



November 13, 2023

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Dear Sir/Madam,

Sub: Transcript of Conference call

Please find attached the transcript of Q2FY24 post results conference call held on 7th November 2023.

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

For Snowman Logistics Limited



Kiran George
Company Secretary & Compliance Officer

Encl: as stated above

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“Gateway Distriparks Limited & Snowman Logistics Limited Q2 FY '24 Earnings Conference Call”

November 7, 2023

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**MANAGEMENT: MR. PREM KISHAN DASS GUPTA – CHAIRMAN AND MANAGING DIRECTOR
MR. ISHAAN GUPTA – JOINT MANAGING DIRECTOR
MR. SAMVID GUPTA – JOINT MANAGING DIRECTOR
MR. SANDEEP SHAW – CFO, GATEWAY DISTRI PARKS LIMITED
MR. RAJGURU BEHGAL – PRESIDENT (RAIL), GATEWAY DISTRI PARKS LIMITED
MR. MANOJ SINGH – PRESIDENT (CFS), GATEWAY DISTRI PARKS LIMITED
MR. SUNIL NAIR – CEO & DIRECTOR, SNOWMAN LOGISTICS LIMITED
MR. N BALAKRISHNA – CFO, SNOWMAN LOGISTICS LIMITED
MR. SIKANDER YADAV**



*Gateway Distriparks Limited & Snowman Logistics Limited
November 7, 2023*

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '24 Earnings Conference Call of Gateway Distriparks Limited and 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 date. These statements are not the guarantees of future performance and involve risk 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 the operator by pressing '*' then '0' on your touchtone phone. Please note that the conference is being recorded.

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

We also have with us Mr. Sikander Yadav who has been appointed by the Board of Directors as Chief Financial Officer of Gateway Distriparks Limited with effect from the opening of the business hour of November 29, 2023.

We hope that you had the opportunity to review the “Financial Statements and Earnings Presentation” which has been made available online.

Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Yash Tanna from iThought PMS. Please go ahead.

Yash Tanna: So, my question was relating to Snowman on the transportation side. We have seen the revenues grow by 10%, but on the PBT, I think there has been some drop in the margins. So, I would like to understand why this has happened. And I am referring to the results released, the results especially. And the second one on the 5PL side, right? I mean, quarter-on-quarter, we have seen some degrowth where we have been doing very well on this side of the business. So, for the rest of the year, what is the outlook? What sort of client additions are we targeting? Or what would be the growth of the existing clients for the rest of the year and probably next year as well?

Sunil Nair: Hi, Yash. This is Sunil. In the case of transportation, two major reasons why the EBITDA or gross margin is lesser than the previous quarter. One is the season is little lean. Usually, Q2 and Q3 are down in terms of business. So, a lot of fixed cost still gets absorbed during the period. And the second reason is we had deployed 50 new trucks by the end of Q1 and beginning of Q2



which took close to a month for deployment. So, we have absorbed those cost, the standing cost of those vehicles as well in terms of driver and related costs. So, that's the main reason.

When it comes to this Snow Distribute business, as you know, we have three major clients in this. What we have done, as you can see the growth that we have in terms of the numbers as compared to last year, we have introduced close to 20 new products to our existing clients.

So, there are three ways we are trying to expand this business. One is to increasing our basket of supplies through the 5PL services to the existing set of customers. Second is increasing or adding the new locations of these customers. So, we have added one market for ice cream business, which is in the Punjab. As compared to last year, we added 20 new products for our customers, which are IKEA and Team Hotels. And we have three customers in the pipeline, which we expect anywhere between 3 to 6 months' time for it to materialize and come to our numbers.

Yash Tanna:

And on this transportation side, we said that we have deployed 50 new trucks, and I think trailers also we have deployed. So, what is the strategy going forward in this transportation side? Since earlier, I mean, we are doing asset light because we don't have to absorb these costs, right? And now we are putting up upfront investments in this part of the business. So, what is the capital allocation strategy in the transportation side of the business?

Sunil Nair:

So, transportation will continue to be asset light only. So, as you know, we had 300 vehicles which were owned. We have reduced it to 260 now. What we are doing is, we are only investing in vehicles which are very special for us and where we have an end-to-end solution to our customers. Otherwise, we are going and leasing. So, today, we operate around 500 trucks in our business, out of which around 260 are leased. At any point in time, while the 500 will continue to increase, we will have somewhere around 200, 250 own trucks. We bought these 50 trucks to replace the old ones which were 10-year-old. So, these replacements will continue to be old trucks.

Yash Tanna:

And the 20 trailers that you have bought, and the presentation also says this announces Snowman's entry into the trailer business. So, is this something more differentiated that you are trying to offer or what is this?

Sunil Nair:

Yes. So, this is just an extension. What was happening was from port to the warehouses, that leg was not attended by us so far. So, we are exploring that business as well by deploying these trailers, and if we find it attractive, then we will expand on this vertical as well.

Yash Tanna:

And then this will be a CAPEX heavy investment. Am I right on that?

Sunil Nair:

So, being trial, we have invested, but if it works well, then we will also go asset light in this model as well.



Moderator: Thank you. The next question is from the line of Bhoomika Nair from DAM Capital. Please go ahead.

Bhoomika Nair: Sir, this quarter we have seen very strong traction in terms of volumes both in railways and in the CFS business. So, if you could just comment on whether this has got to do with the fact that there was a railway disruption in 1Q? So, is there some spillover benefit which has come through in 2Q? And if you can also talk about commentary and outlook for the second half, and how you are seeing the volume stacking up et cetera? And also, if you can just comment about the terminals and Kashipur, how it is shaping up? And what is the volume contribution from there?

Samvid Gupta: Hi. Samvid here. So, we expect a similar trajectory going forward for the second half as well. So, this quarter had a little bit of spillover from Q1 after the cyclone, but some of those volumes were also transported by road, because importers didn't want to wait for their cargo to be delivered because there was a backlog. So, some of it came to us. Some went to road. But we expect a similar number going forward.

Kashipur continues to do above 3,000 (to be read as 3,000 TEUs) per month, but that market is dependent on wastepaper, a lot in imports. So, Q3, normally they go for shutdowns and all the paper mills go for shutdowns for maintenance. So, maybe in Q3 we might see a small dip in imports there, but other than that it's going well, and we will continue doing as per projections.

Bhoomika Nair: And how is the rail EBITDA per TEU and CFS EBITDA per TEU panned out this quarter?

Samvid Gupta: So, rail is similar at Rs.9,000 only. CFS saw a slight decline. That's about Rs.1,800.

Bhoomika Nair: And recently, when railways has announced this busy season surcharge, are we kind of passing that on? Have we started taking price hikes et cetera for the same? And if you can just comment about what has been the double stacking and with the Dadri bit commissioning, has that helped us in any manner or any other qualitative comments in terms of improvement in EBITDA per TEU?

Samvid Gupta: Yes, so the busy season surcharge was levied on 30th September with effect from 1st October. So, there might be a slight delay in some contracts where we have to give a notice, but it will be fully passed on to customers and by November, it will be fully passed on to all customers.

And Dadri double stacking doesn't affect us because the terminal is more further east from our locations where we double stack out of. So, the same alignment continues for us in Faridabad and Gurgaon. Faridabad double stack work is on, and that should be there in Q4, but it's already connected to DFC. So, that is out of the way.

Bhoomika Nair: And if I may just squeeze in another question on terms of new terminals CAPEX etc., that we are looking at as also our thoughts on the high-speed rakes?



Samvid Gupta: So, we are still looking at two locations in the immediate term, but we haven't finalized the locations yet. We have scouted some land options, but until it's clarified where they are, we won't be announcing them. On the high-speed rakes, we have signed up for three more rakes which will start delivery within this month. So, by end of March, we should have three more rakes added to our fleet, and these will be the high capacity, high speed wagons.

Moderator: Thank you. The next question is from the line of Aditya Makharia from HDFC. Please go ahead.

Aditya Makharia: I was wondering on the railway side, have we gained a market share from competition?

Samvid Gupta: So, it's a similar market share going on in NCR. We are still at about 17%. Ludhiana we have actually lost a little bit of market share, but that's because now there is a new ICD that's running full-fledged operations, but overall our volume is still going up if you look at all terminals. So, we are happy with where we are.

Prem Kishan Dass Gupta: And Aditya, in Ludhiana because it is import heavy, so we have been declining the spot business because it increases our imbalance because all exports are already down, and in case we carry more import containers, then it will add to our cost.

Aditya Makharia: And just a second question. There was some news article suggesting that Container Corp is giving up some amount of land at TKD because the LLF charges are going higher. So, will that benefit us in a material way?

Samvid Gupta: Not really because TKD volumes over time have gone down. So, they are probably using less capacity of the yard. So, they can give up that surplus land, but it won't make a difference to us.

Aditya Makharia: And last question. Just update on the DFC? So when will the route, at least the Gujarat leg be completed? And does that then benefit you even for traffic which goes down to JNPT?

Rajguru Behgal: Hi Rajguru, this side. So, regarding Western DFC Corridor, 70% is already commissioned. So, we are already using this DFC to the extent of around 800 kilometers, the stretch between Rewari and Sanand. So, our trains which are going towards Mundra and Pipavav, they are already using this corridor.

The second stretch which was commissioned was between Rewari and Dadri. That was basically for Dadri. And now the remaining stretch between Sanand and JNPT, which is close to 550 kilometers, out of which there has been two stretches, very small stretches which have been commissioned, but there is no point commissioning few stretches unless and until the entire stretch is completed, which is now left around 450 kilometers.

So, as per DFCC official stance, they are saying that they are going to complete it by 31st of March, but we are expecting that it might further get delayed because there is some work which is yet to be completed between a couple of stretches.



- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** So, can you help us with the absolute rail and CFS EBITDA? Because I presume EBITDA per TEU what you mentioned includes other income. Is it possible to know the EBITDA without other income, sir?
- Samvid Gupta:** So, other income is only Rs.2.8 crore. So, it's hardly any effect this quarter. So, broadly, you can just reduce a couple of 100 rupees.
- Achal Lohade:** The second question I had, is it possible to get some sense in terms of, of our first half volumes, how much was actually destined for Mundra, Pipavav, and JNPT?
- Samvid Gupta:** About 95%. About 90% to 95% is for Mundra, Pipavav, and only 5% to 10% is for JNPT.
- Achal Lohade:** Right, but within Mundra, Pipavav, what would that split be?
- Samvid Gupta:** 65 Mundra, 30 Pipavav, 5 JNPT. You can take that as a rough average.
- Achal Lohade:** And has that changed materially over the last two, three years, four years?
- Samvid Gupta:** Mundra's volumes have gone up slightly more than Pipavav's. JNPT also was maybe at about 15%, which has now come down further.
- Achal Lohade:** Now, the second question I had with respect to the volumes, if we look at the volumes Q-o-Q, the Indian Railways has seen a kind of a 14%, 15% kind of a jump. I mean, we have grown by about 12%. So, is Ludhiana the only factor which is playing out here in terms of the slightly lower than the railways volume growth? Or first of all, is that right way of looking at the aggregate industry growth number?
- Samvid Gupta:** So, the 14% is for containerized volume that railway has released data, or you are referring to...?
- Achal Lohade:** Yes, EXIM, Indian Railways EXIM volumes in million tons.
- Samvid Gupta:** See, it can depend on all across India they are talking about. So, there are routes where we don't ply our trains. So, we have to look at the market growth and then the market share. So, our market growth in NCR was at about 8%, whereas our terminal Garhi, for example, grew at double of that. Faridabad saw some decline. So, overall, it balances out, and that's why our market share hasn't changed. It's still at 17%, but overall volumes for us are at 12% growth, which we expect to stay going forward.



Achal Lohade: And when you said you kind of looking at maintaining what you have done already, is that in absolute number? Or is that the growth number you kind of hinted at 12% volume growth for the second half?

Samvid Gupta: 12% year-on-year basically, H2 versus last year H2.

Achal Lohade: And about this busy season surcharge, what is the extent? And what is the visibility here? Is that only for a few months? Or is it around the year? Effectively, is that a haulage price increase the railways has taken?

Samvid Gupta: They have done it for 9 out of 12 months. So, effectively, it's there throughout. The association and industry is taking it up because it increases the cost of logistics for the end customer and with the shift from road to rail that everyone wants to happen, this is a step in the opposite direction. But for now it's there to stay.

Achal Lohade: And the rationale is to cover the increase in cost or, I mean, is there any congestion what for which they are charging the premium?

Samvid Gupta: The situation hasn't changed in terms of congestion, but I think it's just for railways to get an avenue to increase their revenue.

Achal Lohade: And can you help us understand in terms of the CAPEX, what should we budget for FY '24, '25, and '26?

Samvid Gupta: So, for next 24 months, we have about Rs.300 crores still the same guidance that we are giving, Rs.100 crores each for two new locations. Balance is for completing Jaipur and vehicle replacement and some equipment replacement.

Achal Lohade: And what is the expectation on Jaipur? By when do you think it will commission? And what scale up can we look at?

Samvid Gupta: We are expecting to be operational in Q1 next year. There were some delays in local permissions due to the elections coming up, but Q1, we should be operational, and we are looking at a four to five year payback over there.

Achal Lohade: Just one more question. Sorry, I am kind of going back to the industry number. Is it possible to get some sense in terms of the total size of the market how much of that already on rail, how much is potentially can come into rail because of the DFC?

Samvid Gupta: It's very hard because the data is a bit scattered and unorganized. So, we have to rely on external reports because there is no central mechanism to track this.

Achal Lohade: But any guesstimate you would have, Samvid?



- Samvid Gupta:** So, road to rail shift will be very gradual, maybe 1%, 2% incremental year-on-year. Then you have to look at the overall macros that will take place on the GDP as well as exports coming back. That should help in balance factor also. So, yes, again, it's hard to put a number on it, what we can see incremental because of DFC on this.
- Achal Lohade:** And if I may ask a couple of more with respect to double stacking if you can help us understand what was the ratio in 2Q and vis-à-vis last year?
- Samvid Gupta:** We are at about 36%, and last year it used to be more. It was at about 43% last year.
- Achal Lohade:** And so this reduction would be because of the imbalance. Is that so?
- Samvid Gupta:** Yes. In the export side, there is reduced double stacking happening.
- Achal Lohade:** Would you be able to tell us the mix? What is the mix of imports and export in this quarter and last year same quarter?
- Samvid Gupta:** About 58-42 in favor of imports. Last year it was maybe 52-48 kind of numbers.
- Achal Lohade:** And just last question with respect to the pricing, you said that you are going to pass on the entire cost inflation with respect to this busy season surcharge. Is that the case even with the others? And what is the absolute increase in the pricing here per TEU?
- Samvid Gupta:** It's 10%. So, our average revenue per TEU is about Rs.35,000. So, you can, depending on the weight mix, the type of container and all, so it really varies and distance anywhere from Rs.2,000 to even Rs.5,000 in some cases per container. And yeah, it will be fully passed on.
- Achal Lohade:** And if others have also done or?
- Samvid Gupta:** Yes, everyone is passing it on but with different dates.
- Moderator:** Thank you. Next question is from the line of Harsh Shah from Dimensional Securities. Please go ahead.
- Harsh Shah:** The question is for Snowman Logistics. What would be the increase in realization for this quarter in the warehousing business on a Y-o-Y basis?
- Sunil Nair:** This is Sunil here. So, as I said last quarter, every year in the month of March, April, our contracts get renewed, and we had a price increase between 5% to 6%. But when we take on a company level average because we have added a lot of dry warehouses recently, the average may not show that, but when we look at temperature-controlled yield versus the dry yield, you see that trend of anywhere between 5% to 6%.



- Harsh Shah:** Thanks for the clarification because that was the next part of my question because our blended realization looks flattish if I look at last six or seven quarters' number. So, on like-to-like basis, if you compare only the cold chain realization, you say it would be better by 5% to 6%, right? Only for cold chain.
- Sunil Nair:** So, that should be anywhere around 5% if you say only cold chain ASP, but maybe we will see if we can get back to you with the separate segment wise numbers, temperature control versus the dry.
- Prem Kishan Dass Gupta:** But the blended EBITDA percentage will be down because of the mix of cold and dry both. So, in absolute terms, the EBITDA will increase. The revenue will also increase. But percentage wise you might see a drop which actually is not a drop because both the revenues and margins in cold and dry are as on expected lines.
- Harsh Shah:** And sir, if I look at the return on capital employed for our warehousing business, we have improved marginally. We are at maybe around 9% to 10%. So, just wanted to understand, I mean, is this the peak ROCE for this business given that we are already at 91% capacity utilization? Or is there any further scope whether we can get to that 14%, 15% kind of mark? If yes, then what would be the levers for that?
- Sunil Nair:** So, see, ROCE, when we calculate today, it is at the company level, whereas most of our overheads, whether it is IT or people overheads are invested for almost double the size of the capacity that we have today. So, we are looking at it from a long-term perspective, but if we go at a unit level, the unit level ROCE will be somewhere around 15% to 18%.
- Harsh Shah:** For warehousing. And what would be the levers to achieve that 15% ROCE?
- Sunil Nair:** At company level, the main thing would be to increase capacity and optimize the overheads as much as possible, and some correction in pricing which we are doing to the extent of 5% year-on-year, while our input inflation is anywhere between 3% to 3.5%. So, these two things will drive the ROCE in coming years.
- Harsh Shah:** And in the cold chain warehousing space, what is the industry scenario like? Because during COVID, maybe there was some sort of consolidation happening throughout the industry. Many unorganized sector went out of business. So, right now what is the competition and industry scenario like?
- Sunil Nair:** So, there is a small amount of investments coming in. One or two warehouses are being invested by regional operators. So, that is continuing. From the demand side, we see good demand, particularly the top three segments which are dairy, ice cream, QSR and the seafood, they are showing quite promising volume growth. So, I mean, while there are capacities coming, there is demand also is there, and we are also aligning our investments accordingly.



- Moderator:** Thank you. The next question is from the line of Krupashankar from Avendus Spark. Please go ahead.
- Krupashankar:** My first question is on the rail side of things. Just wanted to get a sense on the underlying market. So, given that the commentary of growth in second half is about 12%, just wanted to understand given the slowing exports as well as what Samvid had mentioned with respect to key sectors witnessing slowdown on the import side as well, what is driving confidence of a 12% growth in the second half? That could be a first question.
- Rajguru Behgal:** Hi Rajguru this side. So, in Q2, there has been some uptick on the export volumes, particular in NCR region, if you look at our Gurgaon terminal, so there has been some good moment of export of auto which has taken place, and they have risen. And plus there is also some growth in the reefer exports, which has led to some growth on the export side. And on the import side, because of the robust demand of auto, there has been a good growth in scrap, polymers and electronic items. So, these are the major items which led to growth in Q2.
- Krupashankar:** But going ahead, do you believe that given the growth which is there or weakness which is there in export side of thing, do you see that imbalance getting skewed in more in favor of imports and that can have a toll on our profitability?
- Rajguru Behgal:** So, what we are looking at, if you look at our October numbers, they are like as Mr. Gupta mentioned that due to the maintenance and plant shutdown planned in the month of October, November, there will be some downward trend on the import side, but we are expecting that in the month of December, things should improve. And with the improvement in imports and as well as exports, we are expecting that our volumes on both side should improve. And historically also, we have done good volumes in the month of December that should cater to whatever the downward trend we have seen in the two months. That should be taken care by the good volumes of December what we are expecting.
- Krupashankar:** And with respect to your profitability on the rail side of things, we still are on course to achieve the Rs. 10,000 EBITDA per TEU. That is the target, right? Is there any change in that?
- Samvid Gupta:** No, that guideline stays the same, but that will only come in after Jaipur, Faridabad doing double stacked and JNPT also doing double stacked.
- Krupashankar:** Last one, if I may. Just wanted to get a sense that given the commissioning of Dadri to the Rewari piece of DFC, has there been any change with respect to how trade has behaved with respect to movement of goods, meaning, any underlying change where in goods were coming to Rewari and then moving on the DFC versus right now moving from Dadri itself?
- Samvid Gupta:** So, this would just be an operational cost advantage for CONCOR where now they can directly double stack from Dadri instead of humming it at Kathuwas earlier. But in terms of competition



with us, Dadri is a different catchment area which we don't really compete with. So, it doesn't make a difference to our business.

Moderator: Thank you. The next question is from the line of Abhijit Mitra from Aionios Alpha Investment Management. Please go ahead.

Abhijit Mitra: So, regarding the rail volumes and overall volume guidance of 12%, as we can see, last year, we had a very weak base in Q3 because of one off track laying works with almost 3,500 TEUs, which were lying at the port. So, the 12% volume growth guidance that you are sort of giving, it sort of takes that into consideration as well or, I mean, how to look at it?

Samvid Gupta: Yes, there was a slight dip there. We are just looking at the whole half because even last year, Q3 volumes went into Q4. So, if you just look at H2 and H2, then 12% is what we are saying. So, if you look at it Q4 last year was significantly higher than Q3. So, it evened out.

Abhijit Mitra: Got it. And in terms of Jaipur, just to be sure if I heard it right, you said that you will get the volume rolling in from Q1 of FY '25. Is that right?

Samvid Gupta: So, Q1, it will become operational, and it will take about 6 months to ramp up volumes over there. So, H2 of FY '25 is when we should start seeing proper volume and revenue coming in from Jaipur.

Moderator: Thank you. The next question is from the line of Riya from Aequitas Investments. Please go ahead.

Riya: My first question is in regards to Kashipur. So, what kind of revenue are we looking from Kashipur in this quarter?

Samvid Gupta: So, overall, we have to look at Kashipur not as a standalone entity, but Kashipur rail business is being done from the Gateway Distriparks entity and the ICD business is still in the Kashipur entity as we acquired it, but eventually, we have plans to merge it. So, we are doing at about 3,000 TEUs per month over there, and average revenue per TEU is about Rs. 40,000.

Riya: And so, we were expecting it to reach to around 6,000 TEUs per month. So, when do we see this happening?

Samvid Gupta: That was a very long-term guidance that we had given. So, we had crossed 4,000 in one month including empties, but the 6,000 TEUs was just to show the market potential and that we can eventually get there in 3 years.

Riya: Because it will take around 3 years to reach 6,000 level.



- Samvid Gupta:** Yes. I mean, technically, we can increase our volumes right now, but it's at the cost of imbalance. It's already an import heavy terminal. So, we don't want to take further imports. So, we will keep that in mind while growing our volumes.
- Riya:** And so do we have competition there in Kashipur, just like you said in other Ludhiana, you are seeing some competition?
- Samvid Gupta:** Yes, there are three terminals there right now including us and a fourth one is under construction.
- Riya:** So, do you think that the volume, incremental volume would be easy to reach at the full potential?
- Samvid Gupta:** Yes. I mean, we are on track. I mean, we are already doing more than what we had initially thought within this year itself. So, we should see the same trend continuing.
- Riya:** So, by the year end, do we see the 3,000-mark going upwards or more or less would be consolidated at 3,000 level?
- Samvid Gupta:** Sorry, by year end you are asking what figure?
- Riya:** Do we have a milestone basis target for Kashipur that we want to increase it forward or for the year end we are more or less feeling it would be consolidated at 3,000 per month level?
- Samvid Gupta:** Say 3,000 to 3,500 monthly average will be there until the export situation improves. Once that improves, then we can start taking on more imports as well and go into 4,000 to 5,000 range maybe next year.
- Moderator:** We will now move to the next question, which is from the line of Rohit from Samatva Investments. Please go ahead.
- Rohit:** So, my question is on Snowman Logistics. Firstly, I would like to know about the Amazon Fresh part of the business that we have. What are we exactly doing for them? Is it only cold chain or does that also include the warehousing part of the business - the dry warehousing part of it?
- Sunil Nair:** So, what we do for them is a fulfillment center, which includes frozen, chilled, as well as dry. And it also includes fresh fruits and vegetables where we do sorting, grading, and packing for them. So, complete end-to-end activities in the fulfillment center. We have four such fulfillment centers operational as of now. Delhi, Bombay, Pune and Ahmedabad.
- Rohit:** Sir, I ask you because Amazon, I was reading somewhere, Amazon Fresh, they are on an expansion spree all over India. So, are we the only player who is handling it for them or what will be our wallet share that we have with Amazon right now?



Sunil Nair: So, there are two ways Amazon does their groceries and fresh foods and vegetables. One is hyper local where they have tied up with the supermarket chains. So, there we have no role to play. And the second one is the product which moves through the fulfillment center to their spokes and from there they home deliver. So, wherever it is through fulfillment center, we are their partners, and as of now, it's only with us.

Rohit: So, my second question would be on the transportation part of the business. Could you explain how SnowServe works? Because that's the profitable part of the segment. So, how are we differentiating ourselves with our competitors through SnowServe? And what will be the revenues, if you can give me that number for SnowServe?

Sunil Nair: Sorry, you said transportation or SnowServe?

Rohit: SnowServe. So, SnowServe comes under, so we give our platform to the various fleet owners, right? The SnowServe platform?

Sunil Nair: So, that's not SnowServe. It is SnowLink.

Rohit: SnowLink, sorry, yes, SnowLink.

Sunil Nair: SnowLink. SnowLink is a technology platform where we help various transport operators to come on board with us, and we use their trucks to serve our customers.

Rohit: And what would be the revenues from that segment?

Sunil Nair: So, the current run rate of revenue is close to Rs.50 crores per annum from this technology platform.

Moderator: Thank you. The next question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: I had a couple of questions. The first one is that you indicated earlier that the CAPEX for next 24 months is expected to be Rs.300 odd crores. Now given in first half the CAPEX has been much lower at around Rs.20 odd crores and Jaipur terminal is also getting completed, so do we expect CAPEX to be much higher in H2? If so, what is the number that you would like to guide? That is part A of the question.

Part B is that, if you can split this Rs.300 crores into the CAPEX for rakes and for terminals? Because I guess that two more terminals you are looking at developing very soon.

Samvid Gupta: Yes. So, the two new terminals will be Rs.100 crores each. So, if you remove that and the balance we will spend about Rs.40 to Rs.45 crores on Jaipur. So, that will come entirely in H2 this year. We have already done it in October about Rs.30 crores CAPEX on vehicle fleet replacement



which was aging 15 years, and balance will be for maintenance and small upgradation at our existing terminals.

Amit Dixit: So, H2 should see around Rs.70 crores. That means 30 crores that you have done for this fleet and Rs.40 odd crores for Jaipur.

Samvid Gupta: Yes. Plus 10 maybe you can add.

Amit Dixit: The second question is that some of your peers have indicated that they are going to pass on the benefit, the cost benefit that you get in double stacking to the end customers. Are we also thinking of the similar lines or our better, let's say, the last mile, first mile connectivity or other value-added services more than suffice for that?

Samvid Gupta: Yes. So, we have been double stacking since 2010-11, and basically in our pricing only, we build it in to an overall level of discount that we can go to, but we don't offer a specific discount for double stack. In fact, no one in the market is really doing and offering a specific double stack rate because you can't guarantee if their container will go on the lower stack or upper stack. So, it's just a blended discount that we end up passing it. And one more thing which you asked in the previous question, just to clarify, rakes we haven't bought them. We have leased them. So, there is no CAPEX on the rakes.

Moderator: Thank you. The next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: My first question is on depreciation in first half of the year which seems to be down 8% year-on-year. Is there any specific explanation for that?

Sandeep Shaw: Basically, we initially purchased railway rakes in 2007-08 for that entire, I would say, period of 15 years got over in first quarter, first 6 months.

Samvid Gupta: Basically, we had some rakes which we purchased in 2007. So, the life as per the schedule in income tax is over for depreciation after 15 years. So, those are no longer being depreciated as they are at zero value. So, that reduction has come in.

Sumit Kishore: This is more like a recurring number.

Samvid Gupta: Sorry, I can't understand what you are saying.

Sumit Kishore: So, this is the recurring number here on from this base.

Samvid Gupta: Yes.



- Sumit Kishore:** The second question is around double stacking, we heard the CONCOR mention on their call that their Q2 rakes double stacks saw increase of almost 60% on a year-on-year basis, and for the first half, double stacking was up more than 30% for them. So, just wanted to understand your experience where the volume of cargo carried by Gateway has actually seen a reduction in double stacking? So, how do we reconcile the two?
- Samvid Gupta:** So, it's been a reduction for us because on the export side, we are double stacking less, and it's increased for CONOR because Dadri got double stacked, and they do about 20,000 containers a month from there. So, that is an added boost for them.
- Sumit Kishore:** So, once this Faridabad is double stacked for you, what would be the sort of delta in volumes that you would see in terms of double stacked rakes?
- Samvid Gupta:** About 10% of our volume comes from Faridabad. So, most of that can then be double stacked.
- Sumit Kishore:** And finally if I have to think about your volume growth in Q2 on an organic basis, is it the right way to look at ex of Kashipur because Kashipur was not in the base last year. So, if I exclude the 9,000 odd TEUs that you would have done in Q2 for Kashipur, volume growth would be in low single digits. So, is that the right way to look at numbers and why is it so low in as compared to say the sector at large where Rail EXIM volumes have grown in double digits and even CONCOR has seen almost 13%, 14% growth?
- Samvid Gupta:** So, CONCOR's EXIM volume growth year-on-year for this quarter was 3.5% only.
- Sumit Kishore:** Handling Volume only. They report originating volumes which were up almost 14%, 15%.
- Samvid Gupta:** Is that including domestic or is that EXIM also?
- Sumit Kishore:** No, no, excluding domestic.
- Samvid Gupta:** I will double check on that, but yes, basically, Kashipur has aided the growth. But because of our hub and spoke and network advantage, we are able to offer better rates at Kashipur, and that's why we have seen volume growth even within Kashipur compared to before we took over. Other locations, like we mentioned Ludhiana is down, but Garhi is doing up, and Faridabad is also slightly down. So, we have to look at it overall mixed basis because then we can accordingly price to the customers.
- Sumit Kishore:** At the beginning of the year, just the impression that we had was that Kashipur is like an inorganic addition, and it is not there in previous numbers. So, it will help push up growth. Organic growth will get pushed up because of Kashipur, but that does not seem to be the case, which is why I asked the question.
- Samvid Gupta:** Yes, so other existing locations haven't grown as much as Kashipur has obviously.



- Sumit Kishore:** Got it. So, in case of Jaipur coming in next year in H2, what kind of monthly run rate do you expect from Jaipur?
- Samvid Gupta:** So, next year second half, we will probably exit at anywhere around 1,000 to 1,500 TEUs, but long term we should see 3,000 to 4,000 TEUs out of this location.
- Moderator:** Thank you. The next question is from the line of Riya Mehta from Aequitas Investments. please go ahead.
- Riya Mehta:** Thank you for my follow-up question. My question is in regard to double stacking. Could you help us understand the dynamics of it that and what happens to the realization and your margins when you double stack? And you said that we can do double stacking in JNPT and Faridabad. So, JNPT understand it will happen when the DFC would get complete. When would Faridabad happen? And what incremental benefit would we get out of it? That's my first question. And second question is the rakes which we are buying, which we are leasing, basically, the three rakes, how would it benefit in terms of realization like the throughput basically?
- Rajguru Behgal:** So, in double stacking so what happens is that the container which we load onto the upper stack, so we pay only 50% of the haulage to Indian Railways. But that is something, that is the advantage of double stacking. Then how do we do it in the sense right now we are doing at Garhi Harsaru. Faridabad, we are expecting that we are going to do it another 3 months' time. That is what railways has given us an indication because there is some OHE construction is pending which we are expecting.
- Then what we do is apart from Mundra and Pipavav volumes which we double stack from Garhi Harsaru, we also carry the JNPT volumes through our Viramgam terminal at Ahmedabad. So, that is a stretch of around 850 kilometers from Garhi to Viramgam. So, we double stack it. From there we send it a single stack to JNPT. So, that is how as of now we are doing double stacking.
- And in terms of the kind of rakes, the weight capacity you are asking, so right now we are having rakes which are having a capacity of 68 metric ton. Lower and upper deck put together, we can load up to 68 metric ton. But the new rakes which we have ordered on a long-term base, they can carry as high as 81 ton.
- So, that will increase not only the loadability of the rake but also increase the double stack capacity of the rakes also, because there are heavyweight containers which like scrap and all, which are already 26 and 28 tons. So, if you load two scrap containers, so it is already they cross that particular limit. But once these new rakes are with us, then we should be able to do more double stacking. So, that was the advantage we will be having.
- Riya Mehta:** In terms of any numbers, could you help us that if in a hypothetical situation it works at full capacity, how much would it yield us? The rakes?



- Samvid Gupta:** It's hard to say. It depends on the volume mix, what routes we ply it on. But generally, if you see what our existing numbers are, the revenue per train per month is roughly 3.5 crores. So, we can expect to add that.
- Riya Mehta:** So, how much TEUs will this add?
- Samvid Gupta:** Anywhere from 4,000 to 5,000.
- Riya Mehta:** Per month?
- Samvid Gupta:** This is the capacity that will get added by these three trains coming in.
- Moderator:** Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** My first question was more on pricing and margin for the sector. From what I kind of understand, Adani logistics has been aggressive on pricing for some time and our recent interaction with CONCOR suggests that they have not fully passed on the busy season surcharge to customers. They have also said that their own margins are pretty high. Are you seeing any pricing moves that are making you might bit vary on the margins for the sector? That was my first question.
- Samvid Gupta:** So, general pricing discounts have been happening for some time and it's an overall marketing depending on where, so Ludhiana right now, there are rates that are being cut by competition, but we haven't offered those type of discounts yet. And in terms of the busy season surcharge, we have acceptance from most of our customers already. About 90% is done. So, it will be passed on at cost.
- Aditya Mongia:** But no such indications coming to you wherein the margins can come under pressure?
- Samvid Gupta:** Nothing significant to report really.
- Aditya Mongia:** The second question that I had was on your comment that DFC, in the company's way of thinking, would probably add one, maybe two percentage points of growth. Okay. This again, I just wanted to kind of get a sense as to what are the imponderables that you are looking towards when you are coming to this kind of an assessment or what are the problems in shifting from road to rail at a faster pace, Samvid?
- Samvid Gupta:** So, in terms of road to rail, if you look at our specific sector for container only, we have already in NCR reached a level of 70%, 80%. When Indian Railways says the entire number is at say 25%, 30%, they are counting cargo that can't be converted to containers also. They are counting small distance also, domestic also. So, everything coming under that scope is that 25%, 30%. So, for our specific sector, the growth will be much lesser in terms of shift of road to rail, because lot of it has already happened.



- Aditya Mongia:** The other question that I had was again your comment on JNPT, wherein you basically said that the share of revenues has actually declined over time for you. I would have thought that Virangam would have helped you in improving their share. So, that was one disconnect I had, and post DFC commissioning, would anything change from your perspective as to the share of JNPT in your own numbers?
- Samvid Gupta:** Yes. So, Virangam helps us optimize our cost out of JNPT. But ultimately, it's the end customer's decision which port to use. So, people in North India have preferred to use the Gujarat ports over JNPT because of distance, time, and cost. So, it's not our decision as such. And going forward, when DFC is connected, we do think that some shipping lines would prefer calling on one port rather than two or three on the western side. So, there could be a shift back to JNPT, but we will have to see how that plays out. Again, it's not in our hands. It depends on the shipping line routes.
- Aditya Mongia:** And the last question from my side. See, your CAPEX even on a 3-year period is probably more than the EBITDA that you generate in a single year, and your leverage is not very high. What is the kind of capital allocation or maybe dividend distribution policy that you would want to kind of guide the investors toward?
- Samvid Gupta:** So, we will continue paying the dividends that historically we have paid every year, and we have, in fact, increased it last year, and we hope to increase it going forward as well. After taking care of all our CAPEX and debt repayment requirements, you would have seen we have also increased our stake in Snowman over the last couple of quarters. So, that's one avenue that should be done as well.
- Moderator:** Thank you. The next question is from the line of Janhavi Jain from Axia India. Please go ahead.
- Janhavi Jain:** So, my first question is with respect to EBITDA margins. We have seen good growth in volumes, but there has been a slight EBITDA contraction. So, how do we look at it? And for like H2, what kind of EBITDA margin should we look at?
- Samvid Gupta:** Yes, it's been a very slight drop, but that really depends and keeps varying month-to-month, quarter-to-quarter depending on the mix of volumes. We expect a similar number for second half also. Until the export situation improves, we don't see an improvement happening.
- Janhavi Jain:** The second question is with respect to the two new terminals that we were planning to look out for. So, any update on that?
- Samvid Gupta:** No, we are still finalizing. So, once we acquire the land, we will be disclosing to the public of those locations.
- Janhavi Jain:** Any specific timeline on when should that come across?



- Samvid Gupta:** No, we don't want to comment on that. We will only do it once it happens.
- Janhavi Jain:** The third question with respect to Faridabad double stacking. So, like, is there a delay or what is the situation over there?
- Samvid Gupta:** So, the work is done by railway contractors. Not by us. So, it's not in our hands exactly. The work is happening, but it's expected to finish in Q4.
- Janhavi Jain:** Because I think it was expected by October, if I am not wrong.
- Samvid Gupta:** Yes.
- Management:** Yes, just a couple of months delay there from the Railway's side.
- Moderator:** Thank you. The next question is from the line of Rishab Somani from Artha India Ventures. Please go ahead.
- Rishab Somani:** My question is for Snowman Logistics on their segmental operations. So, what kind of growth are we expecting on the top line and the bottom line going forward? And what would be the key drivers behind it?
- Sunil Nair:** So, as you see, we had started Snow Distribute business last year, and for last financial year, it was 9 months business, and this year it is full. And we are expecting anywhere around 15% to 20% growth coming over last year in terms of revenue because of addition of this business. And since we are investing in expansion in Calcutta, Lucknow, and Bhubaneswar, these facilities will be up only by the end of this year or beginning of next financial year.
- Rishab Somani:** Inaudible Question
- Sunil Nair:** No, that's about the Snow Preserve, which is the warehousing business. The revenue from those facilities will come only next financial year.
- Rishab Somani:** Can you give, break down the revenue growth in terms of the segment and the margins that we are looking to sustain in the future?
- Sunil Nair:** So, whatever is the trend today, the same percentages of EBITDA or margins will continue from a percentage point of view, and as I said, we are expecting a 20% growth over last year in terms of revenue.
- Rishab Somani:** Across all segments?
- Sunil Nair:** Across all segments, yes.
- Rishab Somani:** And so will this mostly be led by 5PL or are we expecting 20% in each of them?



Sunil Nair: No, as I said, it is across all segments. So, 5PL may be slightly more, but we are expecting all the segments to contribute.

Moderator: Thank you. The next question is from the line of Yash Tanna from iThought PMS. Please go ahead.

Yash Tanna: My question is again regarding Snowman. So, what are the utilization levels of the warehouses that we might have opened in the last, let's say, 6 months or the last two or three quarters, if you could help me with that number?

Sunil Nair: So, we are at about 75% at Siliguri, and we are at about 50% in Coimbatore that is basically seasonal. So, this is the lean season for that region, and typically, it would go up to 75%, 80% in a month's time. And there is one dry warehouse which we had leased few months back to get into a dry business. That is 100% utilized now. It is dedicated to a single client.

Yash Tanna: This is the Pune Warehouse? Sorry, I missed it.

Sunil Nair: No, it is at Haryana, near Gurgaon.

Yash Tanna: And the Pune warehouse that we commissioned I think last quarter or something?

Sunil Nair: No, there is no, that's a dry warehouse that we have leased. So, it's dedicated warehouse for a client. So, it's 100% utilized.

Yash Tanna: And sir, you spoke about company level ROC improvement, and you spoke about the drivers for the same. So, I missed that part. So, if you could please repeat that? And also on the 5PL side and the transportation side, right, so these are more ROC accretive businesses. So, are we expecting a higher growth from them? Or are we expecting a similar growth? Because in that sense, if the profitability mix is not changing, how are we expecting the overall ROC improvement to come in?

Sunil Nair: So, see, there are three, four drivers to this. One is we going asset light in both warehousing as well as in transportation. This we expect to help us improve our company level ROCE, which is typically the SnowLink as well as the SnowDistribute, which is the distribution business, 5PL business where the CAPEX deployment is negligible.

And the second thing is the overall pricing correction that we are driving, where we expect price correction to happen to the extent of 5% to 6% every year as against our inflation of 3.5%.

And the third thing is overall optimizing our overheads which are there in terms of people and the technology where the investments have already gone in, and we have geared up for almost double the revenue that we want to achieve.



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November 7, 2023*

Yash Tanna: And any number that we are targeting, let's say, in the next two years?

Sunil Nair: Next?

Yash Tanna: In the next one or two years, any number that we are targeting?

Sunil Nair: So, we are working out our next three-year business plan. So, maybe by the next call, we will be able to share some numbers with you.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. Participants who have missed out due to time constraint, they can reach out to the management and SGA for Gateway Distriparks or Churchgate Partners for Snowman Logistics Limited. With that, we conclude this conference. Thank you for joining us, and you may now disconnect your line.