

“Gateway Distriparks Limited and Snowman  
Logistics Limited  
Q4 FY2021 Earnings Conference Call”  
April 27, 2021



**Disclaimer:**

This document is subject to errors and may or may not contain words which have been included / omitted due to human error while transcribing the conference call. Any and all information should be verified with the company by the reader.

**MANAGEMENT: MR. PREM KISHAN GUPTA – CHAIRMAN AND  
MANAGING DIRECTOR – GATEWAY DISTRI PARKS  
LIMITED  
MR. ISHAAN GUPTA – JOINT MANAGING DIRECTOR –  
GATEWAY DISTRI PARKS LIMITED  
MR. SAMVID GUPTA – JOINT MANAGING DIRECTOR –  
GATEWAY RAIL FREIGHT LIMITED  
MR. SACHIN BHANUSHALI – DIRECTOR AND CHIEF  
EXECUTIVE OFFICER - GATEWAY RAIL FREIGHT  
LIMITED  
MR. SANDEEP KUMAR SHAW – CHIEF FINANCIAL  
OFFICER - GATEWAY DISTRI PARKS LIMITED  
MR. MANOJ SINGH – SENIOR VICE PRESIDENT -  
GATEWAY DISTRI PARKS LIMITED  
MR. NANDAN CHOPRA – CHIEF FINANCIAL OFFICER  
AND COMPANY SECRETARY - GATEWAY RAIL FREIGHT  
LIMITED  
MR. SUNIL NAIR –DIRECTOR AND CHIEF EXECUTIVE  
OFFICER - SNOWMAN LOGISTICS LIMITED  
MR. A.M SUNDAR – CHIEF FINANCIAL OFFICER -  
SNOWMAN LOGISTICS LIMITED**

**Moderator:**

Good evening ladies and gentlemen and a very warm welcome to the Gateway Distriparks Limited Q4 FY2021 Earnings Conference Call. We have with us today on the call, Mr. Prem Kishan Gupta – Chairman and Managing Director, Gateway Distriparks Limited; Mr. Ishaan Gupta – Joint Managing Director, Gateway Distriparks Limited; Mr. Samvid Gupta – Joint Managing Director, Gateway Rail Freight Limited, Mr. Sachin Bhanushali – Director and CEO, Gateway Rail Freight Limited; Mr. Sandeep Kumar Shaw – CFO Gateway Distriparks Limited; Mr. Manoj Singh – Senior Vice President, Gateway Distriparks Limited; Mr. Nandan Chopra – CFO and Company Secretary, Gateway Rail Freight Limited; Mr. Sunil Nair – Director and CEO, Snowman Logistics Limited and Mr. A.M Sundar – CFO, 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 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 “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prem Kishan Gupta. Thank you and over to you Mr. Gupta!

**Prem Kishan Gupta:**

Thank you. Good evening and a warm welcome to all the participants to the post results earnings call of Gateway Group. I hope everyone of you are safe and are taking all the precautionary measures considering second wave of COVID-19. We have uploaded our results, press release, and presentation on stock exchanges as well as company website. I hope you had an opportunity to go through the same.

Considering the state of the economy during the last financial year, which we have just closed our performance was good, we have also utilized this period to strengthen our balance sheet and have reduced our net debt by Rs.237 Crores to Rs.443 Crores as compared to Rs. 681 Crores in March 2020. The strengthening of balance sheet has enabled us to speed up our next round of capex and capitalizing the growth opportunities. With the inauguration of Rewari - Madar section of Western Dedicated Freight Corridor in January 2021 we have experienced an improvement in operating efficiency, WDFC which is the Western Dedicated Freight Corridor can bring in for a leader leading integrated intermodal logistics facilitator like us who have its ICDs strategically located to WDFC alignment. We expect that all the sections of the WDFC should be completed by end of calendar year 2021 or early 2022. We have also initiated corporate structure reorganization during the year, which will help us bringing further operating synergies and efficiencies for the group. SEBI and stock exchanges approval have come in and the NCLT proceedings have started. With the sustained improvement in performance for last few quarters the cash flows are healthy

and the Board of Directors have approved Rs.5 per share as first interim dividend for FY2022.

Here I would like to add further you know that during the last year we performed well in spite of the COVID-related issues and we have come out strongly from that and we are now prepared to service the industry through the second wave and in April the volumes are good enough and going forward we still have a visibility of both in export and import directions, barring if something does not improve on the COVID situation we are prepared with all our warehousing facilities, all our container yards and domestic containers in both rail and road capabilities and all of these activities coming in essential services, we are there for servicing even though this COVID situation in the last two weeks have reached a alarming situation. In Snowman Logistics we have had good results and the new e-commerce vertical of the company is growing very fast. Our new projects at Siliguri and Coimbatore are under construction and capacity is being expanded at our current facilities of Mumbai and Krishnapatnam. We have plans to take our capacity to 2,00,000 pellets in the next three years where capex of roughly Rs.400 Crores, which will be fresh equity as well as internal accruals. With this I will now hand the floor for questions and answers session. Feel free to ask anything and the entire management is there to answer your questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Atul Tiwari from Citigroup. Please go ahead.

**Atul Tiwari:** Congratulations on very good set of numbers. Sir my question is on EBITDA per TEU so you are especially in the rail business, so your EBITDA per TEU has been very strong almost now Rs.10000 so how should I think about these numbers is it the new normal or is there some kind of one-off efficiency gain, etc., there which can go back?

**Sachin Bhanushali:** Good afternoon to you, thank you, very pertinent observation. Quickly two things there is that the improvement in EBITDA is primarily driven by the volumes of Q3, Q4, which have been very robust as compared to our previous average numbers, this is driven by both improvement in exports as well as increase in appetite for imports in India. It has also resulted into reduction in the imbalance between imports and exports. There is a limited window availability of a rebate, which has been given by Indian Railways up to April 30, 2021, which includes 5% rebate on laden rail haulage charges and 25% rebate on the empty wagons and empty container haulage charges, which have contributed in part to this. The primary dissection of this number would give you basically three level advantage, reduction in imbalance, increase in the double stack as a part of the total volume of business done and third is operating leverage on account of higher volumes in Q3 and Q4 where the number has actually got concentrated. So a part of it is new normal I think and part of it needs to be discounted in view of withdrawal of the 5% and 25% rebate being given by Indian Railways on laden and empty haulage charges is likely to get withdrawn from May 1, 2021

though we are trying very hard that in the interest of the health of the industry this should continue for at least one more year up to end of the current fiscal. We are hopeful that we should be able to get the benefit extended at least by six months initially, but we will know it only closer to the withdrawal date and as of now we cannot speculate on the basis of that. So if you look at the per TEU EBITDA number I would suggest you to water it down a little bit in the event of this benefit having been withdrawn. So going forward two things which are going to drive is going to be total volume in a quarter the entire year and if we consider H2 as a new normal as far as import, export into India is concerned wherein we have been able to increase our market share in NCR market by 11% and we have actually ceded ground to competition in Ludhiana business where the models were quite compressed, this has also resulted into improvement in per TEU margin if this continues and if we have a normal GDP projecting growth, which at present may be seems a little questionable in view of the second wave of COVID numbers then we should be able to maintain say somewhere around Rs.8000 per TEU going forward.

**Atul Tiwari:** So if these results go away but the volume sustain roughly the new numbers would be Rs. 8000 in that?

**Sachin Bhanushali:** That is right.

**Atul Tiwari:** Just the last one, did we book any SEIS income either in rail business or CFS business in FY2021 and if something pending?

**Sachin Bhanushali:** No there is no SEIS income which has not booked in the current fiscal period.

**Atul Tiwari:** So but if some part pending to be received or it is done and nothing will be received in either of the businesses going on?

**Sachin Bhanushali:** As far as the rail business is concerned out of the window of five years we have received it for three years and after that the issue whether we are entitled to it for rail transportation or not has been raised by the office of the Additional Directorate General of Foreign Trade, which has been contested and which we believe we are on the right side not only of the law, but we should be able to state our claim rightfully to that money going forward even if it means going by way of litigation. The balance two years the benefit would be considered only on the basis of actual receipt of the money not on the basis of accruals and we are quite in readiness as far as our applications are concerned we are yet to file these applications, so three out of five years we have received two out of these five years is still with a question mark on it, a part of that we are certain we will get the rail transportation part of it.

**Atul Tiwari:** Great thanks a lot and congrats again on very strong set of numbers.

**Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Congratulations for the great performance. My first question is with respect to volumes in the opening remarks Mr. Gupta indicated there is a better volume visibility now, so my question is since COVID wave could have an impact on the volume momentum is there any risk to that and number two was there any impact with respect to Suez Canal issue on the container volumes for the industry as well as us in the quarter gone by?

**Prem Kishan Gupta:** What has happened is as far as Suez Canal is concerned there were some ships, which were rerouted and there were some ships, which were held back, now slowly and gradually they are arriving in the ports, so whereas the CFS or the ICD a little drop in the month of April will be compensated as there will be more volumes in the month of May. If the COVID situation effect prolongs then there is a reason for worry, but as of now the pipeline that we have in both in imports and exports is quite good, it will drop if the manufacturing activity goes down in the near, so both exports and imports will suffer but I think whatever is ready is being exported and whatever is in pipeline will arrive in India after June, so from that point of view the first quarter we can say for the great certainty that volumes will be there, but if these lockdowns and the COVID situation escalates then going forward it will be a tough time for everyone not only for Gateway, but the entire industry and the country will suffer on that account.

**Achal Lohade:** What has been the capacity utilization for Garhi Harsaru, and Ludhiana and Faridabad terminal for FY2021 as a whole?

**Sachin Bhanushali:** Let us look at each terminal individually. Garhi Harsaru we did 106,000 TEUs with our capacity of roughly let us say about 200,000 TEUs so we are operating at about 52% of the terminal capacity. Ludhiana we did about 72,750 where our average capacity, which is installed capacity as of now, would be on the order of about 150,000 so there also we are operating at about 50%. Faridabad terminal we did 43,000 TEUs with a capacity of about 60,000 already established so there our utilization is slightly higher 71%. On the whole if we look at our rail transportation capacity then we have operated roughly at about 90% of the capacity because for a large part of Q1 and Q2 we had to mothball our capacity by stabling our trains because there was a sudden drop in exports initially later on imports and some kind of balancing took place in Q1 first three months and Q2 the first month so April, May, June, July we had surplus capacity so that is why the rail capacity utilization across the year would be of the order of about 90%.

**Achal Lohade:** But post that it is close to that?

**Ishaan Gupta:** Just want to add one point to what Sachin said that our terminal capacity is in fact in our control in the sense that in order to have the presence at these locations one has to buy the land before, so we invested with a view in mind that we will only develop as and when the capacity goes up because you cannot buy land in the future. So the capacity Sachin is mentioning is only the installed capacity we have undeveloped land also and the installed capacity it is not capex intensive it is only laying of building the warehouses, so we do that as and when we see the business there. So especially with WDFC in mind we are keeping a close eye of when will section start and when our volumes will grow that is the time when we will further increase our installed capacity for the terminal side.

**Achal Lohade:** That is helpful thank you so much Ishaan. Another question I had is in terms of the market share you talked about 11%-point improvement in market share just wanted to get for the full year FY2021 what has been the market share for each of the terminal or the pocket as you indicating fully Sir?

**Sachin Bhanushali:** So in the interest of time I will give you the gross numbers here, Gateway Rail NCR volumes were 150,000 TEUs this year as compared to 135,000 TEUs last year so that is roughly 11% improvement in our NCR business, as far as the terminal wise numbers I will give those to you offline after the conference.

**Achal Lohade:** Sure, that is helpful Sir and just one last question on the DFC clarification on that so you are mentioning that the entire stretch of DFC, which you mean JNPT, which will get connected by in CY2021 or just the port Gujarat State you are indicating Sir?

**Sachin Bhanushali:** No, as of now we are talking only about Rewari to Palanpur DFC, in fact the dedicated freight corridor phase III, which is from Vadodara to Nhava Sheva is not even being discussed because there are lot of ifs and buts there as far as land acquisition and completion of that project is concerned, so what Mr. Gupta mentioned was essentially only Rewari to Palanpur.

**Achal Lohade:** Accordingly the ports also get connected by time?

**Sachin Bhanushali:** The port will be connected by only feeder routes so the dedicated freight corridor capability of running 25 tonne axle load at 100 kilometers per hour if approved by RDSO will available only on the front between Rewari to Palanpur beyond Palanpur it is old infrastructure, which is undergoing improvement track structure to bring the capacity to transport from 23 tonne axle load to 25 tonne axle load, which is going to take some time, conversion of single line into double line across the entire section from Palanpur via Samakhiali to Mundra port via Gandhidham, which is also underway, which may take another year and electrification of that route, which is also likely to be over only by March 2022 so even if the dedicated freight corridor becomes fully operational we will not have

the advantage of operating on dedicated freight corridor on the entire stretch between Garhi Harsaru to Mundra port it will be available only between Garhi Harsaru to Palanpur.

- Achal Lohade:** Got it this is helpful Sir. Thank you all the best. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.
- Prateek Kumar:** My first question is we have mentioned in our press release that in both segments CFS and Rail we did like record volumes CFS at around 34,000 TEUs, rail is at 26,000, just to quantify we should expect a similar number like in April like record number and like in overall IQ we should remain stable that is what we have mentioned right?
- Prem Kishan Gupta:** See let us now take one month April because one is this Suez Canal delays so let us talk about the whole quarter. So for the first quarter that is the current quarter what we have received and what is in pipeline and pendency at the ports where ICDs it is quite encouraging in a sense that irrespective of the COVID situation these volumes will go out in case of exports and will come in as imports. Going forward as I said in my opening remarks that all depending on running of the industries in India and as well as so that some of the industries are also dependent on the import component not only for automobile but many industries have users, raw material, consumables which are imported and similarly the exports which if the local industry is suffered and this is not manufactured for any reason then only we can see some drop going forward, but this quarter seems to be okay.
- Prateek Kumar:** I was saying that we have started operating on a small route of DFC how is the efficiency there versus our normal route railway route, which we were running on, secondly how is the speed of train changed in Q4 versus Q3 in terms of overall operations?
- Sachin Bhanushali:** Prateek it needs to be taken with a little pinch of salt because though the dedicated freight corridor was inaugurated on January 7, 2021 by running the python formation of CONCOR and Gateway Rail train, all the traffic have not shifted to dedicated freight corridor yet because a large amount of signal and telecom work, which is necessary for smooth operation of train services during daylight and nighttime is yet to be completed even on the Ateli-Madar section. So as of now there are only four pairs, which are being operated in either direction only during daytime and it is not all trains of a particular operator are getting operated on dedicated freight corridor so from a speed of trains point of view we have not seen any improvement over Q1, Q2, Q3 the reason for that being Q1, Q2, Q3 also did not have a competition from the passenger services on the conventional network wherein an average run time between Mundra Port and Garhi Harsaru had already come down from 66 hours to say about 40 hours and currently we are operating say somewhere around 44 to 48 hours of run time for Mundra Port and Pipavav port respectively this will



continue until the Palanpur section gets commissioned and Palanpur-Rewari section in either direction is used for operating all trains only then the true benefit will start coming in, so I think it is still a few months away and there is not a great visibility as far as our interaction with the dedicated freight corridor as far as it is concerned number one, number two is that the picture has further got obfuscated on account of the COVID cases rising second time around the second wave resulting into practically all work on dedicated freight corridor having come to a stop currently.

**Prateek Kumar:** But based on last guidance, December 2021 looks positive for at least Palanpur route?

**Sachin Bhanushali:** Yes, we are hopeful that by December shifting of all business so let us say from a say declaring it open point of view we may see an event, which will result into inauguration of the Palanpur-Madar section taking place they already run train in one direction whereas in the other direction the work is yet to be completed so all that may happen, but for the entire traffic to be operated on the dedicated freight corridor between Rewari to Palanpur I think we will have to wait until December 2021 if not March 2022.

**Prateek Kumar:** One question on QIP of Snowman Logistics where are we in the process and when are we expected to complete the fund raise?

**Ishaan Gupta:** We have some of our investors who are interested but at the same time due to the second wave and onset of COVID there was a lot of fluctuations so the process is taking longer, so we are still expecting to close this soon and amount that we are looking at is going to be around Rs. 200 to 250 Crores, so like we mentioned earlier our capex plan, which we are going forward, which is for a total of Rs. 400 Crores for bringing a value capacity to 200,000 in the next three years and that Rs. 200 Crores will be partly from the fresh equity and the rest would be through our internal accruals itself, which we are very confident that the need would be met so the idea is to expand in locations where either we are not present or where our customers are even though there is a strong pull coming from our customers to expand capacity, at the same time we have started this dedicated warehouse business creating fulfillment centers so e-commerce companies mainly Amazon, which is a very high margin business and that can be scaled up quite quickly because we are leasing existing driver or even converting them and the third thing is that in the pharma side we are seeing a lot of this so keeping COVID distribution aside which we have started in a small way right now because major chunk is expected only in a couple of months when full private distribution in this import starting efforts, which are going to covert to domestic manufacturing later, but if you keep that aside also other products in the pharma business have really picked up and people are looking for the organized sector to transport various things like blood plasma, other different vaccines, APIs, bulk drugs, so all of that, so that is also part of the capex plan.

**Prateek Kumar:** Thanks I will get back.

**Moderator:** Thank you. The next question is from the line of Parimal Mithani from Credential Investments. Please go ahead.

**Parimal Mithani:** This is related to Snowman Logistics Sir. I just wanted to know why the transport verticals showing loss since last few quarters and secondly in terms of the vaccine distribution currently for which states you are distributing?

**Sunil Nair:** Our transportation has been showing loss for last one year because of the increasing fuel cost and we could not pass on everything to our customers and also with the restrictions so that started from last March lots of vehicles who are not able to move because the overall movement of goods were restricted other than the essentials, so in the month of April, May, June almost 50% of the fleet were idle, so there has been a lot of downtime because of that and that is the main reason why it is showing a negative result, but at EBITDA level we have still maintained in the last two quarters and for the further expansions we have now come up with a technology platform where we are aggregating the market vehicles from various small vendors and offering an end-to-end solution to our customers, so that is helping us a little bit of derisking at the same time it is benefiting the customers as well as the vendors who as of now is not getting adequate business and we are able to help them out. So that is for the transportation I am sorry I forgot your second question.

**Parimal Mithani:** The second question was in terms of the vaccine distribution for the COVID have you tied up with any FDCs or you are not yet in the process of it?

**Sunil Nair:** So as of now vaccine distribution is happening in a very, very small volume and as of now there are only two vaccines, which are being distributed Covishield and Covaxin and they are mostly going by air, so whatever to the airport and from the airport there we are playing some roles, this is typically tie-ups with the state governments and some movements within the state also is something which we have done. We hope that once this is made open as it is announced now and once other brands also come in and start distributing in the country there should be a lot of volume and that is when we actually play a role in terms of storing and transporting whether it is imported vaccines or it is something which is manufactured in India so the bulk requirement, bulk demand has to be there and bulk supply has to be there for companies like us to play some role and we hope that by mid of May there should be some such volumes starting.

**Parimal Mithani:** Any queries regarding that?

**Sunil Nair:** Queries?

- Parimal Mithani:** Any queries currently on that front Sir?
- Sunil Nair:** So we are discussing with lot of manufacturing companies the brands which are already there wants to enter India basis the permissions and the pricing so we have already developed two model one model if they manufacture in India how the distribution should happen to every nook and corner of the country and if they import to begin with they would like to import and by the time they organize the production so how that should take place, so we are in advanced stage of discussion with some of them, yes.
- Parimal Mithani:** Question is mainly this Rs. 250 Crores is towards the Snowman Logistics if I understand correctly and how do you plan to utilize this going ahead because I think in capacity wise you are sufficiently covered if I am not mistaken?
- Sunil Nair:** No, so see we are present at 15 locations now and in the next few months we will be in 17 locations out of this 10 locations are 100% utilized and even to take care of the organic growth of our existing customers who are there in these 10 locations we have to expand, so there has be investment in terms of the capacity creation not only that our top verticals like pharma, which is our focus as of now and e-commerce are growing at the rate of 20%, 25% CAGR and the other verticals like Ice Cream and QSR also is growing at 15% CAGR, so we have to create capacities to tap that business and so that is what we are creating this fund for.
- Parimal Mithani:** Thanks for answers. Thank you.
- Moderator:** Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.
- Ankur Periwal:** Congratulations for good set of numbers. Sir a few questions on the rail as well as on the CFS side, so starting with the rail obviously margin expansion has been pretty encouraging but just wanted your sense on the overall competitive intensity given that CONCOR had already taken a short increase at TKD and have we taken a parallel increase on our realization because if I look at our blended realization this quarter broadly looks largely intact and is there any volume led benefit there because of this pricing differential?
- Sachin Bhanushali:** Thanks for your questions and a very pertinent observation. The increase which has been taken by CONCOR is primarily driven by the increase in the land license fee that they are going to pay at the Tughlakabad terminal, so I have nothing to say either in defense or otherwise of that, but the market largely has stayed away from a similar increase in price because it is both not warranted as well as it is an opportunity to improve a competitive advantage in favor of the private operators. So we are seeing largely unreacted space as far as this new additional levy is concerned and as we mentioned in our remarks the growth of

11.1% in NCR market is primarily driven by this advantage while the NCR market itself has shrunk by 5% during this period. So we would like to keep that and on a per TEU basis our performance has been I would say reasonably shown not only reasonable improvement but has shown stability across Q2, Q3, Q4, so from a competitive intensity point of view two observations one is that we have seen from price action by CONCOR in NCR market and at the same time the overall numbers addressed by the industry particularly in Punjab, North India including NCR is concerned since there is a good demand the surplus of supply over demand has not driven the prices down, so there is no more a great competition to reduce prices by giving more discount to customers, so that is where we stand as far as the competitive intensity is concerned. I hope that addresses what you had asked for.

**Ankur Periwal:** Sure Sir. If I got you right no further increase in competitive intensity especially Ludhiana and in NCR because of the pricing differential there is a volume gain for us, but what will be the broad let us say apple-to-apple pricing differential now between let us say you and CONCOR may be TKD Mundra versus Garhi Mundra?

**Sachin Bhanushali:** Okay so the differentials primarily are in import direction we would not compare export direction. Import direction the differentials does not actually get translated in the same numbers as import freight charged by us to the shipping line or by containers corporation to shipping line because what the customer ends up paying is what the shipping lines charge them by way of inland haulage charges, which is an all inclusive price and that is where all locations except Tughlakabad in NCR have always had a marginal to a greater advantage vis-à-vis CONCOR, but because CONCOR has been an old facility and it is easier to get cargo claims to customs processes there, which are not as intense as other locations. Tughlakabad has been attracting lot of cargo, so the competition is not play in price competitions it is beyond that and that continues even after the increase of Rs.5000 per TEU has been taken by CONCOR.

**Ankur Periwal:** Sir second on the CFS side, now I am referring the last two quarters wherein the margins have probably more stabilized and even from a volume perspective, so what is your thought there because historically we have seen the impact of DPD there on our volumes as well as realizations, in the first half there was a benefit of higher dwell time there because of which the margin sort of shorter, but now things are normalizing, do we expect Q4 volumes as a base case volumes there or probably it is still sometime for further volume growth here and also another question related to it is Punjab Conware any thought there because the facility will be coming up for renewal so any thoughts on both volume as well as on the margins profile

**Samvid Gupta:** So somewhere Q3 and Q4 would be good volumes, March are exceptionally higher volumes slightly, but overall we are looking at around say 30,000 to 32,000 per month in the CFS business, margins have stabilized it is about 2,900 to 3,000 per TEU EBITDA that

is an improvement over last year, this is mainly due to increase in products like we are also adding value added service and last mile transportation is something that we are focusing on now and also doing more focus on LCL cargo, which is higher revenue margin for us. On DPD it has been at around 50% for the last two years now and we do not see it is growing further and Punjab Conware you have mentioned so we are waiting for the tenders from the government so our current contract, which is February 2022 when the tender comes out we will be participating in that.

**Ankur Periwal:** Sure that is helpful and if I may squeeze in one more. Just on the rail side, we had earlier plans of expanding into satellite terminals, but last FY2021 has been largely a COVID impacted year and now given our balance sheet also is in a good condition as well as the overall profitability, etc., improvement is also there across the board any thought there or any timelines which you like to share? Thank you.

**Ishaan Gupta:** Yes, we were saying that in the rail business that is the area where we want to expand and where we are in line to along the western dedicated freight corridor have satellite terminals which feed into existing network, which will give us a competitive advantage as compared to people without hub and spoke that they will have to service the ports directly from those locations, so currently what we estimate we have a plan of roughly Rs. 200 Crores in the current financial year for expanding into the NCR region and going ahead we will plan based on the final National Logistics Policy, which is expected anytime, the draft is already circulated and based on that policy we will strategize and then choose our next locations and accordingly figure out how much capex we need to do.

**Ankur Periwal:** Just one clarification on this you mentioned Rs. 200 Crores FY2022 this will be for two satellite terminals, which will be connecting to NCR?

**Prem Kishan Gupta:** Ankur just to make clear we were looking for the National Logistics Policy, in the meantime there are some acquisition opportunities so we are looking at some more acquisitions this year, which will be in the range of say Rs. 125 or Rs. 150 to Rs. 200 Crores and then depending on the national logistics policy we will be decide on the location because there are some concerns for new ICD locations, which we have taken up with the government so when it comes in the final shape then only we can decide on the location.

**Ankur Periwal:** That is helpful Mr. Gupta. Thank you and all the best, thanks.

**Moderator:** Thank you. The next question is from the line of Nitin Shakhder from Green Capital Single Family Office. Please go ahead.

**Nitin Shakhder:** My question pertains to transportation services in relation to vaccine and plasma, now you mentioned before in the snapshot I just like to go ahead deeper into it, is the tie-up only

related to Bharat Biotech and Covaxin distribution or it is also related to Covishield and Serum Institute tie-ups and my second part is, is it also going to be the company look at opportunities like oxygen concentrators and distribution of that through logistics, if you could just talk a little bit more about the vaccines rollout and the demand uptake on that?

**Ishaan Gupta:**

Firstly I would just like to point out that unfortunately we would not be in a position to give you all the information because we have certain confidentiality agreements, which we have to adhere by with the manufacturers and the government, but we share with you what we can at this stage. So currently we are working with both the government and the manufacturers, in some instances for example Tamil Nadu and Punjab it is through to state government and there we are doing distribution of whichever vaccine they want us to distribute. Apart from that we have tied-up with all the manufacturers whether it is domestic or imported we are in advanced stage of talks with many of them and we already do business with many of them for other products. Now there will be two aspects to this, one is the current domestic distribution so there we are doing from the airport and to the airport for multiple cities for example in Delhi we are doing it or Chandigarh, Kolkata a few others. Then on top of that there will be now import requirement they combined with between Gateway and Snowman we can give end-to-end solutions and that is what we are discussing with the manufacturers. Most of them have long-term plans of manufacturing in India either at their own plant or through partner plant, but until we do that we will be importing something, so we will be handling end-to-end from the import arrival to the distribution to the end center.

**Nitin Shakhder:**

My second question was I could have missed this out, but post January at least on the exchange intimations I could not see anything on the buyback after this is there anything that I am missing out and where are we exactly on that process and if you could just highlight that I seemed to have lost the track on that?

**Ishaan Gupta:**

There is no buyback in any of our group companies.

**Nitin Shakhder:**

One on snowman logistics announced?

**Ishaan Gupta:**

There was QIP, which we are under the process but there is no buyback.

**Nitin Shakhder:**

Okay thank you so much for clarification. Thank you all the best.

**Moderator:**

Thank you. The next question is from the line of Krupashankar NJ from Spark Capital. Please go ahead.

**Krupashankar NJ:** Most of my questions have been answered. I just had one question on the DFC part just wanted to understand the DFC connectivity to the Pipavav port is it estimated to be earlier than the Mundra connectivity?

**Sachin Bhanushali:** So the connectivity is not going to be port specific it is like a bypass surgery only between Rewari and Palanpur where the conventional tracks beyond Palanpur when it goes to Viramgam, when it goes to Pipavav it is Palanpur, Viramgam, Surendra Nagar into Pipavav port continues to be the same part of it is double line part of it is single line will get converted into electric traction but will never probably be upgraded to 25 ton axle load because the kind of volume that is carried on that route does not warrant that kind of additional investment. The branching takes place at Palanpur the Mundra port route also includes partly double stack partly single stack existing diesel load, which is getting converted into entirely double line up to Gandhidham with electrification, which is going to take about a year or so. So it is not correct to say whether any port will get the dedicated freight corridor connectivity first or later, all the trains, which are going to run to Mundra Port and Pipavav Port from NCR, will be operated on dedicated freight corridor in both the direction once it is commissioned fully between the Rewari and Palanpur.

**Krupashankar NJ:** Yes Sir but just one thing, which I wanted to get clarified is that I think in the previous conference call it was mentioned that the infrastructure upgrade, which is happening on the Palanpur to Pipavav is happening faster than the Palanpur to Mundra section which is why perhaps the commissioning to the Pipavav port might be faster?

Sachin Bhanushali Probably I have not been able to express myself completely in our earlier call. The quantum of conversion of single line into double line is much less because the entire section is not going to get converted into double line on the Pipavav route whereas in case of Mundra route the work which is required to be done of converting single line into double line is much higher number one, number two is that electrification of Pipavav route is almost complete whereas electrification of Mundra route is not yet complete and the upgradation part is likely to take place only on Mundra port and that is the reason why Mundra port complete upgradation to the feeder route level matching that of dedicated freight corridor is going to take longer but that is not going to result in to any impediment of operating the double stack train on the current platform of modified BLC wagons with carrying capacity of up to 68 tonnes will continue to be unhampered even without the dedicated freight corridor.

**Krupashankar NJ:** That is very helpful Sir. My second question was on capex side you did mention about Rs. 200 Crores for the satellite terminal can we expect any additional maintenance capex or major capex in the CFS side?

**Samvid Gupta:** On the CFS side we do not really need much maintenance capex may be just some replacement of vehicles, but that could be under Rs. 5 Crores the total capex for the next year.

**Krupashankar NJ:** On the rail side the maintenance capex that we required?

**Samvid Gupta:** Again not too much except for replacement of vehicles but that is slightly larger so maybe around Rs. 20-30 Crores including the vehicles platform yard work.

**Sachin Bhanushali:** And a few warehousing facilities.

**Ishaan Gupta:** Yes.

**Krupashankar NJ:** So our plan to return rakes based on the operating efficiency which is generated on the DFC on a staggered manner is that plan still on Sir?

**Sachin Bhanushali:** Yes, actually it is not just our plan to return the least trains so we have eight trains taken from GATX and Touax (inaudible) 52:36 and starting year 2021 the end of 2021 calendar we will be able to return one train the plan was to replace existing BLC trains with the BLCS platform, which is a 100 tonne gross weight wagon which is 25 tonne axle load, which will increase our carrying capacity payload capacity from existing 68 tonne limit to 75 tonne, which will again help us in taking more 40 ft container on top of 20 ft containers improving the concentration of saving the freight haulage charges, but as of now the BLCS wagon is not yet available, a few rakes have been bought by some operators those were not commissioned for a period of six months. On April 14, 2021 one train has been operated but it is being operated at a reduced carrying capacity instead of 25 it has been carried at 23 tonnes, which is more or less similar to the 22.9 tonnes, which is carried on modified BLC wagon and is operated at 65 kilometers per hour, which is much less than 100 kilometers per hour which is the modified BLC speed, so at present we do not have any plan of inducting any BLCS wagon in lieu of our modified BLC wagon by way of exchange, the reduction in capacity would also start when over a period of time it gets established that the dedicated freight corridor operations have stabilized and therefore our existing fleet of 31 trains can either do more or to do our existing level of volume will need lesser number of our trains so we will have to wait and see probably we may return one or two trains, but we will make up our mind in terms of timelines both in terms of reduction of the fleet size as well as replacement of modified BLC with BLCS wagon rake only on the basis of our actual experience more playing it by the new ear rather than planning it in advance.

**Krupashankar NJ:** Very helpful. Thanks a lot and all the best sir.



**Moderator:** Thank you. The next question is from the line of Vishal Jajoo from Tycoon Mindset. Please go ahead.

**Vishal Jajoo:** My question is for the Snowman Logistics and Mr. Sunil I just want to get to know how are you looking at the profitability of the business for the near future because since the last four, five years we are EBITDA positive but coming onto the net profit level the debt and the bit of depreciation just taking out to the negative profit or sort of negative loss so how are you looking to improve this side of the business like how are you planning to improve that part and the profitability part of the business?

**Sunil Nair:** When it comes to debt part our net debt is Rs. 40 Crores and the Rs. 70 Crores debt that we had taken for the expansion for last year out of that we have only availed 50% so far, so debt wise I think we are fine. When it comes to the profitability yes there has been a stress primarily because of last one year's COVID and even prior to that there were issues in sea food industry, but with the changes in the business model that we talked about in the earlier questions where our focus is more on e-commerce where typically the capex involvement is less and there is a lot of value add activities and hence our value proposition to the customer is much better and so is our profitability. So one derisking from the regular model and moving into this new thing is something which is helping us and in case of transportation which actually pulls down the profitability of the company we have now started adding a lot of leased vehicles where the overall risk of fleet management is not on us we are responsible for the business generation but not the fleet management and that has helped us a little bit of derisking further and that has an assured profit in that business where the technology platform gives transparency to the vendor as well as to the customers and we are there in-between managing the overall transaction so that is number two and the overall pharma vertical which has a better profitability as compared to some of the other sectors that is the third thing that we are doing, so we realize that three, four years sticking to that model would not work and these are the new things that we are doing. As far as short-term is concerned it is very difficult to commit anything depending on the situation today.

**Vishal Jajoo:** On a longer note with this current situation are we expecting more growth to be coming from that e-commerce side at Amazon and all and are we getting both warehousing and transportation both facilities from the Amazon side and what are the profitability margins we are expecting for the transportation side because our transportation usually get some losses so from the e-commerce side do we expect that our transportation margins will also be improved or only it will be majorly from the warehouse side?

**Sunil Nair:** So in the e-commerce side our responsibility is only to reach it to the hub we do not go and deliver at home so with that thing in mind our warehousing portion is considerably higher than the transport portion so it should be 80:20 ratio and the transportation pricing is quite

clean there and it is completely transparent with respect to fluctuating fuel price so there is a positive margin there.

**Vishal Jajoo:** It will be like we will see a reduction in volatility of that margin side from the transportation as well right?

**Sunil Nair:** Correct yes.

**Vishal Jajoo:** One part from the COVID as well so Sir are we getting currently more traction in the warehousing side or on the transportation side like which you can just give the clarity not exactly numbers side but if you can just give the clarity are we getting more on warehousing side or in the transportation side in the future because the volume has not been increased of COVID as of now so in future are we eyeing more further warehousing side or on the transportation side?

**Sunil Nair:** Since it has to reach the nook and corner of the country both are very important but when it comes to overall revenue mix or the demand mix usually transportation will be higher because this is a high velocity product it would not stay in the warehouse for long and hence the transportation requirements are higher.

**Vishal Jajoo:** As of now are we seeing profits for transportation, are we going in profit or there is like a bit of a profit and loss both going on the same side as per the state-to-state?

**Sunil Nair:** You are talking about COVID vaccine?

**Vishal Jajoo:** Yes for vaccine.

**Sunil Nair:** So we have done very, very small volume because everything is moving by air and there very small 10, 12, 15 boxes so I do not think we can consider that as profit or loss model it is quite negligible volume, so once it starts moving by road then we can.

**Vishal Jajoo:** One data point if you can give right currently what is our e-commerce revenue share out of the total revenue?

**Sunil Nair:** So with our run rate it is at 6% now.

**Vishal Jajoo:** In future what are we expecting for the next three to five years?

**Sunil Nair:** We are expecting 12% this year.

**Vishal Jajoo:** Okay and in future over longer period are you expecting this share to go ahead around 20% to 30% in the next three to five years?

- Sunil Nair:** We expect it to go to 15% to 18% because we will be expanding on other portions also so percentage wise it may remain at 15%, but in terms of the absolute number it will go 100% year-on-year.
- Vishal Jajoo:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.
- Vipul Shah:** Congratulations for good set of numbers. I would like to have your views on the debt trajectory of the consolidated entity over the next two, three years, we are generating reasonably good cash flows so will it be used to pare down the debt or as of mentioned any acquisitions are planned?
- Prem Kishan Gupta:** See as of now if you look at the next two, three years most of our debt will be paid except for the long-term loans for projects and when we acquire something or we build something new we will take on the long-term loans, there will be standard loans from the banks and not something like NCDs, which we raised for the acquisition of Blackstone shares.
- Ishaan Gupta:** So if you talk about the NCDs we have a very comfortable repayment schedule now, but even that we are planning to prepay if you are seeing our track record from the Rs. 550 Crores that we raised of NCDs except for Rs. 20 Crores, which we paid on April 7, 2021 on the due date the rest of it we have prepaid quite in advance and similarly going ahead we want to pay down the debt because of higher cost compared to regular. On projects we will continue to take bank debt whenever we can because those will be at attractive rates are well within our capability of servicing debt.
- Vipul Shah:** How much NCDs are outstanding sir and what is the interest rate they carry?
- Ishaan Gupta:** Rs. 280 Crores is outstanding out of Rs. 550 Crores, the interest rate of 11.5% with a repayment schedule of Rs. 50 Crores per year from next year.
- Vipul Shah:** But you have the option to prepay if we get the cash flow?
- Prem Kishan Gupta:** Yes we will have some options to prepay next year not this year, this year we try to prepay it but NCD holders did not agree so that is why there was cash surplus in the company and we have declared a dividend of Rs.5 today.
- Ishaan Gupta:** Our philosophy has been to be very conservative on the debt side and the reason why we took these NCDs was for gaining 100% or close to 100% of our Gateway Rail subsidiary and the benefits of that we can see from this year results onwards, so we think that we

bought the shares at a good valuation and going ahead only debt which we will be taking it for expansion of other things, so we will always be very comfortable on the debt side.

- Vipul Shah:** Okay sir thank you and all the best for the future.
- Moderator:** Thank you. The next question is from the line of Pranav from I-Wealth Management. Please go ahead.
- Pranav:** I just had two questions; firstly earlier in the call you were telling us that regarding the EBITDA per TEU you said that most of it is sustainable so how much of it would be affected because of the haulage charges and what could be taken as a sustainable number?
- Sachin Bhanushali:** If you refer to my earlier answer I had said that Rs.8000 is a steady state new normal that we can consider, considering that the volume of business will continue to be at Q3, Q4 level and the component of laden haulage charges rebate of 5% is roughly of the order of about Rs.500 per TEU so that is something which we are expecting you will get extended from May 1, 2021 onwards at least for a period of six months, eight months for a year and we are working hard towards that, but if that does not happen then there will be a paring of the reduction of EBITDA margin by that amount, the other components primarily come from higher volume resulting into operating leverage as well as improved trade balance situation to leading to reduce unit cost of underframe running.
- Pranav:** Okay so you are saying that the current Rs. 10,000 has been come down to Rs. 8,000 is the haulage charges, the haulage charges are not going as of what we are going as of now?
- Sachin Bhanushali:** Yes, so I am talking about on an annualized basis if you look at the annualized number is not Rs. 10,000 annualized number is what one needs to keep in mind so the new normal for the annualized number can be considered to be about Rs.8,000.
- Pranav:** Sir just one last question would be in the tax rate sir we have been paying lower tax for the last two quarters so what is the reason and how we look at it?
- Sachin Bhanushali:** Nandan would you like to take it?
- Nandan Chopra:** This is mainly because of the 80IA benefit available to the company. So presently we are being charged at the MAT rate and basically MAT can be carried over to 15 years and after that 80IA period is over this MAT credit will be offsetted again the normal payment of the tax.
- Pranav:** So what would be the tax rate you have been charged?

- Nandan Chopra:** So the MAT is chargeable at 17.5% but the MAT is carried over to the subsequent years to be offsetted when the normal rate of tax rate come into picture.
- Pranav:** So for the whole year it will be around 7.5% is my understanding right?
- Nandan Chopra:** Over 17.5%.
- Samvid Gupta:** We have another 8 years left out of 80IA benefit and then after that the MAT credit can be utilized.
- Pranav:** So this 17.5% will be continued for the next 8 year?
- Samvid Gupta:** Yes.
- Pranav:** Thank you so much.
- Moderator:** Thank you. We take the last question from Preet Nagarsheth from Wealth Finance Advisors. Please go ahead.
- Preet Nagarsheth:** Sir just wanted to better understand the kind of impact that is on the ground in terms of road versus rail, so I think there has been a shift in some business from road to rail so if you can just share some color on how that is playing out and how that could accelerate once the DFCs are in place?
- Sachin Bhanushali:** It is a little complex subject so as far as road versus rail business is concerned the classical distinction is the road to CFS and the rail to ICD business is the vertical split of the intermodal business, which arise at the port is concerned, this is done normally in the import direction, export direction also there is an element of cargo, which goes either in containers or in trucks all the way from northern hinterland into the port, port side CFSs by road and gets converted into containers only in the port side CFSs, over such a longer distance there is always a market place which creates an advantage in favor of a particular mode being undertaken by road. For instance rice exports and yarn exports taking place from lower Punjab areas southern Punjab area into Mundra port have always been going by road on account of shorter transit time, lighter weight as well as imbalance in the transport movement between Gujarat and Punjab. The movement from Gujarat to Punjab is heavier as compared to Punjab to Gujarat has been lighter and that is why as marginal cost many road operators carry this business. Second lever which operates is the shipping lines willingness to bring this cargo in intermodal condition that means in container as condition into the hinterland ICD they bring only as much imports into the hinterland as can be evacuated by them by way of exports so as to improve the earning per TEU as well as reduce their turnaround time so these two things play an important role, but it creates

confidence in the minds of both importer as well as shipping lines if the transit times reduce and transit time settle at a certain level, so service level assurance is something which plays an important role here and that is what is being going to be brought in by the dedicated freight corridor so earlier there used to be a time duration of up to 72 hours without there being any reliability of service so the maxima in case of transportation of containers by rail from drop over Pipavav port into northern hinterland has sometimes been on the order of 220 hours which is almost like 10 days, 9 days this uncertainty will go down on account of capacity generated by dedicated freight corridor and once that kind of confidence sets in both the turnaround time will also come down as well as unique cost of service also will come down and because of that the likelihood of large number of business being handled in CFSs in Mundra port and Pipavav port area particularly Mundra port area is likely to shift into hinterland as ICD business and that is where the double digit growth of the rail transportation business between West Coast port is expected once the dedicated freight corridor from Rewari to Palanpur is fully commissioned in both directions.

**Preet Nagarsheth:** Thank you. Thank you for sharing that.

**Moderator:** Thank you very much ladies and gentlemen that was the last question for today. Participants have missed out due to time constraints they can reach out to the management and SGA. On behalf of Gateway Distriparks Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.