Gateway Distriparks

Operator: Good day and welcome to the Q2 FY24 earnings conference call of Gateway Distriparks Ltd. 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 of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Please note that this conference is being recorded.

Before we proceed, we request everyone to include their firm's name alongside their name in the Zoom display.

Today on the call, we have Mr. Prem Kishan Dass Gupta, Chairman and Managing Director; Mr. Ishaan Gupta, Joint Managing Director; and Mr. Samvitt Gupta, Joint Managing Director. From Gateway Distriparks Ltd., we have Mr. Kartik Sundaram Aiyar, CFO, and Mr. Rajgopal Bagegal, Chief Business Officer. From Snowman Logistics Limited, we have Mr. Padamdeep Singh Handa, CEO and Director, and Mr. Raghav Garg, CFO.

We will now directly begin the question-and-answer session. Anyone who wishes to ask a question may use the raise hand option. If you wish to remove yourself from the question queue, you may press the option again. Participants are requested to unmute themselves before asking their questions. We will take a minute and then open the floor for the Q&A session.

The first question is from Jainam Shah. Please unmute yourself, provide your company's name, and proceed with your questions.

Jainam Shah – Equirus Securities: Hi, team. This is Jainam Shah from Equirus Securities. This question relates only to Gateway Distriparks. When we look at the railway-specific volumes, they suggest that there has been a good recovery on a sequential basis of around 11%. This is despite the fact that, in my view, the overall macroeconomic situation has not been great. How do we see this going forward for the next half and for the next year? How do we see this momentum continuing? Overall rail volume has shown a good recovery in this particular quarter.

Management: Hi. We expect the volume to continue at a similar trend. There is still overall uncertainty. One month is good, one month is bad, and it has been going like that. But overall, we have been able to gain some volumes. Some domestic business has also started. Ankleshwar now has all its EXIM permissions in place, so Q3 will see some volumes coming in from there. For the rest of the year, 100,000 in rail volumes is the bare minimum that we are targeting for the quarter. Next year should see some additional growth because we will have a full year of Ankleshwar EXIM operations as well.

Our guidance remains in the double-digit range. For this full year, we have to assess it again because Q1 took a big hit, but for next year, we maintain double-digit growth.

Jainam Shah – Equirus Securities: Got it. On the realization front, overall blended realization has improved by around 5% year-on-year and 7% quarter-on-quarter. Is this because of some change in the mix? By mix change, I mean higher railway volume and lower CFS volume. Or perhaps domestic business was higher, or there would have been a negative impact if Ankleshwar also contributed. If you could throw some light on this, is it a structural change in realization, just a mix

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change, or was there any pricing action during the quarter?

Management: There were some price increases, mainly after the fuel hikes came in, so we passed those on to customers. But our costs also increased accordingly, so that was largely a pass-through. The Ankleshwar mix has also made some difference. With EXIM coming in at Ankleshwar, you will see realization per TEU go down a little because of its shorter lead distance. Therefore, we will also focus on the overall EBITDA numbers going forward.

Jainam Shah – Equirus Securities: Got it. That is all from my side. Thank you so much.

Management: Thank you.

Operator: Thank you.

We will take the next question from Prashant Kale. Please unmute yourself, introduce yourself, and proceed.

Prashant Kale – Individual Investor: Hello, sir. This is Prashant Kale, individual investor. Congratulations on a good set of numbers. My question is regarding Snowman Logistics. Snowman Logistics is generating negligible profit despite having been in operation for a long time. What is the prospect for Snowman Logistics, and do you see any possibility of generating, say, 10-15 crores of profit per quarter in the coming years?

Management: We are reinvesting whatever we can, which is why higher interest and depreciation costs are coming in. But if you look at the operating cash flow and EBITDA, healthy growth is happening in Snowman Logistics. Revenue has been slightly lower because we have not gone as aggressively into 5PL as we had projected earlier, owing to the lower margins in that business. We can take some 5PL business if we want, but that would be at no margin. Our warehousing and transport businesses are seeing improvement. In fact, this year we are probably on track to cross 100 crore of EBITDA again.

Prashant Kale – Individual Investor: Yes, but regarding PAT and a significant bottom line, do you see the possibility next year, or when can we expect better profitability?

Management: Regarding PAT, as I said, because we are reinvesting, interest and depreciation will continue to be there. There might be some growth in PAT, but we are more focused on the operating cash flow coming through from all our investments. These are long-term-generating assets, made with a horizon of 30-40 years. Our initial cold storages, which were made in the 1990s, are still running to date. Therefore, we have to look at this from a long-term point of view. It is not just an accounting figure that we want to see appearing.

Prashant Kale – Individual Investor: All right. Thank you, sir. My next question is regarding our Jaipur ICD. It has been stuck for almost 2 years now, and we see very little progress. Is there any new update or progress in that court case?

Management: We reported this in our notes to accounts. If you look at the bottom, we provide an update every quarter. All the final arguments have now taken place, and the order is reserved. We should hear the order soon, and we are hopeful that it comes in our favor so that we can start

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construction and then plan operations accordingly.

Prashant Kale – Individual Investor: If the order comes in our favor, how much time will we need to get the ICD fully up and running?

Management: Up to 18 months.

Prashant Kale – Individual Investor: I see. That is all. Thank you very much, sir.

Management: Okay, thank you.

Operator: Thank you.

A request to all participants to kindly include their firm's name alongside their name in the Zoom display.

We will take the next question from Aditya Mongia. Please introduce yourself and proceed.

Aditya Mongia – Kotak Securities: Hello, everyone. This is Aditya Mongia from Kotak Securities. I have a couple of questions. The first is regarding the press release, where there is mention of fairly decent revenue, EBITDA, and PAT growth on the container business side. I could not fully understand what is defined as a sub-segment there because the overall numbers are not as good. Could you give us a sense of which business is being discussed in the press release?

Management: These are growth numbers showing Q2 versus Q1. Container business numbers basically mean the standalone Gateway Distriparks Ltd. plus 100% of the Gateway Distriparks Kerala and Kashipur entities. Together, all the CFS, ICD, rail transportation, and road transportation businesses—in other words, everything except Snowman in our consolidated figures—are counted as the container business.

Aditya Mongia – Kotak Securities: Just to clarify, is there not meaningful seasonality between Q1 and Q2, as is visible in the numbers for previous quarters and previous years? Could you give us a sense of whether there is meaningful improvement beyond seasonality when you discuss these numbers?

Management: Yes, there is a seasonality impact, so Q2 is normally the stronger quarter. That is why our main reporting in the table at the top is year-on-year. But we wanted to highlight that Q1 was particularly weak, and we have bounced back and returned to normalized levels.

Before the war, we were looking at 100,000 TEUs per quarter and 100 crore of EBITDA from the container business. What we were trying to highlight is that we have returned to that situation even though there are still many macro issues, the war is still ongoing, and the tariff situation is not clear. We were simply trying to say that our performance has been quite decent compared with the global scenario.

Aditya Mongia – Kotak Securities: Understood. That clarifies it. My second question is about the company's preparedness for the Western DFC opening up. I think Adani Ports mentioned in today's press release that the partial connection on the Western DFC has taken place. Could you give us a sense of where Gateway Distriparks Ltd. is in that journey?

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Management: In fact, when the DFC was completed, Gateway Distriparks Ltd. was the first to start its first double-stack train on June 20. We are very positive about this development. We anticipate that once the road-to-rail shift takes place, we want to participate in that business.

In addition, we now have Ankleshwar coming in, so we will use our EXIM volumes, combine them with the domestic volumes, and move them north. There is a good strategy here, and we would definitely like to take advantage of this double-stack opportunity.

The trade is also looking at other options because whenever there is congestion at ports such as Mundra and Pipavav, customers like to look for a third option. Indian Railways is also looking at how it can increase traffic on the JNPT leg. In addition, the JNPT ports are working on a strategy to increase the rail coefficient, which is very low at 14%–15%. Once the rail coefficient increases, we are very hopeful that we will also try to benefit from it.

Aditya Mongia – Kotak Securities: Thanks for that. Just a related question. We understand that as speed increases, capacity also goes up. Part A of the question is: what kind of EBITDA growth, rather than volume growth, can happen because of the DFC boost? Part B is: in which quarter of this fiscal year should we be testing this thesis?

Management: It is very hard to predict because other operators will also be present at JNPT; it is not just us. It depends on how much we pass on to the customer, how much we retain, and the fact that part of the additional cost we have incurred has not been passed on. Therefore, we have to see what the overall EBITDA looks like.

It is definitely better because there is a direct connection right to the port, so turnaround time and asset utilization will improve. But how much volume then goes to JNPT depends on what the shipping lines do, and there is no clarity on when they will start calling more at JNPT. We meet the shipping lines regularly, and they have not given any indication yet. Until they take action, we cannot really comment on this.

Aditya Mongia – Kotak Securities: Does this assume that JNPT needs to grow? Otherwise, the road-to-rail shift may have only a limited effect here.

Management: Yes, the overall volume at the port definitely has to grow. But even within that, there can be a road-to-rail shift. That is a smaller component right now. The main factor depends on how much the shipping lines call again. We have currently estimated that perhaps 10,000–15,000 TEUs moving north by road can be shifted via the DFC, but it will take time.

Aditya Mongia – Kotak Securities: Understood. I will get back in the queue. Thank you for your response.

Management: Thank you.

Operator: Thank you.

The next question is from Kunal Tokas. Please introduce yourself and proceed.

Kunal Tokas: Hello. Am I audible?

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Management: Yes, hi.

Operator: Yes, you are.

Kunal Tokas: Thank you. My questions are about Snowman. First, could you let us know the year-on-year volume growth for this quarter in terms of pallets stored?

Management: If we talk year-on-year, there has been close to a 10% increase in the number of pallets stored, not handled. Handling is separate.

Kunal Tokas: 10%?

Management: Yes.

Kunal Tokas: The increase in warehousing revenue was less than that, correct? Was that a function of the product mix or a reduction in prices?

Management: It is a mix of frozen, chilled, and dry products that we store. At times, overall revenue looks different if there is a greater proportion of dry products, depending on seasonality.

Kunal Tokas: Okay. The pallet capacity also declined last quarter. Why was that?

Management: Some of the park-and-pay warehouses reached the end of their lease and tenure. Therefore, they were removed from the overall capacity.

Kunal Tokas: Are we still on track for the {? CS ?} addition?

Management: Yes. Our own capacity additions are still on track. We are bringing up close to 23,000 pallets in the next few months, which is part of the expansion strategy.

These are short-term arrangements that we make specifically for certain customers. An arrangement may be for a year, or at times for 14 months or 10 months. We keep adding and reducing these warehouses, which operate on a park-and-pay model. We go to the market and hire certain pallets under an asset-light model, you could say.

Kunal Tokas: My last question is about 5PL. Could you give us an update in terms of the increase or decrease in the number of customers and the prospects for the segment?

Management: So far, we have not added any new customer in 5PL during this financial year. A few discussions are close to closure but have not yet been concluded. In terms of growth among the partners who are already there, one customer has shown negative growth, but the rest have shown positive growth. Overall, the segment grew by 1%, or 2% to be precise. Overall growth was a little sluggish, but we expect it to recover in Q3 and Q4 and meet our targets.

Kunal Tokas: Was there any increase or decrease in the scope of work that you handle for your customers, in terms of adding more geographies?

Management: There has been an increase in scope with one of our major customers. Earlier, we were operating in two or three geographies, and now we will be operating across India for them.

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Therefore, there is a definite increase in scope.

Kunal Tokas: Just to confirm, your pricing is linked to the volumes that flow through the business, correct?

Management: Sorry, could you repeat that? Your voice was not clear.

Kunal Tokas: How is your pricing determined? Is it a share of the value of the inventory handled, or is it fixed?

Management: It depends on the customer, but mostly it is linked to the customer's overall sales.

Kunal Tokas: Does it decrease as the customer scales up the volume?

Management: There are certain guardrails in the contract. If there is a decrease in the customer's sales, then, to a certain extent, we also slow our procurement. But there are certain guardrails that cover our overall exposure.

Kunal Tokas: Do you mean floors and caps?

Management: In terms of stocks, if there is over-procurement, that is covered.

Kunal Tokas: Otherwise, it is really linked to the volumes handled.

Management: If you could repeat the last point, I could not understand it.

Kunal Tokas: I mean, is it variable in terms of the volume handled?

Management: Yes.

Kunal Tokas: Thank you. That was all from my side.

Management: Thank you.

Operator: Thank you. A reminder to all participants that you may click on the raise hand option to ask questions. The next question is from Jojo Shaju. Please introduce yourself and proceed.

Jojo Shaju – {? Gitan Capital ?}: Hi. Thank you for this opportunity. This is Jojo Shaju from {? Gitan Capital ?}. My first question is: how is the EXIM trade imbalance currently trending in terms of the import-to-export ratio? Are we planning to monetize the recent Indian Railway reforms, such as containerized fly ash or fertilizer, to generate revenue from return trips that previously ran with empty containers?

Management: The EXIM imbalance is currently around 56% imports and 44% exports, so it is in the same range. Regarding the fly ash circular, that is one business in which we are not participating as of now. It falls under the domestic segment, and we are not currently in that business.

Jojo Shaju – {? Gitan Capital ?}: We have seen another reform involving wagon design liberalization by Indian Railways. Private operators are now permitted to induct customized wagon designs. Are we evaluating specialized refrigerated container rakes in collaboration with Snowman Logistics to

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run on scheduled cold-chain rail corridors?

Management: We are exploring common opportunities. We have started some movement in reefer exports and have done a little in the domestic segment as well, but it is very minimal right now. In the long term, we might look at more opportunities as our network expands.

Jojo Shaju – {? Gitan Capital ?}: What is the current monthly volume run rate at the Ankleshwar MMLP? I think we had given a target of 5,000 TEUs per month. How are the volumes currently progressing?

Management: EXIM is just starting now. We have all the permissions in place, and we are in the final stage of getting the BL points opened. Therefore, volumes are currently minimal. In any event, we do not share location-wise throughput.

Jojo Shaju – {? Gitan Capital ?}: Lastly, regarding the Indore ICD, what is the status of the current construction? When can we expect the facility to be fully commissioned and start contributing to our overall revenue?

Management: It is in full swing. Civil and rail works have started. We are targeting becoming operational by December 2027. Following that, after approximately 6 months, it can start contributing some good volumes. It takes 2 years to ramp up after operations begin, but we should start seeing something within the first year itself.

Jojo Shaju – {? Gitan Capital ?}: Thank you. That is all from my side.

Management: Thank you.

Operator: Thank you. The next question is from Harsh Patel. Please introduce yourself and proceed with your questions.

Harsh Patel – Alpha Alternatives: Hi, this is Harsh Patel from Alpha Alternatives. Just to confirm, did you say that 10,000-15,000 TEUs would shift from road to rail per month?

Management: That is on JNPT, which could happen, yes.

Management: For now.

Harsh Patel – Alpha Alternatives: On an overall basis, because of the DFC, what kind of volume shift do you expect?

Management: One aspect is the road-to-rail shift that we discussed. The 10,000-15,000 TEUs are moving by road today and could be targeted. Not all of this may shift, and not all of it will come to us; it will also be split among other operators. The other aspect is how much will move from other ports to JNPT, which we cannot predict. That depends on what the shipping lines do.

Harsh Patel – Alpha Alternatives: Understood. My second question is on market share. Some of your peers, such as Adani, offer an end-to-end bundled offering. How do you defend your market share against them and CONCOR?

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Management: In fact, we were the ones who started bundled offerings back in 2008. We have already been offering rail and road services along with terminal services to customers. We are able to protect our market share in the NCR, Punjab, and Uttarakhand. We are able to protect our market share and, in some areas, we are also able to increase it.

Harsh Patel – Alpha Alternatives: Is this largely because you are also providing the same offering as them, or because you were the first to start it?

Management: We have a good network of terminals, which gives us strong customer stickiness. We have also made advances in IT through API integration and the use of the latest technologies, such as tracking and tracing containers and cargo through OCR. We have been constantly improving our use of the latest technology so that we can maintain long-term associations with customers.

Harsh Patel – Alpha Alternatives: Got it. Lastly, regarding the capex that you have undertaken and planned, what kind of asset turnover do you typically expect over the next 3-5 years?

Management: I did not understand. What kind of capex do we want to undertake?

Harsh Patel – Alpha Alternatives: I am referring to the capex that you are planning. What kind of typical turnover ratio do you foresee in the coming future? By future, I mean 3-5 years, on a long-term basis.

Management: It depends. A lot of it is replacement capex [trails off]

Harsh Patel – Alpha Alternatives: [inaudible] On average, if we compare the pre-DFC and post-DFC periods, I wanted to understand whether you are seeing any pricing intervention from Indian Railways, where they intend to probably lower prices to gain more market share from road. Are we seeing something like that from Indian Railways?

Management: I will start with your first question. You were asking about JNPT after the DFC. Since it started only recently, in June, it will take some time for traffic to shift. The last stretch, which had not been completed, was completed recently.

Second, there are various factors that will determine the shift. One is the additional distance of 350 km compared with Mundra and Pipavav, which comes into play. The shipping lines need to decide how they are going to route their vessels and what offerings will be provided by the port, specifically the port terminals at JNPT.

You are also right that there has been a representation to Indian Railways regarding how to rationalize the tariff towards JNPT so that it can compete with Mundra and Pipavav. However, it is too early to comment on how much of the ultimate benefit will be passed on. We may have to wait another couple of months to see incremental volume on the rail side at JNPT.

Harsh Patel – Alpha Alternatives: Understood. My second question is about the earlier understanding between container train operators and Indian Railways that the second-stacked container would be charged at a discounted rate. Does that still continue? As a follow-up, is that discount being retained by the CTOs to boost their margins, or, because of competitive forces in the industry, is it being passed on to the end user to gain market share? Any initial sense would be

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helpful.

Management: Regarding the discount on the upper stack, it is given by Indian Railways to the CTO. However, it also depends on how much double-stacking you are able to do. The CTOs are not able to utilize the train optimally. When you have a fully double-stacked train, the volumes are not sufficient for that kind of discount to be passed on. As of now, what I can say is that our dealings with customers are based on their overall volumes. We do not give [cut off]

Management: We do not give a double-stack discount separately.

Harsh Patel – Alpha Alternatives: As of now, there are no competitive forces working to offset the discount offered by Indian Railways to us. The discount is available, but it is based on other business agreements.

Management: It is a function of the volumes.

Harsh Patel – Alpha Alternatives: Got it. My third and last question, before I join the queue again, is about one of our major competitors that has been continuously discussing assured-time trains on fixed routes, probably the longer routes. I wanted to get your opinion on this. Is it genuinely value-accretive for the customer, given that Indian Railways already provides some scheduling and timing? Are we also doing it? Will it add real value for the customer? Does this provide clear visibility for the freight?

Management: I would also like to mention that, as I said, we were the first to start a double-stack train from JNPT, and this timetable train also started from our terminal in Gurgaon.

Yes, it provides a definite benefit because, especially on the export side, customers are looking for reliability of service. Earlier, one train could take 40 hours, while another could take 80-100 hours. Now, this timetable train assures that the transit time falls within a reasonable range.

If a normal train takes 40 hours, the timetable trains take much less time, between 30 and 35 hours. I am giving the example of Gurgaon to Mundra. After the trials, they have now started these timetable trains for other ports as well. They have started at Pipavav, and we have also conducted trials for JNPT. This has given exporters a lot of confidence. Some shipping lines have also started block trains, including export block trains. That has also given them confidence that they will be able to catch their vessels.

Harsh Patel – Alpha Alternatives: Got it. This is helpful. Just one small follow-up: does this give Railways, or our ecosystem and the CTO ecosystem, any edge over roadways and the trucking ecosystem?

Management: Definitely. Railways can now compete more easily with road in terms of transit time. If you look at it, the train is also taking almost the same time as a truck takes from the North to the Gujarat ports.

Harsh Patel – Alpha Alternatives: Okay, got it. I will join the queue again. Thanks a lot. Very helpful.

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Operator: Thank you. A reminder to all participants: please click on the raise hand option to ask questions. The next question is from Jay Unadkat. Please introduce yourself and proceed.

Jay Unadkat – Navneet Investment Trust: Hi, thank you. These questions are all related to Snowman Logistics. This is Jay from Navneet Investment Trust.

There was an indication that we could have EBITDA of more than 100 crore this year, which is good to know. I wanted to understand what kind of deployment or capex we are looking at for this year as well as for the next couple of years. Given that our utilization is around 85%, I assume that we would undertake expansion. I wanted to understand whether we are focused on being asset-light or whether we intend to own assets. How will this expansion work?

There is also reduced cyclicality or seasonality in the business, with extended summers and the expanding use of cold storage for categories such as ice cream and pharmaceuticals, which are performing well. I would like to know whether the business is considering any realignment through which profitability and the mix can improve.

The last point is the guidance from the earlier call that 5PL growth is not in line with expectations, or that we are not being as aggressive because of the lower margin potential. I would like to understand what has really changed over the last 3 years such that the focus, or our view of having that grow as a profitable separate vertical, has shifted toward concerns about growing risk and lower margins. Thank you.

Management: In terms of expansion and investments, we are continuously looking at both BTS and our own capacities. We currently have a plan under which approximately 23,000 pallets are under construction. Another approximately 20,000 pallets are under discussion. This will continue, and we will continue to grow as per our P&L, so expansion remains on the radar.

Regarding your 5PL question, I would like to clarify that one customer did not perform in line with the projected volumes. That was the reason for the lower top line in that business, but another customer filled the gap and performed much better. That is why we grew and were still able to maintain or match our target numbers in terms of EBITDA.

Other than that, we are very bullish about adding more customers. However, as mentioned earlier, we are not looking for customers where the margins are negative or almost nil. We want to work in that domain and expand. As I said earlier, we are close to closing a couple of accounts. A few other accounts that were supposed to be closed could not be closed because of commercial inabilities.

Jay Unadkat – Navneet Investment Trust: May I ask a follow-up, if that is okay, or would you prefer that I join the queue?

Management: Sure, you can ask quickly.

Jay Unadkat – Navneet Investment Trust: The part that remained unexplained was the improvement in the mix, which I had also mentioned earlier. I would like to understand this because I believe the mix also makes a difference to our margin and profitability. At this point, on a year-on-year basis—or I do not know how you look at it internally—how is the mix changing? How much of that profitability is coming from better segments such as pharmaceuticals and ice cream, if my

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understanding that these segments are somewhat more profitable than the average business is correct?

The other point is power costs, since our largest cost would stem from there. How are we managing or balancing that? Please share whatever sense you can.

Management: The mix is a constant consideration. From location to location, we keep replacing the lowest-paying customers with the highest-paying customers available in that location. That helps us grow margins, and it is something we do constantly.

Pharmaceuticals and ice cream also have their own cycles. We are very cognizant of the fact that we need to ensure that the mix also provides constant utilization. Considering all these parameters, we determine a mix for each warehouse location, and that has helped us remain at around 85%-86% utilization throughout the year.

There was one more question regarding utilization that you wanted to ask.

Jay Unadkat - Navneet Investment Trust: Yes. It is about power costs and how we are managing them. Are they entirely a pass-through for us, or would they have affected profitability over the last 6 months?

Management: For some contracts, we pass the cost through during renewals. That is how it works, because the contracts are made after considering certain power increases in the coming year. That is how we typically do our calculations. At the time of contract renewal, the matter is negotiated further with the customers.

Jay Unadkat - Navneet Investment Trust: Is it fair to assume that we are absorbing some burden at this point over the last 6 months?

Management: We typically build in a 6%-8% increase, which is expected in the coming year. When we enter into a contract, we already consider that increase in the pricing.

Jay Unadkat - Navneet Investment Trust: All right. Thank you. I appreciate that.

Operator: Thank you. You may click on the raise hand option to ask questions at this time. The next question is from Kunal Tokas. Please proceed with your questions.

Kunal Tokas: Hello, am I audible?

Management: Yes.

Operator: Yes.

Kunal Tokas: Thank you, team. My question is for Snowman again and is somewhat similar to the earlier question.

Operator: I am sorry, sir. Your voice is a little muffled. May I request you to remove your earphones and speak directly into the instrument?

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Kunal Tokas: Is it okay now?

Operator: Yes, much better.

Kunal Tokas: Thank you. My first question is: what will be the share of dry versus cold storage in the new capacity that you are planning for this year and for future years?

Management: The new facilities are all cold and temperature-controlled. They have a very minimal share of dry storage. We typically plan to shut a chamber and operate it that way initially, and then convert everything into frozen storage.

Kunal Tokas: What would the share be for your existing capacity?

Management: Around 10%–12% of total capacity right now.

Kunal Tokas: 10%–12%.

Management: Yes, apart from a few dedicated warehouses that are purely dry. They are not part of our cold facility; they are adjacent to the cold facility. We have three such warehouses.

Kunal Tokas: The reason I ask these two questions is that, if we look at the very long-term trend over the last 7–8 years, margins have been structurally declining. This quarter was no better, even if it was better than last year. If I remember correctly from past conference calls, you had indicated that the major reason was a shift between dry and cold storage and a shift in the product mix. My question is: what can we do to improve this metric?

Management: Overall warehousing revenue has grown close to 10%–11% this time as well. However, the mix of our revenue has not grown. As I said, we saw a flat quarter in the 5PL business. Otherwise, warehousing revenues are well in line with our targets.

We could have achieved 88%–89% utilization, which was the target, but we were at 85%. That impacted the overall margins there by 2–3%. Otherwise, as we have been consistently converting certain dry spaces into chilled storage and moving from dry to cold storage, that is helping us.

Kunal Tokas: If we look at the average margins before COVID and for some years after and during COVID, they were close to 18%, compared with the 10%–11% we are seeing now. That cannot all be attributed to having more dry capacity, correct? You said it is only 10%–12%.

Management: The 10%–12% refers to capacity, not the margin percentage.

Kunal Tokas: Yes, my question is about margins. Why are warehousing margins declining rather than increasing?

Management: That is because of an increase in the 5PL business. That is contributing to the overall reduction in the percentage, but the absolute number is increasing. The percentage is declining, but the absolute number is increasing.

Kunal Tokas: Why would 5PL affect the segment-level margins of warehousing?

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Management: That is also because of minimum wage increases, power hikes, and everything else. Those are annual factors. But this year, because of the wage code coming in, the gratuity numbers were affected and the PF ceiling limit was changed. All these factors have not yet been passed on because we have annual contracts. For example, Karnataka increased minimum wages by close to 70%. Haryana increased them by 35%. Punjab was about—

Kunal Tokas: That was not just this year. From FY22, margins have gone from 18% to 16%, 11%, and 10%.

Management: Okay, right. What you are referring to is primarily because we started adding park-and-pay capacity during that period and started some dry warehouses across the verticals.

Broadly, if I tell you about the core warehousing business of cold storage, the margins of owned and long-term leased cold storages are intact. Build-to-suit facilities will have lower margins, but since there is no capex from our side, they are better at the PAT level. Park-and-pay is obviously on a spot basis, where the margin is very, very thin, under 10%. It is simply a case of taking capacity from someone and providing it to someone else for a few months here and there.

Park-and-pay capacity has increased; we did not have that before FY22. All these factors have contributed to the overall percentage appearing lower than it actually is.

Kunal Tokas: Okay. All right. Thank you for your answers.

Operator: Thank you. The next question is from Pratik Giri. Please proceed with your questions.

Pratik Giri: Hi, thank you again. I wanted to understand more about the capacity expansion that has happened because of the DFC at JNPT. There were probably some figures regarding the number of trains that can reach JNPT in a day. How much has that increased, if you have that number? Secondly, some initial teething issues were discussed regarding co-pilot—or rather, railway locomotive pilot—shortages and station infrastructure. Could you share your opinion on these two matters?

Management: Regarding the JNPT figures, we would not have access to that information. However, they have approximately 15 rail lines there, and now most of them, except perhaps one or two, can handle double-stack trains. Theoretically, TEU capacity increases by that amount. However, it is obviously not practical to assume that all of it will be utilized immediately.

We are not seeing any capacity constraints at JNPT in terms of container handling by trains. The volume needs to increase further, and then we will see an increase in throughput.

Management: Regarding locomotive and crew shortages, that is a seasonal problem. It occurs during certain peak seasons when there is a shortage of drivers in the crew and other railway staff. This is not a new problem. It occurs across different divisions in India.

Pratik Giri: Got it. Are all the terminals at JNPT now DFC-linked? There are probably 4 container terminals there, and are all of them now linked to the DFC?

Management: Yes.

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Pratik Giri: Okay, very helpful, sir. Thank you.

Operator: Thank you. Please click on the raise hand option to ask questions at this time. The next question is from Devraj Radha. Please introduce yourself and proceed.

Mr. Radha, I have unmuted your line. Please proceed with your questions.

I am sorry, there is no response. Anyone who wishes to ask questions may please click on the raise hand option.

Thank you very much, ladies and gentlemen. That was the last question for today. Participants who missed out due to time constraints can reach out to the management and SGA for Gateway Distriparks Ltd. and Snowman Logistics for any further information. With that, we conclude the conference. Thank you for joining us, and you may exit the meeting now. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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