"Gateway Distriparks Limited Q2 FY2021 Earnings Conference Call"

October 29, 2020

MANAGEMENT: MR. PREM KISHAN GUPTA – CHAIRMAN AND MANAGING DIRECTOR – GATEWAY DISTRIPARKS LIMITED

MR. ISHAAN GUPTA – JOINT MANAGING DIRECTOR – GATEWAY DISTRIPARKS LIMITED

MR. SAMVID GUPTA – JOINT MANAGING DIRECTOR –GATEWAY RAIL FREIGHT LIMITED

MR. SACHIN BHANUSHALI – DIRECTOR AND CHIEF EXECUTIVE OFFICER - GATEWAY RAIL FREIGHT LIMITED

MR. SANDEEP KUMAR SHAW – CHIEF FINANCIAL OFFICER - GATEWAY DISTRIPARKS LIMITED

MR. NANDAN CHOPRA – CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY, GATEWAY RAIL FREIGHT LIMITED

MR. SUNIL NAIR –DIRECTOR AND CHIEF EXECUTIVE OFFICER - SNOWMAN LOGISTICS

MR. A.M SUNDAR – CHIEF FINANCIAL OFFICER - SNOWMAN LOGISTICS

Moderator: Good evening ladies and gentlemen and a very warm welcome to the Gateway Distriparks Limited Q2 FY2021 Earnings Conference Call. We have with us today on the call, Mr. Prem Kishan Gupta – Chairman and Managing Director, Mr. Ishaan Gupta – Joint Managing Director, 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. 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, please signal an operator by pressing "*" then "0" on your touchtone telephone. 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 Sir!

Prem Kishan Gupta: Thank you. Good evening and warm welcome to all the participants to the post results earnings call of Gateway Group. I hope everyone had an opportunity to look at our results and press release that is uploaded on our website and stock exchange.

The COVID-19 lockdown led to a sharp fall in freight availability due to the restrictions of production of non-essential goods and shortage of fleet for movement of goods in terms of drivers and consequent spike in truck rentals. With the economy gradually opening up, during unlock phases when industrial manufacturing and construction activities resuming, freight activity too have been gradually reviving.

According to the latest e-way bill and fast track data freight volumes have recovered sequentially and improved to 85% to 90% of pre-COVID levels for e-way bills. This has a potential to increase further going forward as the country gears up for the upcoming festival season and the logistic sector is likely to witness a gradual roadmap to recovery.

On the cold chain logistic side, Snowman Logistics is poised to play a pivotal role in the coming times. With approval of vaccines for COVID-19 not so far, the government authorities have already started planning to ensure that the vaccine would reach masses as soon as possible without any loss of efficacy. This would require a robust cold storage infrastructure like warehousing and transportation, which is able to meet the varied temperature and requirement of vaccines.

According to a few new articles, India is planning to procure about 400 million to 500 million doses of vaccines and immunize about 200 million to 250 million people by July 2021. Snowman is the only a private player that has the necessary infrastructure and systems in place to handle this volume immediately with our existing capacities.

Already announced 10% on the Snowman's revenues comes from the pharma segment. In addition, we are expanding our footprint at both new and existing locations as well as investing new business verticals such as providing warehousing and backend support to e-commerce players like Amazon in Delhi and Mumbai regions with more facilities planned in the near future.

So, regarding the rights issue and debt reduction in August 2020 the company had offered about 1.61 Crores equity shares having face value of Rs.10 each in the rights issue. The rights issue was oversubscribed by 1.24 times. I would like to thank all the shareholders for supporting the rights issue. Via the rights issue the company successfully raised Rs.116 Crores. The fund proceeds will be used towards deleveraging. In September 2020 the company repaid NCDs worth Rs.115 Crores. The consolidated debt has now reduced from Rs. 670 Crores in FY2020 to Rs.509 Crores as on September 30, 2020. The company has now comfortable repayment due of Rs.78 Crores in FY2022 and Rs.100 Crores in FY2023.

On the restructuring of the business, in September 2020 the Board of Directors of the Company have approved composite scheme of amalgamation for streamlining the businesses that were being carried out by different group entities of the company. Currently, listed entity, Gateway Distriparks Limited has container freight stations and is holding company owning 100% stake in Gateway East India Private Limited and 99.93% stake in Gateway Rail Freight Limited.

Gateway East India operates a CFS at Vishakhapatnam. Gateway Rail Freight Limited is a private container train operator and provides intermodal rail transportation services for containers between its rail linked ICD at Gurgaon, Ludhiana, Faridabad, and Viramgam and Maritime ports at Nhava Sheva, Mundra and Pipavav.

In the first step Gateway East India Private Limited will be amalgamated with Gateway Distriparks Limited. In the second step this merged entity will be amalgamated that is merging by absorption with Gateway Rail Freight Limited.

In consideration for amalgamation the shareholders of Gateway Distriparks Limited will receive four equity shares of Gateway Rail Freight Limited for every one share held in Gateway Distriparks Limited. Post the completion of transaction, outstanding equity shares of the merged entity would be about 49.96 Crores shares. The outstanding NCD of Rs.300 Crores will be transferred to the merged entity.

The restructuring shall have the following key benefits,

- improved earnings, cash flow and debt servicing abilities of the amalgamated Gateway Rail Freight Limited,
- greater operational synergies and efficiencies at multiple levels of business operations,
- consolidation of internal systems, procedures and controls that will now bring greater management and operational efficiency.
- Overall simplicity and working, reducing various statutory and regulatory compliances and related costs, which presently have to be duplicated in different entities.

The process is likely to take another 8 to 10 months to be completed. We will keep you updated on the progress.

Finally I am happy to inform you that in September 2020, the Board of Directors had approved the payment of interim dividend of Rs.2 per share based on improving operations.

With this we will now open the floor for questions and answer session. Over to you, operator.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Apurva Bahadur from Jefferies. Please go ahead.

Apurva Bahadur: Thank you so much for the opportunity. Sir, I wanted to understand firstly on the DFC commissioning. What is the status over there?

Sachin Bhanushali: The last statement which was made by any official from Indian Railways that is Chairman of the newly constituted Railway Board, Mr. Vinod Yadav that they are trying to commission the first section of Western Dedicated Freight Corridor starting from Ateli, which is close to Rewari Junction to Palanpur, which is near Ahmedabad in Gujarat. By March 31, 2021 that means the calendar 2020 is ruled out now. My further information about the work which is pending on this route indicates that there is a large amount of signal and telecom work, which is necessary from the point of view of safe operations of trains as well as queuing of trains is yet to be completed. In some places, it is yet to in fact begin. So it is quite likely that it would be very difficult to meet the timeline of March 31, 2021 even to operate this section of about 700 km. Initially Indian Railways has plans to operate it and make it operational in two parts, but that seems to have been dropped now. I would put the commissioning date to closer to September 30, 2021 rather than March 31, 2021, which would roughly about a year or 11 months from now and the rest of the Dedicated Freight Corridor from Sanand to Nhava Sheva is expected to be delayed by at least a year thereafter so say September 2022 or maybe December 2022 would be the appropriate timeline that one should look at from the point of view of fully commission Western Dedicated Freight Corridor available for running of double-stack trains to Nhava Sheva as well as to the feeder routes of Mundra and Pipavav Port. I hope that addresses your queries.

Apurva Bahadur: Sir, secondly on this land licence fee issue that they are seeing with CONCOR, so what is your take on that? What could be the impact of this on Gateway and by when should we see the closure of the issue?

Sachin Bhanushali: This probably is not the right conference to address this issue, but we have to look at it more from a competitive point of view, so if we look at it from a competitive point of view, access to land is one of the major components of development of terminals and the terminals which have been developed by the leading public sector undertaking in this business is primarily on railway land which was being made available to them at a concessional rate up to March 31, 2020 that is the financial year that ended about six months back. Afterwards the land license fee was to be charged according to Indian Railways rules which basically results into discovery of the land price as for the state government circle rate and charged 6% on that which is escalated 7% every year that is the current rule at which all other customers of Indian Railways who develop their own siding are paying land license fee to Indian Railways. Now the public news though there is no confirmed information about it is that there seems to be an effort to revise this downwards for the lands which have been handed over before 2005 that is before deregulation from 6% to 3%. So, the balance sheet of any organization which gets access to land at a marginal license fee like this will have a better P&L account because the amortization or the cost of land which used to be paid by that company would be much less as compared to those who are buying it from the market. So, it may result into competitive pressure on all the operators and general consensus amongst all operators is that in order to undertake the sale of CONCOR if the land license fee rules are being tweaked, it would be inappropriate.

Apurva Bahadur: Sir, any other costs that you think, I mean apart from this could be a cause of concern going ahead in this model itself apart from the land license fee?

Sachin Bhanushali: Not really because there is not any other costs. All other costs are supposed to be paid by all operators including the PSU as well as the private operators at the same rate. So, I do not think there would be any differentiation. The main differentiation in the past also has been on account of access to land before deregulation took place and the price at which this land was made available to them. So, there is a consensus amongst all container train operators that this may result into disruption as far as the availability of all other operators to compete with the newly constituted CONCOR is concerned.

Apurva Bahadur: Thanks a lot.

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

Rohit Ohri: Sir, these questions are related to Snowman. I wanted to know the warehouse occupancy and the capacity utilisation in this quarter?

Sunil Nair: The utilization in the last quarter was 83% and as on date the utilization nationally is 86%.

Rohit Ohri: We had somewhere around 106000 pallets and in the expansion mode, Siliguri and Coimbatore was supposed to have 7200 pallets. Krishnapatnam was supposed to have 3600 pallets and is it fair to assume that Mumbai will have 1200 pallets. Is that the projection from the management side?

Sunil Nair: No. We are going to add 2000 pallets in Krishnapatnam, 2000 pellets in Mumbai, and around 9000 pallets put together Siliguri and Coimbatore, so 12000 pallets will be added plus one dedicated facility of Amazon, which is not palletized so we do not count that in pellets.

Rohit Ohri: Sir in the opening remarks also you mentioned that pharma is something that the company would be looking at and there are lot of opportunities but do you see that there is visibility from the end of the government?

Sunil Nair: The government have been collecting information with respect to our capacities and the spread that we have so we have shared that with the government, the government is still assessing the overall production capacity and the whole distribution plan. So, I believe it will take a couple of weeks for the government to come out and share the exact requirement with respect to the production and then the availability and how the distribution network has to function. So, we have given a complete roadmap with respect to how we feel it should work and now we are waiting for them to revert on that.

Rohit Ohri: This pharma specifics facility which you have spoken about in the media and news channels. Sir, can you please elaborate a bit on this? What exactly is Snowman doing with this pharma specific or the vertical which you have created for specific facilities as such?

Sunil Nair: Our pharma strategy is irrespective of COVID vaccine. Last two years we have been focusing on pharma and today 10% of our revenue comes from pharma vertical, which typically includes vaccines for influenza or Swine Flu and Typhoid plus other pharmaceutical products like APIs and generic medicine. So, this 10% revenue comes from the pharmaceutical but we believe that this industry has a lot of potential and we wanted to focus on that with the industry experts as well as separate processes and the standards that we wanted to implement like we have done the food industry so that is something which we have started to do and we are trying to expand that business. It is good that at the same time the COVID vaccine has come and we can merge this and see how we can overall make it a bigger portion of our business. That is the plan.

Rohit Ohri: Thank you. I will get back in the queue. Thank you.

Moderator: Thank you. Our next question is from the line of Niharika Khamani from Capgrow Capital Advisors. Please go ahead.

Niharika Khamani: Thank you for the opportunity. Sir, my first question is how do we plan to reduce the debt level? Currently the debt level is around Rs.509 Crores. So, what is the plan ahead?

Prem Kishan Gupta: I will take this question. We have reduced our debt considerably in the sense that Rs.250 Crores of NCDs we have brought back and the balance is Rs.300 Crores out of which Rs.20 Crores falls due in April 2021. We wanted to pay now itself, but cash flows are still good but the bondholders did not agree to take it back, so in April we will reduce this by Rs.20 Crores and our monthly installments which I mentioned will every month will go out continue, so we will be reducing our debt to about Rs. 500 Crores by 2021. So, from this the purpose of merger of all the companies is to manage the cash flows and somehow stop the leakage and whatever the efficient way we can run the single company. You are aware of the cash flows which are available at Gateway Rail Freight so by upstreaming and giving dividend, the dividend leakage or that money is used by the parent company to reduce the debt. There is a dividend tax element which is now in recipients hands, so straightaway one loses 25% in taxes on the books when we receive the dividend. So, definitely the efficiencies that we will get by merging of these three entities, Gateway Distriparks, Gateway Rail and Gateway East into one entity and we will have cash flows to service interest and simultaneously pay the bonds whenever they are due. In addition, we are gearing up because the business is improving and we can see that cash flows are improving month on month. The volumes are getting back week on week and month by month. September was a very good month, October also looks good and now we are in the end of October, so even November looks promising. So we are very hopeful that recovery of the goods movement, which started in Q2 to a level which is satisfactory to a level where we are talking about going back to the pre-COVID levels. So, with all these things our cash flows will be available and we will be able to reduce our debt prior to the due dates that we have.

Niharika Khamani: Sir, my second question is we got to know about the DFC commissioning date, the probable dates, so after commissioning how long would it take to get reflected in the revenue amount of the Gateway Distriparks?

Prem Kishan Gupta: It all depends on the macros. If the macros improve we are geared up to handling three locations and the double stack. One is the Viramgam, Viramgam is near Ahmedabad, the second one is Garhi Harsaru, and the third one i Asaoti in Faridabad. All the three locations are fully equipped to handle the double stack trains and the faster turnaround of the container trains will help us in carrying more containers and more high capacity wagons in the sense that per container load or per wagon load will be on the operational side it will be very effective due to heavy, 20 feet load or 40 feet container. So, these are the efficiencies we are looking at the DFC and as of now all these three terminals are equipped to handle whenever the DFC is ready.

Niharika Khamani: Sir, my last question is of Snowman. Has the demand for cold storage increased due to COVID, like we saw it in the last quarter?

Sunil Nair: In the Q1 there has been a lot of stocking happening because of the lockdown, there was reduction in the consumption but in Q2 lot of the stocks have gone out, which was inventorized in Q1, so there has been reduction, but the good part is the overall throughput of incoming and outgoing of inventory has picked up a lot. In Q1 we were looking at 65% or 70% of the throughput whereas now we are around 80%, 85% of the throughput. So, that way the overall efficiency in the distribution is coming and that is positive part of it. As far as volume is concerned, new businesses we have added in our business, so that is why our utilization has gone up while the existing clients businesses has come down slightly.

Niharika Khamani: Thank you so much.

Moderator: Thank you. The next question is from the line of Nitesh Jain from Birla Mutual Fund. Please go ahead.

Nitesh Jain: Thank you Mr. Gupta for the opening comments. I have a couple of questions; the first one is on the Snowman Logistics ownership structure. So, essentially now considering the fact that there is emerging opportunities coming up on the COVID vaccine storage as well as transportation, which can potentially be there for say next three to five years. Would you consider rethinking the strategy of owning your stake on the company or would you believe when this deal with Adani Logistics did not go through are you still scouting for a new buyer for this company for your 40% stake? This is my question number one. Or is there any change in the thinking and you want to keep it.

Prem Kishan Gupta: We are not under any compulsion to sell Snowman but Snowman remains as an investment for GDL at 40%, 40.25% and we are not increasing our stake nor are we going to sell in parts, but it if any opportunity comes, the board will have a look at it and at that point of time we will take a decision. So, we are not saying that we are going to sell, but at the same time, if the opportunity is there and if the sale, gives us enough cash to pay all our debts then we do not mind looking at it.

Nitesh Jain: As far as Adani Logistics is concerned, I mean all the talks are done and dusted. There is no further discussion on that right?

Prem Kishan Gupta: There is no further discussion with them. They are 26% shareholder and we had a bilateral settlement agreement under which we are the promoters and we will run the company, we will manage the affairs of the company and they are not on the board. They do not have any board seats. So, it is like we were operating as before the deal, when we signed the deal with them. So this is our arrangement which we had notified the stock exchange also.

Nitesh Jain: Thank you very much. Sir my second question is to Mr. Sunil Nair. Sir, essentially when you are making this newer investment for example, one facility near Delhi exclusively for Amazon are you ensuring that the investment will generate decent return on capital? Because when I look at the existing business of Snowman even and after spending Rs.600 Crores in that business, even today for last many years the company has not generated any decent ROCE. So, when this kind of one-to-one tie ups are happening, are they guaranteeing you 15%, 20% return on capital employed on your investment?

Sunil Nair: Basically all new projects that we have undertaken in the last couple of years, we have ensured that they give an ROCE more than 15% and we have invested in these facilities only after there is enough business pipeline in hand so that once it is built, the utilization is assured. Like the Amazon why it is fully dedicated so the utilization risk is not with us, it is with the customers, while in other cases, our existing customers, which are on board, they have assured a lot of utilization in those facilities. So, we are ensuring that we are above 15% ROCE in all the new investments that we have done and we are doing now.

Nitesh Jain: Mr. Nair, can you also comment on the pricing situation for the cold storage business because the utilization is not the only criteria to generate returns, you know 85% in a country like India in the current macro itself if a very good number. Certainly the pricing is also very low. So, what are the trends here in considering the criticality of the cold chain logistics even now hence the Snowman's leadership position would you believe that in the coming 12 to 24 months, you would be able to garner better pricing from all your customers?

Sunil Nair: Yes last year we had commanded a 4.5% premium in the pricing in the last year agreement renewals. This year it is delayed because most of the agreement renewal itself is purposefully delayed by the customer as well as by us so that there is proper negotiation whilst the situation is normal. With the demand that we are seeing both in food and pharma, and if this COVID vaccine also comes in we believe that the pricing has to get corrected. I personally feel that the Cold chain pricing even today if we compare with the similar country are below what it should be. So, those corrections are taking place and I am quite hopeful that in a couple of years time, these corrections should take place and the yield per pallet should increase.

Nitesh Jain: Thank you very much both of you.

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

Payal: Actually I have two questions this is probably pertaining to Snowman. Would you please give us the breakup of revenue in terms of the segmental mix, as in pharma, agriculture, confectionary and other division this quarter versus the same quarter last?

Prem Kishan Gupta: I could not get it clearly, can you repeat it please.

Payal: I am saying probably if you can help us in the breakup of revenue in terms of the segmental performance?

Sunil Nair: Sector wise contribution is seafood is around 24%, QSR is around 12%, pharma is 10% and meat is around 12%, these are the top categories and then the smaller categories like non-food is there, and these five categories put together is around 60% and balance would contribute to 40% which will include ice creams, dairies, F&B, industrial products and these are the categories.

Payal: Kindly excuse me if this is a repetition question. What would be the plans in terms of the debt repayment.

Sunil Nair: Somehow your voice is not clear to me. What is the plan?

Payal: What will be the plans on the debt repayments along with the interest cost?

Sunil Nair: Our debt as of now is Rs.47 Crores and we will be taking debt of Rs.60 Crores this year for the expansions and maybe there will be next two quarter of debt payment we will end this year with Rs.100 Crores. That is the debt plan as of now.

Payal: Interest cost on the same?

A M Sundar: Pardon.

Payal: Interest cost on the same?

AM Sundar: Currently our effective interest cost is around 7.5% a year.

Payal: Thank you. Second question in terms of the press release there was a mention that despite the businesses being impacted and the repercussions being faced by the major customer, would you please help us understand more on the customers and which industries were they related to?

Sunil Nair: The major customer segments, which are impacted is ice cream. In case of ice cream, almost 70% of their annual sales happens between April to June. And because of lockdown the whole 70% of potential sales is lost by them and hence we have also lost our transportation revenue in that vertical.. The second major segment which got effected is QSR where due to lockdown lot of stores were closed down and even today almost 20% of the stores which are in the malls and all are still closed. So that is the second segment which is affected badly. The third one was the ready to eat and ready to cook kind of products where basically the stores which were opened were basically catering to the groceries and the necessities part of the food and pharma. So, these being premium products, their sales also has come down. We also are seeing some impact in confectionery. Now for them the festival season is the peak season where they do majority of their sales but as of now the offtake is not looking that encouraging. So, these are the four segments which got primarily effected due to COVID.

Payal: Sir, in terms of new ventures, so it is particularly on the Amazon facility or is it on the second Ikea stores that are set up?

Sunil Nair: While the facility that we have built for Amazon we are talking about a vertical which focuses on the e-com industry as such. It is only that we have started with Amazon as the main client but we are creating a solution for e-com industry so that we serve their backend part, so that is one vertical we have got into and the second one is the pharma vertical which I talked about earlier, which is going to be one of the major verticals for us. So, these are two initiatives in addition to the expansions that we are talking about, so the expansion is going to give us another 10% to 15% of growth as well as these new verticals will help us for further growth.

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

Prateek Kumar: Thanks for the opportunity. My first question is Q1 which is the prior quarter benefited from some of the one-off benefit related to ground rent specifically in CFS segment and to some extent in railway business. So, has that benefit continued into this quarter because the EBITDA in CFS looks roughly similar? I understand the volumes have also grown quarter-on-quarter by 20% but just to understand if there is any one-off benefits which is sustaining in related to ground rent?

Samvid Gupta: The CFS volumes will come back to about 85% of what they were pre-COVID. So, the ground rent benefit is much lesser this quarter. It is more a volume effect when compared to Q1.

Prateek Kumar: So, ground rent contribution to revenue is on a percentage basis would have gone to like FY2020 levels what we saw pre-COVID?

Samvid Gupta: Maybe slightly higher, still some impact coming in from COVID as there was some delays in picking up containers from customers, but by Q3 it should go back to pre-COVID levels.

Prateek Kumar: In rail segment is there any related benefit in this quarter?

Sachin Bhanushali: As Samvid mentioned there is a spillover which has come into Q2 because some of the deliveries which took place because of the delayed opening of the economy that benefit is there, but most of the EBITDA what we are showing of now is on account of operating efficiencies as well as volume effect while the margin is also basically driven by that.

Prateek Kumar: Based on improvement in volume since September and October would you look to revise the volume outlook for CFS in the rail segment for FY2021?

Samvid Gupta: We will be improving week on week, month on month, every month it is looking better, so we are targeting to finish at 90% of volumes of what we did last year because of the slowdown in Q1. So, we will be able to catch up and improve from here.

Prateek Kumar: That means in both segments you are looking at 10% decline now?

Samvid Gupta: When compared to the entire year, so when Q1 was lower, it will make us for that Q1 loss also. So compared to FY2020 we will be looking at 90% volumes.

Prateek Kumar: My last question on SEIS income. So, there was this some pending dispute which was raised two, three quarters back on SEIS income and rail segment, has there been any updates on that?

Sachin Bhanushali: There have been quite a few queries which have been raised by the Officer of Additional Directorate of Foreign Trade, ADGFT which manages this SEIS for particular region. We have submitted that information, but there has been no progress in any particular direction about final determination at the administrative level.

Prateek Kumar: I will get back to the queue. Thank you.

Moderator: Thank you. The next question is from the line of Krupa Shankar from Spark Capital Advisors. Please go ahead.

Krupa Shankar: Thank you for the opportunity. My first question is to Sachin sir on rail operations. Sir, based on the results, you tell me that realization of rail has actually come off on a quarter-on-quarter basis and it is more than 7% decline and it has been usually below our sub-32000 or 33000. Is there any specific reason like higher empty containers or perhaps some other reasons?

Sachin Bhanushali: I missed some of your speech. Can you please repeat your question?

Krupa Shankar: I was looking at the realization number for rail operations and I could see that there was a decline on a quarter-on-quarter basis in the rail realization. What would be the reason for that?

Sachin Bhanushali: The realization primarily is like a pot. So, the weight of containers which are being carried and import and export component into it finally determines the realization per TEU. So, realization per TEU is a little misleading from a point of view of the quality of business which is being done. The better way of looking at it is actually either operational margins or rail freight margin as we look at it. So, there has been no let down in the operational rail freight margins. The realization per TEU has marginally declined and that decline is primarily on account of there being no double stack opportunity during the month of May, June particularly in the Q1 and July and August during the Q2, because of the imbalance. Now in the month of September we have experienced that we are now balanced in import and export direction, almost like an equal fit and we have seen some improvement in realization when we look at these two months alone. There is no dilution of revenue as such.

Krupa Shankar: My second question was on the higher employee cost. Any specific reason why there has been a spike in the employee cost?

Sachin Bhanushali: There has actually been a drop in employee cost. I think we are looking at different numbers. Can we take care of this offline once the conference is over, because we have to reconcile the numbers. What are the numbers that you are looking at?

Krupa Shankar: I was looking at standalone operations at least the employee cost has gone up to about Rs.82 million?

Sachin Bhanushali: In the rail segment?

Krupa Shankar: Not in the rail segment, on a consolidated basis?

Sachin Bhanushali: Let us take this after the conference call.

Krupa Shankar: Also on the tax rate any specific reasons why the tax rates are higher?

Sandeep Kumar Shaw: Tax rate is that basically in the standalone GDL based on the effective tax rate and as per the requirement of the Ind-AS the auditor has asked us to make the provision as per the effective tax rate, which is coming as per the Ind-AS because of the dividend income which we have earning but going forward in the subsequent quarter this provision will subsequently get reserved and we will come back to the normal one.

Krupa Shankar: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Ankit Panchmatia from B&K Securities. Please go ahead.

Ankit Panchmatia: Thank you for the opportunity. Sir, just extending that question so if you can help me with your rail freight margins for the current quarter and for the previous quarter?

Sachin Bhanushali: Can I share this after the conference with you?

Ankit Panchmatia: No problem. That is okay. The market share details in the NCR region and the Ludhiana region?

Sachin Bhanushali: I will give these details after the conference call to you.

Ankit Panchmatia: Sir, rail capex how are we planning to do this? Any feelers of the same would be helpful?

Sachin Bhanushali: In the sense the capex towards?

Ankit Panchmatia: Independent as in it is reflected that we are planning to issue Rs.120 Crores for the next two years. So how are we planning this or maybe by 2021 how can we see, how many Satellite terminals would be in place, any rough sense around this?

Sachin Bhanushali: Currently we are looking at two locations and these supplied terminals normally would take anywhere between 18 months and 24 months in a best case scenario to come up and so two rail linked ICDs at the cost of about let us say Rs.60 Crores to Rs.70 Crores would mean Rs.140 Crores spread over a period of three years in terms of capex. This is something which will be funded by additional debt because we would simultaneously be bearing our debt by repayment of not only NCDs but also our term loans and it will release our borrowing capacity from even from a 2X limit that we are looking at for overall debt point of view. So these will be essentially funded mostly out of debt funds raised for this purpose for the capital expenditure but this will be spent over a period of next three years for developing these two terminals and this is going to be a pipeline of terminals after that.

Ankit Panchmatia: Sir, one question related to Snowman 60% of the business is from high yield products, if I go through it is QSR, meat, eggs, pharma and seafood, but then too we are quite confident that we would be able to yield per pallet. Would you help me out in reconciling how are we planning to this because we are putting up additional 12000 pallets and you would be filling up the same with maybe starting with a low yield and then moving towards the higher yield products. Any rough sense around this would be helpful.

Sunil Nair: The yield can be improved in two ways. One is by changing the product mix. So our product mix a couple of years back had been little unfavourable to us and we are trying to move towards the favorable which you very well pointed out. We are trying to increase the contribution by the high yield products. So that is one way we are trying to increase the yield. Second is the price negotiation with the customers. Year-on-year we expect that 4% to 5% price increase has to happen and which we had achieved last year. This year as I told it is delayed, but we believe that 5% YoY we should be able to achieve. So that 5% and the change in the product mix should help us improve the overall yield. Third thing that we are working on now is with the same investment how we can offer value added services so that is the third area, which we have taken from the last year where we do a lot of festive packing for us customers, export packing for our customers. So, with these wherever it is typically there is no capex involved, we expect the yield to go up.

Ankit Panchmatia: That is all from my side. Thank you.

Moderator: Thank you very much. Ladies and gentlemen that brings us to the end of today's conference. Thank you everyone for joining on the call. We hope we have been able to answer your questions. For any further information, request you to get in touch with SGA, our Investor Relation Advisors. We at Gateway Distriparks Limited would like to wish you a very best of luck and Seasons greetings in advance. Stay Safe and Take Care. Good bye. You may now disconnect your lines. Thank you for your participation.