Snowman Logistics

Operator: Today on the call we have Mr. Premkishan Dass Gupta – Chairman and Managing Director, Mr. Ishaan Gupta – Joint Managing Director, and Mr. Samvith Gupta – Joint Managing Director. From Gateway Distriparks Limited, we have Mr. Kartik Sundaram Aiyer – CFO, and Mr. Rajguroo Begur – Chief Business Officer. From Snowman Logistics Ltd., 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 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 the questions.

Jainam Shah – Equirus Securities: Hi, team. This is Jainam Shah from Equirus Securities. This question mainly relates to Gateway Distriparks. When we look at the railway-specific volumes, they suggest a good sequential recovery of around 11-odd percent, despite the overall macroeconomic situation not being great. How do we see this developing over the next half-year and over the next year? How do we see this momentum continuing? Overall rail volume has shown a good recovery this quarter.

Management: We expect the volume to continue at a similar trend. There is still overall uncertainty. One month is good and one month is bad; it has been going like that. But overall, we have been able to gain some volumes. Domestic business has also started to contribute a little. 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 rail volumes for the quarter is the bare minimum that we are targeting. 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 the position again because Q1 took a big hit. But for next year, we maintain our guidance of double-digit growth.

Jainam Shah – Equirus Securities: Understood. On the realization front, overall blended realization has improved by around 5% year-on-year and 7% quarter-on-quarter. Is this because of a change in the mix? By mix change, I mean higher railway volume and lower CFS volume, or perhaps higher domestic volume. Alternatively, could Ankleshwar have had a negative impact if it contributed during the quarter? Could you throw some light on this? Is this a structural change in realization or merely a change in the mix, 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. However, 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 decline slightly because of the shorter lead distance. Therefore, we will also focus on the overall EBITDA numbers going forward.

Jainam Shah – Equirus Securities: Understood. That is all from my side. Thank you very much.

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

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

Management: 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 operational cash flow generated through all our investments. These are long-term income-generating assets, and they are built with a horizon of 30-40 years. Our initial cold storages, which were built in the 1990s, are still running today. 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. My next question is regarding our Jaipur ICD. It has been stuck for almost 2 years, and we see very little progress. Is there any new update or progress in that court case?

Management: We report it in our notes to accounts, at the bottom. We provide an update every quarter. All the final arguments have now taken place and the order has been reserved. We should hear the order soon, and we are hopeful that it comes in our favor so that we can start 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: All right. That is all. Thank you very much, sir.

Management: Thank you.

Operator: Thank you. We request 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

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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 a mention of fairly decent revenue, EBITDA, and PAT growth on the container business side. I could not fully understand what is defined as a subsegment there because the overall numbers are not as strong. Could you give us a sense of which business has been referred to in the press release?

Management: These are growth numbers comparing Q2 with Q1. Container business numbers basically mean the standalone GDL numbers plus 100% of the numbers of the Gateway Distriparks Kerala and Kashipur entities. Together, all the CFS, ICD, rail transportation, and road transportation businesses—essentially everything except Snowman in our consolidated accounts—constitute the container business.

Aditya Mongia – Kotak Securities: Just to clarify, is there not meaningful seasonality between Q1 and Q2, as is visible in the previous quarter's or previous year's numbers? Could you give us a sense of whether there has been meaningful improvement beyond seasonality when you refer to these numbers?

Management: There is a seasonality impact, so Q2 is normally the stronger quarter for us. That is why our main reporting table at the top presents year-on-year numbers. However, we wanted to highlight that Q1 was particularly weak and that we bounced back to normalized levels.

Before the war, we were looking at 100,000 TEUs per quarter and 100 crore of EBITDA from the container business. That is what we were trying to highlight: performance has returned to that level, 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. My second question is about the company's preparedness for the Western DFC opening up. I believe Adani Ports mentioned in today's press release that the part-load connection is happening on the Western DFC. Could you give us a sense of where Gateway Distriparks stands in that journey?

Management: When the DFC was completed, Gateway Distriparks 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 occurs, we will participate in that business.

In addition, Ankleshwar is now coming in, so we will use our EXIM volumes, mix them with domestic volumes, and move them up to the North. Therefore, we have a good strategy and 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 other 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 currently very low at only 14% to 15%.

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Once the rail coefficient increases, we are very hopeful that we will also try to derive some benefit from it.

Aditya Mongia – Kotak Securities: Thank you for that. A related question is that we understand that as speed increases, capacity also increases. For part A of the question, what kind of EBITDA growth, rather than volume growth, can happen because of the DFC boost? For part B, in which quarter of this fiscal year should we expect to test these factors?

Management: It is very difficult to predict because other operators will also be present at JNPT; it is not only 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.

We need to see what the overall EBITDA looks like. It is definitely better because there is a direct connection to the port, so turnaround time and asset utilization will improve. However, the volume that moves 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 that mean that JNPT needs to grow; otherwise, the road-to-rail shift may have only a limited effect here?

Management: Overall volume at the port definitely also has to grow. However, within that, a road-to-rail shift can happen. That is a smaller component right now. The main component depends on how much the shipping lines call at JNPT.

At present, we have estimated that perhaps 10,000–15,000 TEUs moving to the North by road could shift to the DFC, but it will take time.

Aditya Mongia – Kotak Securities: Understood. I will get back into the queue. Thank you for the responses, sir.

Management: Thank you.

Operator: Thank you. The next question is from Kunal Tokas. Please introduce yourself and proceed.

Kunal Tokas: Hello. Am I audible?

Management: Yes, hi.

Operator: Yes, you are.

Kunal Tokas: Thank you. My questions are on Snowman. The first question is whether you can let us know the year-on-year volume growth for this quarter in terms of pallets handled.

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

Kunal Tokas: 10%.

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Management: Yes.

Kunal Tokas: The increase in warehousing revenue was less than that, correct?

Kunal Tokas: Was that a function of the product mix or a reduction in pricing?

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

Kunal Tokas: The pallet capacity also declined from the previous quarter. Why was that?

Management: Some of the park-and-pay warehouses had leases whose terms had ended, so those warehouses were removed from the overall capacity.

Kunal Tokas: Are we still on track for this year's additions?

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

These are short-term arrangements that we make specifically for certain customers, where the arrangement is for a year and, at times, for 14 months or 10 months. We keep adding and reducing those warehouses because they operate on a park-and-pay model. We go to the market and hire certain pallets under an asset-light model, so to speak.

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

Management: So far, we have not added any new customer in 5PL during this financial year. A few discussions are close to conclusion but have not yet been concluded.

In terms of growth among the partners who are already there, one customer has shown negative growth, while 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 handled for your customers in terms of additional geographies?

Management: There has been an increase in scope with one of our major customers. Earlier, we were operating in two or three geographies for them; now we will operate across India. Therefore, there has been a definite increase in scope.

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

Management: I am 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?

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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 its volume?

Management: There are certain guardrails in the contract. If the customer's sales decline, we also slow our procurement to a certain extent, 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 gets covered.

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

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

Kunal Tokas: Is it really variable in terms of the volume handled?

Management: Yes.

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

Management: Thank you.

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

Jojo Shaju – {? Dalton ?} Capital: Thank you for this opportunity. This is Jojo Shaju from {? Dalton ?} 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 Railways reforms, such as containerized fly ash or fertilizer, to generate revenue from return trips that previously ran with empty containers?

Management: The EXIM imbalance has remained in the same range: 56% imports and 40-44% exports. Regarding the fly ash circular, that is one business in which we are not participating at present. It falls under the domestic segment, and as of now, we are not in that business.

Jojo Shaju – {? Dalton ?} Capital: We have also seen another reform, namely 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 operate on scheduled cold-chain rail corridors?

Management: We are exploring common opportunities. We have started some movements 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 may look at additional opportunities as our network expands.

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

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

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

Management: It is in full swing. Civil and rail works have started. We are targeting operational status by December 2027. Following that, say, 6 months later, it can begin 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 – {? Dalton ?} Capital: Thank you, sir. 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 the questions.

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

Management: That is for JNPT, which could happen, yes, 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. Of the 10,000–15,000 TEUs currently moving by road, that volume could be targeted. Not all of it may shift, and not all of it will come to us; it will also be divided among other operators. The other aspect is how much volume 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 about market share. Some of your peers, such as Adani, offer end-to-end bundled offerings. How do you defend your market share against them and CONCOR?

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 have been able to protect our market share in the NCR, Punjab, and Uttarakhand. In fact, in some areas, we have also been able to increase our market share.

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

Management: We have a good network of terminals, which gives us strong customer stickiness. We have also made advances in IT, including API integration and newer technologies such as container and cargo tracking and tracing through OCR. We have been continuously improving our use of the

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latest technology so that we can maintain long-term associations with customers.

Harsh Patel – Alpha Alternatives: Understood. 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: In what sense? I did not understand. Are you asking what kind of capex we intend 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 future, over the next 3-5 years on a long-term basis?

Management: It depends. A significant portion is also replacement capex, and a significant portion involves shifting from leased trains to owned trains. We are also electrifying our fleet, so it is difficult to provide an asset turnover figure in this manner. However, for any new project we undertake, we are targeting at least a 15% IRR and a 7-year payback period, if that helps provide some guidance.

Harsh Patel – Alpha Alternatives: Understood. Thank you.

Management: Thank you.

Operator: Thank you. Please click on the raise hand option to ask questions. The next question is from Mohit Chou-. Please introduce yourself and proceed.

Pratik Giri – Shubh Labh Research: Thank you for the opportunity. This is Pratik Giri from Shubh Labh Research. My first question is regarding the DFC linkage with JNPT. Initially, the data we track from JNPT regarding the evacuation of containers by train has probably not been very encouraging. The number of trains reaching there, or rather the number of containers being evacuated by train, appears to be roughly the same 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 lower prices to gain more market share from road. Are we seeing anything like that from Indian Railways?

Management: I will start with your first question. You were saying that JNPT became connected after the DFC, but this started only recently, in June. It will take some time for traffic to shift because the last stretch, which had not been completed, was completed only recently.

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

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

Pratik Giri – Shubh Labh Research: Understood, sir. That is helpful. My second question is about an earlier understanding between container train operators and Indian Railways that the

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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 improve their margins, or, because of competitive forces in the industry, is it being passed on to the end user to gain market share? If you can provide some initial sense on this, it would be helpful.

Management: Once you refer to a discount on the upper stack, that discount 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. Unless you have a complete double-stack, the volumes are not sufficient for that discount to be passed on.

As of now, what I can say is that what we charge the customer is based on the customer's overall volumes. We do not provide a separate double-stack discount.

Pratik Giri – Shubh Labh Research: Understood. So, as of now, there are no competitive forces working to offset the discount offered by Indian Railways to us. The discount exists, but it is based on some other business agreements.

Management: Yes, it is a function of the volumes.

Pratik Giri – Shubh Labh Research: Understood. My third and last question before I join the queue again is that one of our major competitors has been continuously talking about—

Pratik Giri – Shubh Labh Research: Assured timed trains on fixed routes, probably the longer routes. I wanted to get your opinion on this. Is it genuinely value-accretive for the customer? Indian Railways has some scheduling and timing to an extent. Are we also doing this? Will it add real value to the customer? Does this provide clear visibility for freight? Could you throw some light on this?

Management: I would also like to tell you that, as I said, we were the first to start the 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 look for reliability of service. Earlier, one train could take 40 hours while another train could take 80-100 hours. Now, this timetable train assures a reasonable range. If a normal train takes 40 hours, these timetable trains take much less time, between 30 and 35 hours. I am giving the example of Gurgaon to Mundra.

Following the trials, these timetable trains have now started operating for other ports as well. They have started for 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, which has further given them confidence that they will be able to catch the vessels.

Pratik Giri – Shubh Labh Research: Understood. This is helpful. I have one small follow-up. Does this give the railways, or our ecosystem and CTO ecosystem, any edge over roadways and the trucking ecosystem?

Management: Definitely. Railways can now compete with road in terms of transit time because, if you look at it, the train is taking almost the same amount of time as a truck traveling from the North

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to the Gujarat ports.

Pratik Giri – Shubh Labh Research: Understood. I will join the queue again. Thank you very much. This was very helpful.

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: Thank you. These questions are all related to Snowman Logistics. I am Jay from Navneet Investment Trust.

There was an indication that we would have EBITDA of over 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 utilization is around 85%, I assume that we would move into expansion. I wanted to understand whether we are focused on being asset-light or intend to own assets, and how the expansion will work.

There is also reduced cyclicality or seasonality in the business because of extended summers, as well as 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 looking to realign itself in a way that improves profitability and the mix.

Lastly, there was guidance on the earlier call that 5PL growth was not proceeding in line with expectations and that we were not being as aggressive because of the lower margin potential. I would like to understand what has changed over the last 3 years such that the focus, or our view of having this grow as a profitable separate vertical, has shifted toward recognizing growing risk and lower margins. Thank you.

Management: In terms of expansion and investments, we are continuously evaluating both built-to-suit and owned capacities. We currently have around 23,000 pallets under construction, and another approximately 20,000 pallets are under discussion. This will continue, and we will continue to grow in line with our P&L capacity. Expansion remains on the radar.

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

Apart from that, we are very bullish on adding more customers. However, as mentioned earlier, we are not looking for customers where margins are negative or almost nil. We would like to operate in that domain and expand. As I said earlier, we are close to closing a couple of accounts. A few other accounts that were expected to close could not be closed because of commercial constraints.

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

Management: You may ask it quickly.

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Jay Unadkat – Navneet Investment Trust: The part that remained unexplained was the mix improvement that I had mentioned earlier. I would like to understand that because I think the mix also makes a difference to our margin and profitability.

At this point, on a year-on-year basis—or however you look at it internally—how is the mix changing? How much of the profitability is coming from better segments such as pharmaceuticals and ice cream, if my understanding is correct that these segments are somewhat more profitable than the average business?

The other question is regarding power costs, since our largest cost would arise from that. How are we managing or balancing power costs, if you can share some perspective? Thank you.

Management: The mix is constantly changing. Location by location, we continue to replace the lowest-paying customers with the highest-paying customers available in that location. That helps us grow margins, and it is something we do continuously.

Pharmaceuticals and ice cream also have their own cycles. We are very conscious of the need to ensure that the mix provides consistent utilization as well. Considering all these parameters, we create a mix for each warehouse location, and that has helped us remain at around 85% to 86% utilization throughout the year. [off-mic discussion] There was one more question.

There was one more question you wanted to ask.

Jay Unadkat – Navneet Investment Trust: Yes, regarding power costs and how we are managing them. Are they an absolute pass-through for us, or have they affected profitability over the last 6 months?

Management: In some contracts, we pass them through during renewals. That is how it works because the contracts are entered into 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 further negotiated with the customers.

Jay Unadkat – Navneet Investment Trust: Is it fair to assume that we have been absorbing some burden over the last 6 months, or are you not sure?

Management: We typically take a 6% to 8% increase that is expected in the coming year. When we enter into a contract, we already factor that kind of increase into the pricing.

Jay Unadkat – Navneet Investment Trust: Thank you. I appreciate it.

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.

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Kunal Tokas: Thank you, ma'am. My first question is somewhat similar to the earlier question [cut off]

Operator: I am sorry, sir, your voice is slightly muffled. May I request you to remove your headphones and speak directly into the device, please?

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. Typically, we plan to operate a chamber in its initial phase and then convert everything into frozen storage.

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

Management: Around 10-12% of the total capacity at present.

Kunal Tokas: 10-12%.

Management: Yes. Apart from one dedicated warehouse—or rather, apart from three dedicated warehouses—which are purely dry, these are not part of our cold facilities. They are adjoining the cold facilities. We have three such warehouses.

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

Management: Overall warehousing revenue has grown by close to 10-11% this time as well, whereas my mix of 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 targeted utilization, but we were at 85%. That affected the overall margins by 2-3%. Apart from that, as we have been constantly converting certain dry spaces into chilled storage and moving from dry to cold storage, it 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 reporting now. That cannot all be attributable 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 have warehousing margins declined rather than increased?

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Management: That is because of the increase in the 5PL business, which is contributing to the overall reduction in the percentage. However, 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?

Management: That is also because of minimum wage increases, power hikes, and other factors. Those are annual factors. This year, however, there were additional effects from the wage code coming in. Gratuity numbers were affected, and the PF ceiling limit changed. None of these factors has been passed on yet because we have annual contracts. For example, Karnataka increased minimum wages by close to 70%, Haryana by 35%, and Punjab by about [cut off]

Kunal Tokas: But it is not only this year. From FY22, it has declined from 18% to 16%, 11%, and 10% [cut off]

Management: I understand. What you are referring to is primarily because we started adding park-and-pay capacity during that period and also started some dry warehousing, such as in Shoolagiri; we had Taloja earlier as well.

All of this comes under the warehousing division, but if you look at overall EBITDA, that is what we focus on. There was also a reclassification of costs. If you look at our Q1 transcript, you will find further details on how we allocated our fixed costs between the verticals.

Broadly, the margins of core warehousing, including cold storage and owned and long-term leased cold storages, remain intact. Built-to-suit facilities 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 thin, below 10%. It involves taking capacity from someone and providing it to someone else for a few months. Park-and-pay capacity has increased. Before FY22, we did not have that capacity.

All these factors have contributed to the overall percentage appearing lower than it actually is.

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

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

Pratik Giri - Shubh Labh Research: Thank you again. I wanted to understand a little more about the capacity expansion that has occurred because of the DFC on JNPT. There were probably some numbers regarding [trails off]

Pratik Giri - Shubh Labh Research: The number of trains that can reach JNPT in a day—how much has that increased, if you have that number? Secondly, there were some teething issues discussed initially regarding co-pilot, or rather railway pilot and locomotive pilot shortages, as well as {? DFCCIL ?} infrastructure. Could you share your views on these two matters?

Management: We would not have access to the JNPT figures, but there are approximately 15 rail lines there, and most of them, barring perhaps one or two, can now handle double-stack trains. Theoretically, TEU capacity increases by that amount.

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However, it is obviously not practical to assume that all of it will be utilized right now. 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 some peak seasons when there is a shortage of drivers in the crew and other railway staff. It is not a new problem; it occurs in different divisions across India.

Pratik Giri – Shubh Labh Research: Understood. Are all the terminals at JNPT now DFC-linked? There are probably four container terminals there, and are all of them now linked to the DFC?

Management: Yes.

Pratik Giri – Shubh Labh Research: 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 Rada. Please introduce yourself and proceed.

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

I am sorry, there is no response. Anyone who wishes to ask questions may 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 may reach out to the management and SGA for Gateway Distriparks 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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