“Gateway Distriparks Limited
Q3 FY2021 Earnings Conference Call”
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Moderator: Good evening ladies and gentlemen and a very warm welcome to the Gateway Distriparks Limited Q3 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. 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 and Company Secretary, 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 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 Mr. Gupta!

Prem Kishan Gupta: Good evening and a 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.

With the improving COVID-19 situation, India's economic growth is expected to rebound in 2021. In the last quarter, India's port volumes witnessed a growth after eight months of decline. In particular, container rail volumes have witnessed growth in Q3 that was primarily driven by the steady pick up in port volumes. Improvement in turnaround times, gave further impetus to growth of freight business, the overall volumes bounce back for both our CFS and Rail Container business in Q3 from previous quarter levels and sequentially every month since the beginning of October 2020. In the month of December 2020, the company recorded the highest ever throughout of 25,676 TEUs in Rail container business and the CFS business also witnessed close to peak business with 30,085 TEUs**.** The Rewari - Madar section of Western DFC was inaugurated in the first week of January 2021 by the Prime Minister using a python configuration train service of gateway rail along with another operator and we will now be able to provide even more reliable service to our customers through our ICDs at Garhi Harsaru, Faridabad, Ludhiana and Viramgam.

Snowman Logistics has also performed well and the business is further improving every quarter since the lockdown ended. The company's expansion plans are work in progress at Siliguri, Coimbatore, Krishnapatnam and Mumbai adding 10,600 pellets to the capacity. In addition, we operationalized the third warehouse for Amazon backend fulfillment in Delhi region, after

Mumbai and Pune and are having discussions for adding new facilities for them in the coming months. In this quarter, we also developed snowlink, our technology platform for aggregating refrigerated fleet owners across India and integrating with snowman operations. With the fast-growing demand of our customers in the organized sector, we are further planning an extension at new city which will be announced in due course. Our strong balanced sheet combined with our strategically located state of art infrastructure will help us to capitalize on the future growth opportunities.

The consolidated net debt at GDL and its subsidiaries stands at Rs.494 Crores as against Rs.681 Crores on April 1, 2020 well ahead of the earlier planned debt reduction and the company is making every effort to bring it down further. With this, I am now handing back to the moderator for the Q&A session. Thank you.

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

Lavina: Congrats on the good set of results. I just wanted to check something EBITDA for TEU in your Rail business is about Rs.9,000, is there any one offs at all in this or is this entirely a sustainable EBITDA per TEU number on this volume range?

Sachin Bhanushali: Good evening Lavina, thanks for participating the call and the quarter has seen a increase in EBITDA on three counts, one is that there has been a volume improvement and as the Chairman has said that we had improved turned on time during this times when Indian railways is not operating its passenger services, that has been of some benefit. In addition to that, Indian railway currently gives 5% discount on rebate on the rail hauling charges on 11 rail freight that we pay to Indian railways, that will continue until April 30, 2021. So, there is a component of that which adds to EBITDA, so from a steady state point of view, post May, 1 onwards so we can expect to stabilize somewhere around Rs. 8,000 to Rs. 8,200 given the current circumstances of both turnaround time as well as our tight ship operation of the double stack operations between Garhi Harsaru, Viramgam, Viramgam to Mundra port and Viramgam to Pipavav.

Lavina: Okay, just to add to that Sachin, in case volume rise hypothetically because of the DFC in double digits like 15%-16% if real traffic does move as road traffic moves to rail then could the EBITDA set a higher at about may be closer to Rs. 8,500 contingent on that volume road?

Sachin Bhanushali: Yes, volume growth will translate into our ability to do more double stack that would mean that we will be able to save on rail haulage charges big time as turn around time improves and volumes grow, so it would not be difficult to reach the number of Rs. 9,000 as well, but that would all depend on how quickly are we able to witness the shift of cargo from pure road as we move to rail with the help of DFC as the backbone.

Lavina: Okay and lastly, on the DFC side is there any commentary in terms of what could the realizations be, whether it will be on par with what railway is currently charging on haulage or any discussions on that?

Sachin Bhanushali: It has been indicated by Indian Railways that the relationship of Indian Railways with its customers including inter modal operators like us will continue to be what it is on Indian Railway network, so in a way dedicated freight corridor will be an infrastructure provider to Indian Railways on which Indian Railway will operate its trains and with the MOU in place between Indian Railways and DFCCIL Indian Railway will be paying track access charge to DFCCIL. There is also commitment that over a period of time once the entire Western DFC becomes operational, 70% of the freight traffic which has been carried by Indian Railway on its network in phase manner will be shifted to dedicated freight corridor. So, from that point of view, there is a crystal clarity as far as we are concerned that we will continue to pay rail haulage charges as per normal rates to Indian Railways and there will not be any direct commercial interaction between inter modal operators like us and DFCCIL and there won't not be any immediate change in the rail freight that we pay to Indian Railways.

Lavina: Got it, thank you.

Moderator: Thank you very much. Next participant is Ankur Periwal from Axis Capital.

Ankur Periwal: Good evening to the management and congrats for decent performance. Sir, continuing with DFC, now the diesel prices they have not seen as much corrections there in absolute but the road freights have been going up and down depending upon the demand supply there, so from a competitive intensity perspective, your comments how do we stand now wherein Indian Railway passenger trains are not there and obviously our efficiencies also probably at its best and how do you see things changing once DFC is in place which can derive further efficiencies may be even further or may be even further repayment with current run rate?

Sachin Bhanushali: Thanks, Ankur for participating the call, very pertinent comment from your side. So, the first part of it is that operations of Dedicated Freight Corridor is something that we experience even before commissioning of Dedicated Freight Corridor which happened in the month of January at the hands of Honorable Prime Minister because of Indian Railways having reduced its passenger services on its conventional network, so we have been able to see how beneficial it is going to be and the turnaround times have come down from roughly 72 hours turnaround time to almost about 48 hours turnaround time including the terminal end. The system turnaround times have come down from 7.2 days to 4.8 days. So being significant improvement in the operating parameters of the inter modal business operated by us on this route, so, that is the first part of this and the second part of it is that with commissioning of the entire Dedicated Freight Corridor which may take may be a couple of quarters more, there will be an advantage which will go beyond the current turn around time, so we should be able to operate our train services which may be 36 hours to 40 hours turnaround on hand, so this will definitely improve the operating leverage which is available to us, so that gives us both pricing power as well as margin power. Third is competitive intensity vis-à-vis road will depend primarily on three things, one is that how easy it is to shift cargo from rail to road or road to rail and currently we believe that there is a large size cargo which actually gets beefed up in port side CFS particularly in Mundra port, which stands a chance of getting converted into a direct delivery into the hinterland. Second level that which operates is that with improved turned around times, the inhibition on part of the shipping lines to encourage inter modal business coming into the hinterland will also go away because we will be able to give them time tabled or let us say scheduled solution both in terms of imports as well as exports, so the productivity of the container fleet itself will improve in the hands of shipping line that will help in getting encouragement from their side and they will start pushing more cargo into the hinterland . The third level at which it would operate essentially is that with availability of multiple ICDs in the hinterland now the customer is becoming aware that instead of getting service directly from the port, which requires a returning of empty containers back to the port within 14 days, it is better to get service from the ICDs wherein the 14 days free time which is given by shipping line to the customers is available from ICD. So, all these three put together, I am confident that we should be able to log good growth rate in terms of modal ship from road to rail as well as absolute number as far as the organic growth of the sector is concerned.

Ankur: Sure Sir, that is helpful. Just two follow ups there. One, from a readiness prospective, I am looking readiness both from an infra wherein the last mile connectivity to Mudra and Pipavav port that is electrified and double stackable and secondly from the rake availability perspective that we are ready to operate on the current rakes which are being upgraded to the DFC comply or there will be an incremental capex required there and related to that is our expansion plan in terms of new satellite terminal that you have talked off earlier, so where are we on that side?

Sachin Bhanushali: Let me first deal with our readiness. I think the very fact that Gateway Rail train was one of the two trains which was operated on python configuration on Dedicated Freight Corridor at the time of inauguration by the Honorable Prime Minister have put to rest any speculation whether Gateway terminal at Garhi Harsaru is ready from DFCCIL point of view. So, on day one we have stated our operations on Dedicated Freight Corridor and Indian Railways continues to run two trains in either direction under the current circumstances when the entire Dedicated Freight Corridor is not available between Ateli and Kishangarh which is almost like Rewari and Madar, so that is where the slicing takes place, so that is the first part of it. The second part of it is that the feeder routes of Indian railways connecting Dedicated Freight Corridor in either direction are getting ready for double stack operations under electric wire because the main advantage would be available only when it is possible to run a train with electric traction from point of origin that is our ICD up to the port which is let us say Mundra port or Pipavav port. Currently, the electrification was between Surendra Nagar to Pipavav port is underway and is expected to be completed by March 31, 2021. Mundra port, there is a little lag in terms of completion of the work because there are two segments which are involved, the first segment is between Palanpur to Gandhidham which comes under Kutchrail corporation which converted it from meter gauge to broad gauge and the second element comes in wherein Adani Port Limited owns the private railway under concession from Indian railways between Gandhidham or Adipur as which is alternatively called up to Mundra port. The work on the doubling of these routes as well as electrification of these routes is still underway but it may take about a year or so given the information which is currently available in public space, so there will be little bit of lag in terms of ability to run electric double stacked Dedicated Freight services from our ICD directly to the port. Pipavav may precede Mundra port while some matter which we will have to be observed by both analyst as well as by us and will be quickly able to switch the moment it is available, this essentially is an operating problem which has to be dealt with Indian railways rather than by an operator like us and Indian railways seems to be planning to operate diesel under wire for the time being because the new electric locomotives with high reach pantograph etc., are still being kind of brought in Indian railways until then diesel operation under electric wire on DFC route is something which cannot be ruled out. The third thing is that the current fleet of 21 own trains and 10 lease trains that we have on Gateway railway account can carry up to 22.9 tons of load per axel that means we can carry up to 87 tons of gross pay load and 67 tons of net pay load of the cargo on it. This will continue to run at 100 km per hour the way it is running on Indian railway network as of now, so there is no impediment which comes or let us say there is no impairment which comes as far as the current fleet is concerned. The new wagon which is to be tested by Indian railways and made available for production is the BLCS platform, is expected to give us 75 tons of pay load which is a significant improvement from the current 68 ton, but this wagon is currently not available, it has been certified to operate on Indian railway network at a reduced speed of 65 km per hour and that was 23 tons for axel load that means the advantage of 7 to 8 additional tons which can be carried on the wagon is still not available, that is the reason why Gateway has taken a considered a view not to lease or to buy BLCS wagon unless certification at 100 km per hour to carry 75 tons of payload is available with us, but that is something which can be done quickly, we also have an advantage that with increased turnaround time we may not need the fleet of 31 trains to carry the existing level of cargo. Obviously, we will also look forward to going from as I mentioned earlier from a current level of 21,000 containers per month to 25,000 containers per month going forward targeting the 75,000 laden throughout per quarter, form that point of view, we will not only have adequate but more than adequate fleet capacity on our hand and because of the lease model that we have followed, we will be able to quickly reduce our fleet size in a matter of next one or two years off leasing the wagons which are 68 ton pay load wagons and replace those with 75 ton pay load wagon, so from that point of view, our strategy of having the mix as well as being in readiness for 75 ton pay load wagon has paid off well and we are just waiting for Research Design Standard Organization (RDSO) to certified BLCS wagon at 100 km per hour to carry 75 ton as a pay load. I hope that clarifies all the three issues.

Ankur: Yes Sir. Thanks a lot, and all the best.

Moderator: Thank you. Next participant is Aditya Makharia from HDFC.

Aditya Makharia: Hello team at Gateway, great set of results. I just had some questions in a follow up towards the previous participant asked, so you said that firstly for Pipavav the tip off is Surendra Nagar but I believe that Surendra Nagar is again not the main line of the railways, the main line runs through Ahmedabad or Mehsana from where the tip off happens, so is that Ahmedabad to the Surendra Nagar is that stretch also ready by the Indian railways because that is again the part of the feeder route, that is one, second is you mentioned….

Sachin Bhanushali: Aditya, if I can explain you this part to you again thanks for joining the call, the stretch of Dedicated Freight Corridor runs from new Rewari junction to new Palanpur junction. From Palanpur, there is a bifurcation which takes place, one goes direct route towards Mundra port, the other route goes up to Viramgam. From Viramgam, there is again another split which takes place one goes via Surendra Nagar to Pipavav and the other one goes via Dhrangadhra to Mundra port, that is the alternative road. As far as the route from Palanpur to Mehsana to Viramgam to Surendra Nagar to be connected to Pipavav is concerned, I was talking about that entire route, I was not talking only about the Surendra Nagar part of it, these freight trains do not run on the Sabarmati or Ahmedabad route because that is electrified passenger route and that is not included here, there is a triangle there, so the route between Palanpur to Pipavav is expected to be ready somewhere around end of September or end of October 2021 with electric traction

Aditya Makharia: Okay, I think that explains. Secondly, you said you want to go from 21,000 containers to 25,000 a month, any time lines you would like to give on this?

Sachin Bhanushali: As ambitious inter modal operator we would want to start doing it from tomorrow. If we look at the numbers that we have done in the month of December, it is eminently possible for us as Mr. Gupta mentioned, we have already done 25,000 in the month of December, there was a little bit of backlog from the month of October and November into December, that is why the number was 25,000, but going forward it would not be difficult for us to reach the number, given the volume increase in import direction as well as encouragement given by the shipping lines to bring in imports into hinterland so that adequate exports can be paid out of the hinterland ICDs, so all these put together it should be possible for us to reach 25,000 TEU run rate going forward somewhere in the middle of year ahead that is FY2022-FY2023.

Aditya Makharia: Okay, great and just last, there is a stock of the shortage of containers, shipping lines having lot of issues, so has that been resolved?

Sachin Bhanushali: The answer is yes and no. The reason for this shortage primarily was of two kinds. One is that international trade lanes on which allocation of container is done by shipping line depending on turn around times and margins has tilted away from India, so India trade lanes are not getting as much preference though India trade lanes freight rates also have firmed up over a period of time.

Secondly, there is a size and route mismatch as far as these containers are concerned and India always used to experience roughly about 20% of export requirement to be brought in, in empty condition into India, that is what we classically call empty repositioning, now this requirement has suddenly gone up because of demand from rest of the world having gone up and that is the reason why there has been a shortage. If we look at ICD business, ICD business have now stopped facing this problem of shortage for exports. There is a little bit of stress which continues to be in Mundra port cluster of the CFSs and to some extent in the Nhava Sheva cluster of CFSs as well, but this is something which is expected to kind of we should be over with it this shortage of container towards the end of Q4, the current quarter and I do not think that should be an impediment in achieving the number that we are targeting.

Aditya Makharia: Okay great, thanks.

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

Prateek Kumar: Good evening Sir, I have a couple of questions. Firstly, how would you right now look at like competitive intensity within rail competition with companies in the sector and how is the competitive intensity now in the CFS segment as in general volumes seems to be like growing very sharply as you suggested in December month also, this is first question and second question is on the benefit of price hike by a competitive terminal at Tughlaqabad, did that really flow into this quarter or we should expect for the benefit in next quarter in terms of volume market share gain for other players in the region?

Sachin Bhanushali: Thanks, Prateek, you always have very incisive insight as far as this sector is concerned and it is always a pleasure to read your reports on the sector. Thanks for participating in the call. So first thing about competitive intensity, in terms of any competitive situation where the volumes are going up is good news because even if there is a competitive intensity there is more volume to be picked up by everyone, so that does not result into pressure on prices as well as margin, so currently we are going through a similar phase, since the volumes have gone up all operators are operating all their trains to full capacity and there is no surplus capacity trying to chase business from neighboring terminal, so from that point of view, it is good news and going forward as we understand from the shipping line, the volume intensity in the import direction is likely to be robust enough to ensure that all trains run full for all of us, that would also mean that there will be some amount of price stability may be we will be able to take a little bit price correction as well. Second part of it is that there has been an increase in the price which has been levied by leading competitor in the market and that has resulted into the number of footfall of new customers at our NCR terminals, we have seen firming up of demand in both the terminals that Gurgaon as well as in Faridabad and it is quite likely that we will get an advantage of quite an economic price of operating not only up to the ICD, but to the door step some amount of trading volumes are already shifting and we expect over a period of time that this benefit will increase.

Samvid Gupta: I will take your question on the CFS side, so after the lockdown volumes are picking up on a monthly basis even on a week-to-week basis you could see an improvement starting from October. We continue to be the market leader in Mumbai, Vizag and Cochin, in Chennai we are among the top three and Krishnapatnam is smaller operations since port volumes are quite low but we are back to about 30,000 TEUs last month and we see the trend continuing.

Prateek Kumar: With more pricing pressure which was there earlier in the CFS segment. Is still remaining or in that segment also like now we are in like very sweet spot like rail**?**

Samvid Gupta: So it is bottomed out now, people are not lowering the price anymore because below that it will be negative for more people, since we have large volume and handling say around 10,000 containers in each of our Mumbai facility we are able to minimize our cost per unit and that is helping us retain our profitability and we are also starting last mile services in the CFS business so that is helping include the stickiness with our customers.

Prateek Kumar: Thanks for the answer and wish you the best.

Moderator: Thank you. Next participant is Ankit Panchmatia from B&K Securities. Please go ahead.

Ankit Panchmatia: Thanks for taking my question. We have been seeing railway posting higher Y-o-Y growth as compared to the industry level, TKD as you mentioned with the price hike was taken in this quarter but we have been seeing the Gateway rail outperforming the market over the first three quarters, so is there anything specific which we are offering to the customers or how differentiated we are into this regions which is helping us to garner this kind of volumes, so first question was that and second Sir, as you said that December we were close to 25,000 TEUs of a run rate, how much of this was largely due to empties because for 10 days rail have kind of made of these empties and the exporters were in dire need of these empty containers, so may be if you can answer these questions and I have one more question later on?

Sachin Bhanushali: Thank you so much, we spoke sometime before, but I will answer your second question first. 25,000 TEUs is laden, it does not include any empty so with 25,000 in the month of December is laden throughput, it does not include any empty and that is why there is no dilution of the numbers there,, that is the first part of it. Second is that over a period of time we have been able to establish quality of service and reliability of service on account of couple of things that we have done differently as compared to the market. Number one is that we have always been a solution provider. We have been able to not only provide supporting services like track and trace or transact from your desk or for that matter provide rail cum road solution to the customer, but with the dedicated services that we are going for major shipping lines, all major shipping lines now for our Garhi Harsaru, Faridabad and Ludhiana terminal, we have been able to bring in the reliability in their service in the market and that has resulted into their dependence on Gateway rail terminal at these three locations increasing over a period of time. There are quite a few occasions in which we have also run customers specific dedicated services from the port to ensure timely evacuation of important containers for them. In fact there was an occasion in which one of the automobile manufacturer was in a situation that international consignment had got delayed at one of the transshipment points and was likely to reach just in time in one of the ports and we kept a train waiting, we have evacuated these containers, we brought those containers here and Monday morning, all these containers were in the factory ensuring that their assembly line does not get disturbed on account of that. So, it is basically hard work by the Gateway rail team and reliability that we have brought in the system which has resulted into vis a vis the other operators in fact there are some customers who are very demanding customers who have been calling us up and telling us that their logistic team always say that it is always better to operate with Gateway rail because the reliability which has been build by them is very, very important from their logistic chain point of view, I think that is the differentiator.

Ankit Panchmatia: Great Sir and one more thing, how is the capex plan from hereon, any update on the same?

Sachin Bhanushali: From ICD point of view, we continue to have the plans of investing in two to three terminals over a period of next two to three years developing satellite terminals which will feed into our primary double stack hub in NCR at Gurgaon, Garhi Harsaru, these locations would be say 35 acres facilities with ability to do half a train a day, so every alternate day there will be a train service in either direction. The capital expenditure is expected to be anywhere between Rs. 60 Crores to Rs. 75 Crores for each of the location depending on the reality on the ground and this will be spread over a period of next two years as far as the upfront expenditure is concerned, so I would look at let us say about Rs.200 Crores to be invested over a period of next two years in this business is something that we are looking as far as ICD business is concerned. Apart from that there will be some amount of maintenance capex, replacement of our existing container and cargo handling equipment which has to be done which will go like business as usual.

Ankit Panchmatia: Right and capacity utilization in Snowman if I can get those numbers what was the capacity utilization?

Sunil Nair: Current capacity utilization for Q3 was 85% and we are at 84% today.

Ankit Panchmatia: Okay. Sir, we ended the year with 104,000 pellets and now we are at 107,500 pellets, so is there some pellet addition as well into the current quarter or may be over the past nine months?

Sunil Nair: We restructured some of the existing facility to accommodate more number of pellet positions and couple of facilities where racking was not done, so we have done the racking now, so the number of facilities remain same, it is just reorganizing the racking system because of which we got additional pellet positions.

Ankit Panchmatia: Right, that is it all from my side. Thank you Sir and all the best.

Moderator: Thank you very much. Next question is from Bhumika from DAM Capital. Please go ahead.

Bhumika: Good evening Sir, congratulations for the entire team for a great performance. Sachin Sir, you spoke about the reduction in terms of turnaround time from 72 hours to 48 hours which will likely reduce further to 36 hours to 40 hours as DFC is completely operational, how will this likely change be the share, the modal share versus road so far and what it can possibly include to also in terms of the double stacking index, what kind of an improvement have you seen over the past year and what it can possibly improve once the entire line is operational?

Sachin Bhanushali: Thanks, Bhumika for participating in the conference and welcoming your new avatar away from IDFC business having been transferred. The environment is going to change because of this and the modal shift from road to rail will take place by way of confidence as well as ability of shipping lines to push more volumes into the hinterland. It is a known fact that a large number of consignments coming into the hinterland get cleared in the port town because of reluctant on the part of the shipping lines to push these volumes into the hinterland and then it gets converted into particularly in Mundra port environment gets converted into road transportation and is carried by road because there is hardly any transportation of customs cleared cargo from Mundra port into the hinterland which takes place by rail. From that point of view, we can very clearly see a large interest by all the shipping lines post COVID restrictions, which resulted into improvement in turnaround time resulting into pushing of volumes into the ICD in shipping line containers, that is the first thing which will happen. The second thing which is likely to happen is that the customer itself will have a better hold over the timelines of delivery, particularly when the consignment is coming from a shorter distance on the ocean line wherein the ocean distances are say 6 days to 7 days and many times it used to take 6 days to 7 days for evacuating this cargo from the port resulting into the land side part of it taking anywhere between 10 days to 11 days so, that kind of scene is likely to change and under the improved turnaround time the reliability of service provided by us along with the port operator together will result into the shift from CFS in Mundra port area, particularly into the rail business. So, that is the second part of it, I missed your third question, what was the follow up question there?

Bhumika: Sir, I was basically trying to understand what is the rail share improvement and how is double track also kind improves in this timeframe?

Sachin Bhanushali: If you are going to do the same volume in a shorter period of time then the ability to put more 40 feet containers on the top of 20 feet containers increases because in a smaller window you are dealing with a larger amount of volume, so that is how increase in volume results into improvement in double trackability. Secondly, with exports from India over a period of time gaining momentum both because of Atmanirbhar Bharat and Make in India efforts as well as changed equation of China with the rest of world in manufacturing sectors is clearly visible in terms of at least the intermediate product from India is getting momentum as far as the exports are concerned. This would mean that the import-export imbalance will also come down and we have seen this over a period of last three months that the import-export imbalance has gone down and that reduced imbalance results into further improvement in our double trackability. So, we normally used to operate at roughly about 35% of double stackable volume going on the second stack. We have seen this stabilizing currently somewhere around 42% to 43%, I will give the detailed numbers to you separately after the call. But we clearly see that our ability to do double track in import direction has gone up as well as our ability to do double track in export direction as compared to what we were doing earlier also has gone up. So, both is going to help us in terms of improving cost matrix.

Bhumika: Got it, Sir one more question in terms of market share if you can comment but across our locations and particularly in Sanewal given that there used to be a lot of competitive intensity, you spoke about competitive intensity to some extent easing is that something which we seeing in Sanewal as well?

Sachin Bhanushali: In NCR we continue to be the second in terms of pole position and we are at present operating at roughly 13.5% of market share in NCR, Faridabad and Gurgaon terminal put together. In Ludhiana market there are two new terminals which have come up, so Ludhiana earlier it used to be Container Corporation Dhandari Kalan terminal, Gateway Rail, Sanewal terminal B2B terminal at Sanewal and the Pristine terminal at Chawapail these are the four terminals which were operational. The operations at B2B terminal have been shut down once it was taken over by Adani, but Adani has started their terminal at Kila Raipur, and Hind terminals also have started their terminal at Kila Raipur. So, we are gone up from 4 terminals to 5 terminals now. So, this will be some amount of competitive pressure in terms taking away business from others. Because a new entrant basically tries to always pluck the lowest hanging fruit. From that point of view, we have seen a little bit of drop in our market share in Ludhiana business but Ludhiana business the volumes are also seems to be growing. So, there has been no drop in terms of absolute numbers as far as our business in Ludhiana is concerned but a large part of the increase or the growth should have come to us, we have to share it with the new operators who have started operating from that market, if I can put it that way.

Bhumika: Okay, great Sir. Wish you all the best. I will come back in the queue. Thank you.

Moderator: Thank you. Next participant is Rohit Ohri from Progressive Shares. Please go ahead.

Rohit Ohri: Sir, I have two questions. Probably two parts these are both related to Snowman. Now we know that the cold storage in India is at a very nascent stage and there is huge potential to grow in the industry and the industry is also looking at growing at around 15% to 17% CAGR over the next five years. My question is that can we see Snowman grow at around may be 12% or 14% with the current or historic EBITDA margins in the range of 28% to 32% that we had in the past?

Sunil Nair: Hi! Sunil here. So, when we take the EBITDA in terms of warehousing business, the EBITDA is to the tune of 35% and when we include our transportation business as well it averages out to 25% and with our focus on warehousing, all the expansions that we are planning is in the side of warehousing we expect it to be better and the overall plan like we are investing Rs. 70 Crores now in next three month - four months-time we should have 12% to 15% additional capacity coming up. So, we are quite hopeful that we will maintain the CAGR that the industry is going at.

Rohit Ohri: Okay, so will it be a volume gain, or will it be a value gain going forward?

Sunil Nair: It has to be volume gain because that is where we are trying to tap the market and the growth and the addition in the sector is in terms of volume and as we still at a very nascent stage the overall standardization in terms of services and pricing is still to happen. So, there is big range between which we operate as of now in terms of pricing. So, there is limited scope in terms of changing the pricing in the market. But there is huge scope in terms of volume and optimizing your fixed cost in the business.

Rohit Ohri: So, you are trying to say that there has been no price hike, or you do not anticipate any price hike or realization going forward also?

Sunil Nair: No, I am not saying that, what I am saying is there cannot be a major price hike like we are talking about 15% to 18% growth in the volume the price growth will not be to that extent, it will be to the extent of say 5% to 7%.

Rohit Ohri: Okay, my second question is with the new normal that we are having, the food industry it appears to be ramping up and Snowman already being there in that business will you be focusing on the food business going forward or are you looking at vaccination preparedness drive?

Sunil Nair: Sorry, food business or?

Rohit Ohri: Vaccination preparedness drive?

Sunil Nair: We are being focusing on pharma for last three years and today we are at 10% -11% of our revenue comes from pharma whereas balance revenue comes from food. So, our focus on food will continue to be there but pharma we are creating a separate vertical and focusing on pharma, it is not specific to vaccine as such the pharma includes API, it includes bulk drugs, it includes vaccine as well. So, we already do vaccines in terms of influenza and swine flu vaccines, so if you are talking about COVID vaccine that will be the addition to this.

Rohit Ohri: Okay, sir can you give the breakup of the revenue which you always given in the conference call with pharma, QSR and meat and milk products and all that, the entire break up?

Sunil Nair: We have around 10% of pharma, QSR is around 10%, the food is around 18%, Agriculture is around 15%, Ice cream 10% and confectionary is around 10% and rest smaller segments are contributing rest of the things.

Rohit Ohri: Okay Sir. Thank you. I will get back in the queue if I have any more questions.

Ishaan Gupta: Rohit Ishaan here! I just wanted to add to what Sunil said that we have started putting this information online in the presentation, so you can just make at this stock exchange and all this. So, we will get a breakup of the industry wise revenue also is one of the point, and also relating to your question of whether going ahead we will focus on Pharma or Food, so our thinking has always been is that we do not want to limit ourselves to one or the other and the kind of facilities which we built are able to handle both the kinds of cargo and we have multi-chamber facilities. So, different temperatures can be maintained, and segregation of cargo be done at each facility. So, we can handle both food and pharma together.

Rohit Ohri: Okay, thanks a lot.

Moderator: Thank you. Next participant is Anup Lal from Mount Intra Finance. Please go ahead.

Anup Lal: Hi! Congratulations for the good set of numbers. My question is basically regarding the CFS business, with JNPT increasing in the terminal capacity by around doubling the terminal capacity, so the question is that how it will impact your CFS business?

Samvid Gupta: The port terminal adding is definitely going to increase some viability for the area, there are theories that shipping lines do not doing double dip which is doing either Mundra and Pipavav and also JNPT. So some volumes might come back to JNPT. But I think the bigger effect will come when the full DFC is operational and real volumes can also be serviced out of that. So, that will help because the CFS local areas right now whatever the Nhava Sheva region is doing it is for Nhava Sheva and the nearby areas, whatever is for the hinterland and that going to Mundra. So, that could be the big change.

Anup Lal: Another thing is that, now the DPD portion is around 40% of the cargo and it is expected to increase to 80%. So, it will impact negatively on the CFS business?

Samvid Gupta: There are two types of DPD's, one is DPD-DPD which goes straight from the port to the end consignee and one is DPD-CFS which we are handling and some other CFS's are also handling. So, we are handling that volume and on a mixed basis it is about 30%-40% of our total Exim volumes in our Nhava Sheva CFS. We do not see DPD going up to 80% but even if it does the volumes will still come to the CFS and the handling and transportation rates stay the same.

Anup Lal: What is the contribution of Nhava Sheva in the entire CFS business?

Samvid Gupta: Nhava Sheva is doing about, we have two terminals there, one is own CFS and one is the O&M from Punjab Conware, monthly we will be doing about 18,000 TEU's and on the financial aspect Nhava Sheva will contribute about Rs.40 Crores on EBITDA level.

Anup Lal: Okay, thanks for the answer.

Moderator: Thank you. Next question is from Vikram Vilas from Phillip Capital. Please go ahead.

Vikram Vilas: Hi! Good evening Sir and congratulation for strong improvement in EBITDA across all the verticals. So, basically I have two questions for most of the questions were answered, one is that to what extent we have seen or was there any impact of partial hesitation in rail operation and basically it related to rail operation only to what extent we can see improvement in operations was there any impact of this trade imbalance of import-export and if that normalize to what extent it can support. I think you have partly answered in terms of improvement in double stacking and but if you can share slightly more rail impact mainly because of farmer agitation and trade imbalance of import-export?

Sachin Bhanushali: Hi! Thanks, Vikram I hope you are doing well. Thank you so much for participating in the conference. So, two things we have, one is that the total cessation of rail operations in Punjab area continued for about 41 days. Now, that did result into some cargo getting stuck at our Garhi Harsaur terminal as compared to other operators not being able to pick up this cargo from the port altogether. So, we were at an advantageous position in addition to that since we had come all the way closer to Gurugram it was possible for us to carry some cargo by road-rail, rail between Gurugram to Punjab, Ludhiana area and deliver the cargo not exactly in time but without much delay to some of our customers so that is why we were providing a much reliable service as compared to others. This impact resulted into the backlogs but that entire backlog has basically got captured in this Q3 itself. So, volumes which could not be carried up to Ludhiana in the month of October were carried in the month of November and December. So, that is how the impact has got obviated during the quarter. In terms of the revenue that we would have lost, I would put that number to nil absolutely. Because in the quarter we have been able to recoup that. As far as the trade imbalance is concerned the import-export ratio seems to be moving quickly in favor of exports, so earlier we gone up to a level of 60% imports and 40% exports. We clearly see it stabilizing somewhere around anywhere between 50% to 55% of imports and 45% to 47%-48% of exports. So, if it happens 50-50 than that will probably be the best situation for us to operating resulting into more double stack being carried in both the directions resulting into an improvement in our overall cost matrix.

Vikram Vilas: Thank you Sachin Sir. I have another question which is on Snowman basically the kind of focus we are now having in terms of growth and focus will be more on warehousing capacity. I just wanted to understand what would be the typical mix between warehousing and transport revenue going ahead and how much reefer fleet currently we are having, if you can give break up of total fleet and our fleet?

Sachin Bhanushali: We have 264 trucks now and as these are the owned trucks and then we use 100 trucks rom the market and the ratio of own and market will keep changing the market portion will increase as we are developing a lot of transport partners as Mr. Gupta explained about the snow link that is an IT platform that aggregate the transportation capacities in the country. So, the ratio is 33%-67% as of now, 1/3rd is transportation. But as the ratio will remain same, ratio will not change though our own fleet will keep coming down but the ratio will remain same as we are going to grow the transportation business as well through our snow link platform.

Vikram Vilas: Got it. That was helpful. Thank you, sir.

Moderator: Thank you. Next participant is Atul Tiwari from City Group. Please go ahead.

Atul Tiwari: Thanks a lot. Sir, first congratulations on very strong set of numbers. My only question is, any latest comments on the likely timeline of commissioning of DFC till Palanpur, railway is still saying March, but I guess it could be September. So, what is your say?

Sachin Bhanushali: I would put the number again Atul timeline again at around end of September, maybe it may overflow into quarters beginning Octobers as well. But, not before September is our guess.

Atul Tiwari: Okay, and then the eventual connection to JNPT how longer from?

Sachin Bhanushali: That will probably take over a year after that. Because, there are quite a few issues related to land transfer between from the acquiring authority to dedicated freight corridor as well as issues related to the signaling work which is to be done on Baroda-Nhava Sheva stretch is concerned. So, that I would put say about 12 months to 15 months after commissioning of Palanpur.

Atul Tiwari: Okay, Sir thanks a lot. Very useful.

Moderator: Thank you. Next question is from Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much for this opportunity. Sir just wanted to understand any kind of growth outlook have we shared for next year. Anything on that, thanks.

Sachin Bhanushali: Yes Deepak, we have been experiencing a growth of roughly about 5% to 6% as far as ICD business is concerned. Whereas if you look at the port, the CFS and ICD business put together the port volumes have not grown much during the last year. The last two quarters have seen some amount of improvement our expectation is that with settling down of rail transportation regular in India and general increase in demand which I explained earlier in the call. It should not be difficult for us to anticipate an early two-digit growth for this sector in FY2022-FY2023 and

FY2023-FY2024, I think FY2023-FY2024 is going to be the year of reckoning whereas we will definitely see advantage of dedicated freight corridor translating into overall volumes growing up and with the commissioning of the fourth terminals to its full capacity. The Nhava Sheva itself will become a 10 million TEU cluster of terminals and operation cost of operating main line services into Nhava Sheva is better than that operating into the other two ports on the west coast. So, there is always a preference for operating out of Nhava Sheva for the shipping lines as well. It is easy to operate it has got a navigation channel which is never congested, it is also not a fair-weather port, its draft is better, its port terminal handling charges are lower. So, from that point of view commissioning of dedicated freight corridor between Palanpur to Nhava Sheva and full-scale operations at the port terminal phase-II will result into growth of volumes coming to India in big time.

Deepak Poddar: Right understood, that is quite interesting, and my second query is on your CFS business is now that EBITDA per TEU at Rs. 2900 odd. So, how sustainable is that?

Samvid Gupta: This is the level that we want to keep consistent. We have started some value-added services like Last-mile transportation so, it is increasing our margins. Last year if you look at we were doing at about Rs. 2300 – Rs. 2500 so we are improving and you cannot compare Q1 and Q2 because of high ground rent, but Rs. 2900 to Rs. 3000 is a level that we will focus as.

Deepak Poddar: Right understood. That is, it from my side. Thank you very much.

Moderator: Thank you. Next question is from Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

Abhishek Ghosh: Hi! Sir, thanks for the opportunity. Just couple of questions a) now the part of the DFC getting commissioned, clients have fair amount of idea that sometime during the next 3 months to 6 months the commissioning will happen. So, any changes in terms of the enquiry level your marketing team talking about new clients coming in at least discussing what can be the prospect. If you can give us some sense on that part will be helpful?

Sachin Bhanushali: Hi! Abhishek thank you for participating and that is very precise I would say point that one needs to look at from growth outlook point of view. The initial enquiries do not come from customers, initial enquiries primarily come from the shipping lines and the shipping lines are quite interested in knowing the benefit which accrues to them apart from improvement in the turnaround time which is quite evident to all of them. So, we have seen most of the shipping lines asking us for operating more and more dedicated freight services container services for them for timely evacuations. In fact, we gone to the extent of starting to label our dedicated services with the same name which is used by the international trade lane name so that from customer point of view the visibility comes not only up to the port but up to the ICD. This level of interest have never been experienced in the past and I am sure this will result into shipping lines eagerness to bring in more business in to ICD's to feed into the export requirement as well as in order to turn around the containers fast will quickly fructify. So, volume push is likely to come more from the shipping lines and the enquiries are I would say quite in place.

Abhishek Ghosh: Okay, and Sir in terms of DFC well we understand next six months it could be completed but any particular nature of work it is either signaling or anything that kind of worries you that, that could actually delay the project as far as the Palanpur section is concerned?

Sachin Bhanushali: The entire delay has been on account of signaling work as far Palanpur-Rewari segment is concerned, even today the signaling arrangement for the purpose of running of automatic block operation on this route at higher speeds is still not in place fully and that is the reason why currently there are only two trains during day time which are being operated by dedicated freight corridor on this route by transferring those from Indian railway network to DFCC network. So, that is a cause of worry the engineering part of it and the electrical over head equipment part of it is already in place and has been tested adequately enough to ensure 100 kilometers running of BLC train on this route. So, it is only the speed which are determined by the signaling complement on this route which is a cause of worry and going forward it seems that if not in three months at least in the next six months they should be handle it.

Abhishek Ghosh: Okay great, and Sir just one more thing it was that video of that long haul train moving around it was very nice, but just one question coming out of that because in the business of rail we have to manage both in terms of frequency and utilization. So, if you have such a long-haul train like fill up factor is an important thing. How will you match up with the frequency and will you collaborate, how should one think about it?

Sachin Bhanushali: Abhishek it is an operational technique which will be used by Indian railways rather than by operators like us. Operators will continue to load a 45 wagons train which can carry 90 containers in single stack or 180 containers in double stack and two such trains as it was done at the time of inauguration. Two such trains will be combined together to be run only on the dedicated freight corridor stretch because it is only dedicated freight corridor stretch which permits you to run trains of 1500 meters or 1350 meters to be precise, because the loop length on the dedicated freight corridor is of that level beyond Palanpur as well as before Rewari the loop length continues to be 686 meters, 720 meters of clear length available. So, as operators will continue run trains only with 45 wagons with 180 containers in full double stack formation. So, it could happen that one train of Gateway Rail going to Mundra port another train of Gateway rail going to Pipavav can be clubbed together at Palanpur in import direction or Rewari in export direction will become a python train only on Rewari-Palanpur stretch.

Abhishek Ghosh: Okay, so that onus is on Indian railways to execute that aggregation on these?

Sachin Bhanushali: I would consider that on dedicated freight corridor rather than on Indian railways because dedicated freight corridor will be under compulsion to increase its throughput and that is why it will have reduce the number of trains that it runs on its network. So, it is basically DFCC operations which will do that.

Abhishek Ghosh: Okay, and Sir just one last question from my side, I was looking through your historical EBITDA for TU of rail never have you clocked these kind of EBITDA per TEU margins but you have been consistently clocking for last, for a very long period in 2016 till haulage prices were increased and this is even prior to the entire DFCC benefits coming through. So, how should we look at the railway part of the business over the next three years-four years in DFCC benefits come in. Will it be in margin benefits passed on to the customers and bid more volume or will it be the operating leverage benefit you keep it and it will be a function of both margin and volume., how should one look at?

Sachin Bhanushali: As an operator we would always love to keep the entire margin to ourselves but, reality does not normally permit you to do that. So, from that point of view part of the improved margins will be passed on and there would always be cowboy operators in the market who would be more than willing to do it at the first instance. So, there will be some amount of depletion of the benefit arising out of dedicated freight corridor benefits in terms of increased double stack as well increased turnaround time being passed on to the customer. But as I said earlier in the call it would not be very difficult to look at numbers which are closer to Rs. 8000 to stabilize over a period of time. Particularly when the volumes are good then the pressure on margins as I mentioned earlier is not as significant and that is why higher volume is good news for everyone.

Abhishek Ghosh: Great. Okay Sir, thank you so much for such insightful answers and wish you and your team best of luck. Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen, we will take the last question from the line of Achal Lohade from JM financial. Please go ahead.

Achal Lohade: Thank you. My first question is with respect to the North cargo, will it be possible for you to share what is the total volume import plus export actually in the north corridor which has the potential to command in terms of the total and what is the rail share currently and how you see that rail share for next three years for the north corridor?

Sachin Bhanushali: Okay, it is precarious enterprises to look at the gross numbers like this, but I will try. The total business of international intermodal containers in India would be roughly about 14 million TEU's out of which 10 million TEU's are handled between the three ports on the west coast and the combined rail share of all the three ports roughly stands at present at somewhere around 25% to 27%. So, I would put the number closer to 3 million TEU's annually to be carried in to the hinterland by all operators put together and this would of course include laden and empty containers and say about 10% or 15% of that would be containers which cannot be carried on rail, because of over dimensional consignment out of gate consignment etc., or restricted commodity consignments point of view. So, currently the number would stand somewhere around I would say 2.8 million - 2.9 million TEU's going in to the Hinterland and we are currently basically looking at Ludhiana and NCR volumes, 10% share coming our way all of that put together and with the increase in our terminal foot print in north India we want to grow it at least by around another 50%, so grow from 10% to 15% on consolidated basis in to north India with two or three new terminals that we are looking at.

Achal Lohade: Basically my question is what is the total throughput in the north India, you said roughly 10 million TEUs is actually in the west coast but of that 10 million TEUs how much is actually destined from north India which could potentially is I assume theoretically 100% to come on DFC what would that number be?

Sachin Bhanushali: So, theoretically as of now it stands at 3 million TEUs out of 10 million TEUs i.e. 30% out of which 25% is carried by rail and may be about 5% is carried by road. So, that is the current split of physically containers moving from port into the hinterland. But that still leaves the gap of cargo which gets destuffed in Mundra port cluster terminals and gets converted into road cargo that is the cargo that one is looking at from a modal shift with the help of dedicated freight corridor point of view. On that there are no numbers available we can only make a guess there but that is a significant number. Second thing which happens is that with the environment of operating with rail through ICDs becoming more and more reliable the industry in the Hinterland starts relying more on ICD business than on CFS business. So, the overall volumes are also likely to grow on account of that, so it is not just organic growth but modal shift which will result into operators or the shipper's importers and exporters depending more on ICD business which will result into growth of the sector. I would not be able to put a number to it; I do not think anyone will be able to put a number it as of now.

Achal Lohade: Understood and just one more question if I remember correctly earlier, we used to target something like Rs. 6500 to Rs. 7000 kind of a range for the rail business in terms EBITDA per TEU. Now you are talking about Rs. 8000 per TEU and potentially can go up to Rs. 9000 post the DFC commissioning. So, this Rs. 6500 or Rs. 7000 to Rs. 8000 kind of increase, what is if we were to kind of ask the reason what is the reason for this increase in the assumption is it operating leverage alone or is it the pricing or is it something else Sir?

Sachin Bhanushali: There are three things which operate here. First one is that good times are good new for everyone, so as long as the volumes take care of all capacity which is available in the market there is no pressure on prices there is no pressure on margins that is the first thing. Second thing is that with dedicated freight corridor or reduced turn-around time, more so it is possible to improve throughput per train as well throughput per month. This gives you an advantage of operating a little tighter operating cost structure that is the operating leverage which comes in. The third advantage which comes in is on account of reliability of the system resulting in to increase in volumes which further again is good news further resulting into good times for everyone. So, from that point of view consolidation of volumes in NCR or Punjab or the rest of North India will result into capacity being fully utilized resulting into margins stabilizing and margin improvement will take place on account of higher double stack, balanced transportation as well as improved turnaround time. I hope I have been able to kind of explain to you the three mechanics of it.

Achal Lohade: Understood. This is very helpful sir. Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen, that will be the last question for today. In case of any persons missed out due to lack of time they can reach out to the management and SGA. On behalf of Gateway Distriparks Limited that concludes this conference. Thank you for joining us you may now disconnect your lines. Thank you.