requirement for the capacity or the shares that 5 PL business might require, can you take us through how will we differentiate since we have one part of business which is having dedicated storage client based strategy and now we are having this business where we are looking at vendor sourcing and development, how will you manage the capacity requirement of 5 PL if it has to scale very high which appears that it is growing at 25% how will you kind of have the capacity for 5 PL?

Sunil Nair: See two things here one is as I said our first focus is to convert our 3 PL customers into 5 PL. So, that is what we are doing that typically means that I may not need much of the storage, in transport it is already happening under 3 PL. I am only moving it to 5 PL accounts where I help my customer in terms of sourcing, vendor negotiation, vendor identification and other activities. So, if I am today 5%, 6% of their cost I would become 9%, 10% of their cost, but they are outsourcing all these activity to us that is point number one. Point number two in case of more 5 PL accounts, 5 PL services attracting newer accounts yes we will need space and that is why these expansions that we are planning in terms of Calcutta and other places. In our customer segment as a 3 PL there are three categories A, B, C where A is where we get the premium yield per pallet, or premium per kilometer, third category where we get least. So, these three categories will get replaced with the 5 PL customer wherever we get it. So, that is our yield from per pallet improves.

Rohit: In terms of the addition of PPE of some Rs. 7.34 crore during the first half if you can take us through where is this expansion happening which city are you targeting?

Sunil Nair: Sorry come again.

Rohit: Different plant and equipment addition that has happened 7.34 crores?

Sunil Nair: No, that is not for expansion that is for regular CAPEX that we incur in terms of replacing the equipments

Rohit: Sunil you had guided in the past that you will be looking at some 20%, 25% kind of top line growth and with the 5 PL growing at the same rate, do you think that you want to revise your guidance for the top line growth?

Sunil Nair: We will look at it. As of now we are still firming up our next three-year plan. So we will be able to share some thoughts on that in the next quarter.

Rohit: And lastly with the EBITDA margins the blended ones I am asking we have come through a range of like 20, 23 kind of range in EBITDA margin, so you think that this will be sustainable and we should be working with this number going forward the blended margins, EBITDA margin is what I am asking?

Sunil Nair: So, if we see individually the warehousing and transportation it is growing as compared to last year in percentage terms and as the Snowdistribute business the distribution and trading business those are the overall weightage percentage will come down because of the cost range, but in terms of individual line item it will continue to grow.

Rohit: Should we divide it to somewhere like 26% or 28% which was historic EBITDA margin in the past which you have seen three four or four years of growth?

Sunil Nair: See without trading business even now it will be somewhere around that 27%. So, I am saying it is more of trading business the percentage will keep coming down because the contribution of trading top line is higher as compared to EBITDA, EBITDA there is about 10%. So, this percentage will go down once we are looking at it how the absolute EBITDA going up. So, from last quarter Rs. 21 crores of EBITDA we went to Rs. 24 crore of EBITDA with similar 3 PL business with the 5 PL services. So, we are looking at that as an objective and EBITDA in terms of absolute numbers keeps going up.

Rohit: Any thoughts on the comfortable debt equity for comfortable debt that you will be peaking out?

Sunil Nair: When we do this expansion of Kolkata and other two, three expansion we would be doing around75-25 debt equity.

Ishaan Gupta: At the same time we are also repaying a debt as and when they are due hence Snowman will follow similar strategy which we follow in gateway that net debt to EBITDA will keep it as not more than one maximum 1.2 going ahead as these new projects come in.

Rohit: In terms of rupee crores what is the debt which is there at the end of half year?

Balakrishna N: Rs. 114 crore.

Rohit: Rs. 114 crores is it?

Balakrishna N: Yes, it is a gross debt & net debt is Rs. 94 crores.

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

Ruchita: Questions that I had, one was on the growth part, so the prior participant mentioned that you are expecting a growth of 30%, so is it guidance for this year or the coming two years the guidance that you had given?

Sunil Nair: This was 25% projection as compared to last year versus this financial year budget and on a YTD basis we are at 44% now. So, you are suggesting that whether you would like to revise your numbers for the rest of the year.

Ruchita: Right now the run rate has increased so considering that would you like to change the guidance everything as such?

Ishaan Gupta: We will be changing the guidance, but not at this point because this new business has been very recent only in the last quarter and we are seeing traction now, we will be building more customers. So, right now we would not feel comfortable putting a number to it, but we will share with everyone once we have done an internal calculation.

Ruchita: And will we be able to maintain this top line growth in the coming two to three years like a 20%, 25% growth?

Ishaan Gupta: In fact we are quite confident that it will be higher than that at the top line again because we will be adding on and building on to this 5 PL business in a big way and then with the other expansions the traditional 3 PL modern will also continue growing.

Ruchita: And on the 5 PL that you started I missed on the point so what is the risk involved in this business?

Sunil Nair: See in general when someone does a 5 PL service and holds the inventory on behalf of customers the risk of over inventory is there always. In case of food products, the risk of expiry is there, but so far with all the efforts that we are dealing with we have back-to-back arrangement where the procurement is done against the projection given by any customer and if they do not stop as per their projection the responsibility of expiry is with them. So, far we have protected ourselves from the risk, but as we move forward and then we start growing we will have to revisit the whole arrangement and see how we can derisk ourselves.

Ruchita: So, sir my understanding is right the inventory that you buy, so is the end consumer if they do not buy it you will have to bear the expenses?

Sunil Nair: That is general thing as of now. The three accounts that we have is they have to buy it compulsorily as per the projections.

Ruchita: And right now for the EBITDA margin are at around 21% which I understand because it is a new business that you started with, so this 21% is a sustainable or it will fall further?

Sunil Nair: So, if the distribution business goes up where the inventory is in our books the percentage may go down, but in absolute terms it will look much better.

Ruchita: So, any range that you can suggest for these EBITDA margin like below a certain point that would not fall anything like that if you could just throw some light on that?

Sunil Nair: See basically it will depend on the mix of warehousing, transportation and the distribution business. Our warehousing business today is at around 35% to 37% it will remain at that percent or do slightly better. Our transportation is around 6% to 7% it will remain at that 6% to 7% it will not go down. Distribution business is at 10% we will have to see at EBITDA level distribution business is at 5%, if that contribution in the overall revenue increases, then it will pull down the overall percentage average, but from an individual line item they will all do same or better. So, it will depend on completely the mix that comes in further quarters which will drive the blended percentage.

Moderator: Thank you. The next question is from the line of Kushagra Bhattar from Old Bridge Capital. Please go ahead.

Kushagra Bhattar: Just two questions. one. last time you sort of mentioned that for the overall industry the demand supply dynamics is in your favor and hence there are 5% to 6% price increases, I just want to pick your thoughts as to how is the situation now are there more capacities coming in, more capital changing the sector or broad color will be helpful over there?

Sunil Nair: The situation is more or less same with an increase of 12% to 15% volume from our customer side if we see a comparable capacity increase in the country, it has not been much just couple of facilities are being built as of now. So, the situation continues. We have commanded a 5.5%

price increase this year and as we start negotiating from Jan onwards we are hopeful that similar price increase we will be able to get in the next year also.

Kushagra Bhattar: And last one so basically in a lease versus fully owned model let us say you earned around 1,400 revenue per pallet on an average on an aggregate basis, so on that what would be the component of lease which probably because you will not own the assets which will expand your ROC, but there will be cash outflow in the form of lease rental, so just trying to get a sense on Rs. 1,400 revenue per pallet what would be an equivalent per pallet lease also on that broadly?

Sunil Nair: The yield per pallet is same irrespective of whether it is owned or lease because the quality of warehouse and services are same. So, from revenue point of view they are same. Mostly the lease was dry warehouses. So, if you categorize frozen, chilled and dry if you make three categories then frozen typically would be somewhere around Rs. 1,650 to1,700 for pallet, chilled would be somewhere around 1,200 to 1,300 per pallet and dry would be somewhere around 750 to 800. So, dry is what we are leasing most of the cases, frozen is mostly almost 97%, 98% in our own warehouses.

Kushagra Bhattar: So, on that 600 what would be the component of leases I mean around 10% of it, 12%, 15%?

Sunil Nair: No, you are saying that dry percentage and Rs. 600 is my rental revenue. You are saying out of that how much is the rental paid to the landlord.

Kushagra Bhattar: Yes so I am just trying to compare because you would not be doing the CAPEX for owning the assets, there will be certain outflows in the form of rentals and the leases, so just trying to figure out what would be as a percentage of your revenue per pallet?

Sunil Nair: Average around 25% is the lease rental.

Moderator: Thank you. Ladies and gentlemen that was the last question. On behalf of Snowman Logistics Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.

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For further information, please contact:

Kiran George Snowman Logistics investorrelations@snowman.in +91 80 6769 3700	**Anvita Raghuram / Vinay Singh** Churchgate Partners snowman@churchgatepartners.com +91 22 6169 5988

Note: This transcript has been edited to improve readability

Regd. Office: Plot No. M-8, Taloja Industrial Area, MIDC, Raigad, Navi Mumbai Mumbai Raigarh MH 410206, India
Web: www.snowman.in