"Gateway Distriparks Limited
Q2 FY '23 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day and welcome to the Gateway Distriparks Limited Q2 FY 23 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal and operator our pressing star then zero on your touchtone telephone. Please note that this 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. Rajguru Behgal, President-Rail; Mr. Sandeep Shaw, Chief Financial Officer; and Mr. Manoj Singh, President-CFS.

I now hand the conference over to Mr. Prem Kishan Dass Gupta. Thank you and over to you, sir

Prem Kishan Dass Gupta: Thank you. Good evening, ladies and gentlemen and a warm welcome to all the participants to the post results earnings call of Gateway Distriparks Limited. We have uploaded our results, press release and presentation on stock exchanges as well as company website. I hope you had an opportunity to go through the same.

We are happy to report healthy growth, especially in the ICD rail business, which has been the major growth driver of the company in this quarter.

The cash flows in the company are quite healthy and our net debt stands reduced to INR 270 crores at the end of this quarter after incurring INR 30 crores capex from our own cash.

According to CareEedge Ratings, container rail volumes are expected to grow at a healthy CAGR of 15.6%, with a steady improvement of rail coefficient by 430 bps to 31% and incremental freight volumes. The agency believes that the transit assurance under DFC aiming to squeeze the travel period by 40% to 50% for some of the major routes and over 3x growth in the movement of cost-effective double-stack container trains by financial year '25 will accelerate this transition.

As you are all aware in September 2022, we completed the land purchase in Dhanakya, near Jaipur to the order of 30 acres and have already commenced construction of a new real linked ICD in that region with a planned capacity of 125,000 TEUs annually.

We also signed a share purchase agreement on 31st October 2022 to buy 99.92% of Kashipur Infrastructure and Freight Terminal Private Limited from its shareholders for INR 156 crores.

The transaction is expected to close by the end of Q3. The process to acquire a liquidating shareholder's remaining 0.08% stake has also begun. The 41-acre facility has 3 rail sidings and 17,000 square feet of warehousing space apart from the railyard and container yard. Currently, the company provides terminal service only, while other rail operators provide train services. With this planned acquisition, we will provide exclusive rail services to this ICD and the last-mile connectivity in addition to the terminal services, thus transforming it into a multi-modal logistics park. The company will be able to increase volumes at this ICD by a considerable amount by leveraging its network of ICDs and providing cost-effective rail services through the hub and spoke model. ICD Kashipur currently handles an average of 3,000 TEUs per month.

We are currently experiencing a period of rapid expansion, and we believe that the rail freight sector offers a great deal of untapped potential. We will continue to build more multi-modal logistics parks in India's most important manufacturing and commercial centers going forward.

With this, now I'll hand it back to the moderator for the Q&A session.

Moderator: The first question is from the line of Bhoomika Nair from DAM Capital.

Bhoomika Nair: Congratulations on a good set of numbers. Sir just wanted to understand qualitatively, while we appreciate that you've shared the volume numbers for both CFS and Rail. But atleast if qualitatively, if you can comment on how has rail performance been? Because there is an improvement in the margin profile on an overall basis that we are seeing. Any qualitative comments on that? And as we are moving ahead, we are seeing that the port volumes are kind of slowing down, what is the outlook in terms of volumes? That's question number one.

And question two is, when we're taking up these new ICDs at Kashipur, which will get commissioned and start off with us from Q4 onwards and largely scale up into the next year. While obviously, there will be decent volume growth as we consolidate operations and improve services. How will the margin profile be at these ICDs?

Samvid Gupta: Yes. Samvid here. So just on the margins, it's following a similar trend to what we've seen in the past in both the segments of rail and CFS. Slight improvement is there on the rail side, so we see that going forward. On the volume side, while their port volumes are down, our market share has gone up slightly in the NCR market. So we're up to 17% there. We continue being the market leader in Sahnewal, so we expect that trend to continue.

And with these new ICDs, so Kashipur right now is doing 3,000 TEUs monthly. We expect over a period of time that we should be able to increase this gradually and the market potential is much higher. We can double it over a period of three to four years. Jaipur also, we expect to eventually after construction will take a year and ramp up volumes a year after that. So eventually, we expect to go up to a figure of 4,000 to 5,000 TEUs there as well.

Prem Kishan Dass Gupta: And Bhoomika, just to give you some idea, the rail margin is to the order of INR 9,500 per TEU and the CFS margin is INR 2,200 per TEU.

Moderator: The next question is from the line of Achal Lohade from JM Financial.

Achal Lohade: My question was, if you look at the volumes of the CFS business, we see that it's 2Q FY '22, the volume seems to have got restated, can you clarify on that? In the 2Q FY '22 results, it was 92,000 - 93,000?

Samvid Gupta: Yes. Basically, we changed the reporting method last time to include CFS empties also. So last year, we didn't report CFS empties as part of the throughput. So, to give a like-to-like comparison, we've provided. So all the throughput numbers that you see for rail and CFS include both laden and empty.

Achal Lohade: And was it the case earlier for rail where we used to have even empties as part of the total numbers or...

Samvid Gupta: So rail, we used to report both laden and empty. This is because empty was a revenue earning thing for rail. Whereas on the CFS side, empty wasn't generating as much revenue, but now we've seen some revenue come from there also. And just to keep a standard format across both verticals, we decided to include both laden and empty.

Achal Lohade: My second question was in terms in terms of the capex, how do we look at for FY '23 and '24?

Samvid Gupta: So part of Jaipur, we've already announced, we've done a capex of INR 30 crores on the land, and we'll expect to do another INR 60 crores on the development of the ICD. With Kashipur we've announced the acquisition price of INR 155 crores as the EV. So there will be some adjustments to that on closing. And then after that, we're still looking for one more location. Other than that, we'll be spending some money on existing locations and growth generally while volumes at our existing terminals continue to increase, we need to increase the container capacity there. So we're looking at overall INR 250 crores capex going forward.

Achal Lohade: And this will be in FY '23, '24? Or you're talking only of FY '23?

Samvid Gupta: So apart from basically the acquisition and the Jaipur, there is INR 100 crore capex for next year planned.

Prem Kishan Dass Gupta: So just to clarify, INR 250 crores is Kashipur and Jaipur. Kashipur once the deal is closed, it will be upfront payment. See, we are expecting that to be closed during this quarter. And Jaipur, we have already spent INR 30 crores and balance INR 60 crores will be spread over a period of say nine months. In addition to that, the third terminal that we are looking at, that will also be close to INR 100 crores. And there is the ongoing capex at the existing facilities, ICDs where we have land bank. And as the volume increases, we keep on extending the yard and the warehouse over there.

Achal Lohade: So roughly INR 200 crores each in FY '23 and '24, would that be a fair assumption to work with?

Prem Kishan Dass Gupta: Yes, we can say that anywhere between INR 350 crores to INR 400 crores in the next 18 months.

Samvid Gupta: And that includes Jaipur and Kashipur.

Achal Lohade: So what kind of peak debt can we look at in terms of the balance sheet?

Samvid Gupta: So we keep the net debt -- we are aiming for net debt-to-EBITDA 1:1, maybe at most, we'll stretch to 1.2.

Achal Lohade: If I could ask just a clarification on what is the status of the DFC? And how do we see that…

Ishaan Gupta: Hi, Ishaan here. So, there are some sections which are already completed and some which are happening soon. So I'll give you the schedule. Rewari to Madar, 306 kilometers is commissioned, Madar to Palanpur, 353 kilometers is commissioned. Palanpur to Mehsana, 75 kilometers is commissioned -- and Mehsana to Sanand, 77 kilometers is commissioned. Now after this, the next section will be Sanand to Makarpura, which will take place by December 2023, for this Palanpura to Makarpura section. And separately, from Makarpura to Vadodara, from Surat to Vaitarna, and Vaitarna to JNPT -- those will all happen over 2023 and 2024.

Moderator: The next question is from the line of Krupashankar NJ from Spark Capital.

Krupashankar NJ: First question from my side is on the Jaipur facility. Is it fair to assume that the volumes would directly go to the ports and not be routed by Garhi, thereby losing out on the double striking opportunity? Or is there another thought process on that?

Samvid Gupta: So Jaipur is already going to be a double-stacked terminal. It's connected at the Phulera junction. So -- we don't have to bring it back to Garhi. Also Jaipur is closer to the port other than Garhi. So other terminals of us, like Sahnewal, Faridabad or Kashipur even Garhi sometimes if there is no train, we might bring it to Jaipur and we can double-stack from there.

So we'll optimize depending on the requirement at the time. So we'll be running direct trains from here to the port and we can also further habitat our terminal in Viramgam. So basically, it would more or less be double stacked throughout and the service level will also be good because we can run mix trains.

Krupashankar NJ: And while you have given a guidance of 6% to 7% volume growth in FY '23 earlier. After these -- the Jaipur facility and Kashipur facility, are we revising our volume guidance for certain cities? And what would be the outlook?

Samvid Gupta: So Jaipur volumes are -- they only kick in, say, towards the end of next year, since it takes about 9 to 12 months to construct and start the ICD. And after that, it takes some time to ramp up volumes. So we won't be adding that for this year, even next year, we will be a very minimal number. For Kashipur we've already said 3,000 TEUs per month is what they're currently doing and that will be added immediately. And gradually, we'll ramp that up as well.

Krupashankar NJ: But so as a follow-up, if I look at the first half volume growth on an overall basis, still at about 3% to 4%. And given that the EXIM outlook is looking a little bit on the weaker side. Do you want to hold on to your guidance of 6% to 7% overall for the company?

Samvid Gupta: So the 2% to 3% or 3% to 4%, you're talking about is on a consolidated level or you're talking on specific segments?

Krupashankar NJ: On a consolidated level.

Samvid Gupta: So the main issue I'll tell you there is that we gave up Punjab Conware CFS in January this year. So if you take that out, on a existing facilities volume, we've had a growth of 16% in volumes. So that -- we expect a 6% to 7% guidance to continue. In fact, it must be slightly better only. And this is without including Kashipur and Jaipur

Moderator: The next question is from the line of Abhishek Nigam from B&K Securities.

Abhishek Nigam: Just one question from me, on the Kashipur freight terminal line, my understanding is that the last three, four years, like even before COVID there were kind of struggling to ramp up volumes. And even though one of the JV partners have guaranteed volumes to them. So I'm just trying to understand if you could clarify on why were they struggling and what are we trying to do differently now?

Samvid Gupta: So basically, this was doing about 2,000 to 2,300 TEUs last year. This year, the average is 3,000 TEUs. The differentiating factor is that, one is that right now, the ICD is run by someone else, and the trains are run by third-party operators. With us, we'll have all end-to-end solution and also using Garhi as hub we can offer a different service level, which the current CTOs operating out of there can't offer. So we can offer a daily evacuation.

So cargo going by road to other terminals and NCR or cargo going straight to the port by road that can be converted to us and this market, actually, although it's 3,000 TEUs right now, there's a potential size of up to 10,000 TEUs, including nearby markets. So that's why we are confident we can ramp these volumes up

Ishaan Gupta: Ishaan here. I just add to that and for the benefit of everyone else also. That's this industry has changed over the years, and it's not only a question about having an ICD or having a train, which anyone can replicate. Over time, it has become a complex service offering, which we offer end-to-end customized solutions, we get into the supply chain of our customers, and we integrate our ERP with their ERP, we offer a whole host of solutions.

So we are very confident that the way that we would run the ICD would be different from the way currently it is run by a terminal operator who doesn't have rail services. And already after we made the announcement, even before the acquisition is complete, a lot of our customers and a lot of shipping lines have started approaching us, and they want to work with us out there. So we are very confident of this volume ramp-up coming in.

Moderator: Our next question is from the line of Ashish Shah from Centrum Broking.

Ashish Shah: Sir, you did mention that the market size for Kashipur ICD is around 10,000 TEUs. If you can delve a little bit more in terms of who are the typical customers there? What kind of industry exists in this catchment area? And who are the competitors there? And what are the kind of capacities that exist in that area?

Samvid Gupta: Just right now, in the near 50-kilometer radius, there's only one other terminal, two terminals of CONCOR - one is very small and barely having any volumes. And the other is the ICD in Moradabad by CONCOR. And about the industry, I'm just passing it on to Rajguru.

Rajguru Behgal: If we talk about industry dynamics, so there's a lot of paper products, then import of waste paper, then there is chemicals, home furnishing, handicrafts. So all these commodities are there in Kashipur belt. Plus the moment we announced this,. so there has been a lot of interest shown by many of the shipping lines as well as the customers who had to go down to Moradabad.

So ICDs which are far-flung from Kashipur and Moradabad, so they don't have any option. So once we start our operations, not only that we'll be able to capture the Kashipur catchment volumes -- but the other ICDs, like Moradabad and all - so we are expecting then that we will be able to capture those volumes also. So if we talk about the other areas, there is a good industrial belt at Haridwar, Dehradun and Lal Kuan where all these paper importers and all these home furnishing chemicals and the waste paper factories are there.

Ashish Shah: So -- but within the immediate vicinity, let's say, as you said, CONCOR's terminals are a little distance away, but within the immediate vicinity, are there any other competing terminals or Kashipur would -- our terminal in that sense, will offer an exclusive significant distance advantage.

Rajguru Behgal: There is only one terminal, which is an immediate competition to us.

Ashish Shah: Sir, if you can tell me which terminal that is?

Samvid Gupta: ICD Moradabad is the closest terminal next door, which is about 40, 45 kilometers away. So immediate vicinity, there's no other ICD.

Ashish Shah: Also, we have mentioned the revenue from this terminal in our acquisition announcement. If you can give some indication of the margins and profitability of this terminal?

Samvid Gupta: So the revenue actually is of the existing Kashipur terminal right now that we've given. That's part of the SEBI format that we have to give. But this revenue is only the figure of the ICD income that's coming. What's not being captured here and what's the value we've paid for is the real access that we'll have. So we'll have exclusive rail access here and no one else will be operating. On the closing, we'll be able to give some more details about the type of revenue that we're expecting out of this terminal. But just keeping in mind, the rough rail margins that we have at Garhi, we expect to add that here as well.

Ashish Shah: So you could expect a similar rail margin out of this terminal that you otherwise make in the rail business?

Samvid Gupta: Yes, slightly more actually since the distance is longer from the port. So the further you are away, higher the margin.

Moderator: The next question is from the line of Vikram Suryavanshi from PhillipCapital India Private Limited.

Vikram Suryavanshi: Just wanted to understand that since we are adding terminals and that is happening quite fast. What will be the rake addition plans going ahead and we'll also look at domestic side of the business and acquisition of containers. So if you can highlight on that?

Prem Kishan Dass Gupta: See, we -- right now, we have adequate capacity, and we can accommodate these 3000 to 5,000 TEUs in addition to the existing volumes that we are doing. But going forward, we have plans to acquire the new rigs of high-speed and high load-ability. That negotiations and the model are under discussion. So from next year onwards, we'll be adding, say, about three rakes per annum.

Vikram Suryavanshi: And I think you have already highlighted, but just to reconfirm the Kashipur rail business, we were not part of a third-party rail operator for them. So there was no revenue for us from Kashipur rail operation which will be added now?

Prem Kishan Dass Gupta: Yes. There was no rail revenue from that. We were not operating from Kashipur.

Moderator: The next question is from the line of Amit Dikshit from ICIC Securities.

Amit Dikshit: Congratulation for good set of numbers. I have two questions. The first one is essentially an offshoot from the previous participant. You said that you'll be adding around three rakes per annum. So will the addition will be through your, will it be captive or through lease?

Samvid Gupta: No, we'll be doing it all on lease.

Amit Dikshit: The second question is more of a strategic kind. What I see that you have a couple of opportunities here, Kashipur, Jaipur, which are coming up, then you highlighted that there is one more opportunity that you're looking at. So if you can highlight the catchment area of that. Then we seem to be on a capex mode now adding new terminals. So I just wanted to understand from a strategic perspective, in the next three years to four years, what kind of terminal network we are looking at? And are we also planning to go to eastern side of the country? I mean, I know our strength lies on DFC route due to obvious even, but is there any thought process to try eastern side well?

Ishaan Gupta: Yes, Amit. Ishaan, here. So after these two terminals, there are a couple of locations, which we have in mind and we are identifying land parcels right now. So I just point, we won't be able to comment on the location, but once we finalize, we're going to share that with you. Going ahead, if you look at your long term, medium- to long-term strategy, which we have, we want to develop terminals along the Northwest corridor primarily, where we feel the strength lies that we can use our network with the DFC. And at a later date, we will be also considering either the Eastern DFC or the diagnols and the quadrilateral corridors, which are being planned because those will be very useful for domestic business. Right now, we are only focusing on EXIMs. But domestic business will then make sense once those dedicated trade corridors are available. So that is the long-term strategy that we have for the company.

Amit Dikshit: Could you quantify the, I mean, in terms of terminals, I mean, if I ask you later after three to four years, what kind of, I mean, how many terminals will you have or you are aspiring to have?

Ishaan Gupta: We don't have a fixed number in mind. We will see the strategy as it goes, but say, two to three terminals, you can safely assume. More than beyond that, we'll take a call as and when opportunities come.

Moderator: The next question is from the line of Krupashankar Nj and from Spark Capital.

Krupashankar Nj: Just one question on Kashipur. I wanted to understand that the current set of revenues, what has been recorded, is it because that facility was handled by Apollo LogiSolutions and India Glycols, is it fair to assume that in the India Glycols volumes are handling and incremental catchment area, work was taken, will be opportunities which can potentially drive volumes, is it a fair assumption?

Samvid Gupta: Sorry, that last bit was a bit muffled. You said a word about the catchment area?

Krupashankar Nj: So incremental opportunities like paper, etcetera, would be something which was not handled at the facility right now, is it a fair assumption?

Samvid Gupta: So some of it was handled. So if I understood correctly, the earlier volumes, the captive volumes of IGL, that's only part of it, but majority of the volumes are non-IGL volumes here. So the additional catchment volume, we'll be able to get because our service level is better because right now, it's being handled as a single track terminal without hubing it anywhere. So the service level is something like once or twice a week evacuation. What we can do is a daily evacuation from Kashipur and bring it to our terminal at Garhi and then rail it out from there.

Krupashankar Nj: And given that the potential will be close to about 5% to 7% of rail volumes on a per annum basis. You can expect that because of the higher lead distance, the realization would go up for the rail segment. Can you give us an indicative number as to what would be the realization from a Kashipur to just take a Mundra, Pipavav or vis-à-vis what you're doing on Garhi side or on a blended basis...

Samvid Gupta: On Kashipur revenues and specifically the realization, but you will be able to comment only after closing. But generally, yes, the assumption is that the longer the distance the higher the yield.

Krupashankar Nj: And one last question from my side. We had indicated that the Indian railways revising the pricing or rather the discounts on empty containers being passed with the lag. So every cost aspect wise, we have passed everything to the customers. Just wanted to check if that has happened?

Ishaan Gupta: Yes. There are changes in rail haulage. It is standard practice. So, it is passed on to the customers. Sometimes there's a lag dependent – for some customers it's immediate, with some it's up to 30 days, but all increases or decreases in rail haulage are passed on.

Moderator: The next question is from the line of Aditya Mongia from Kota Securities.

Aditya Mongia: Congratulations for a healthy set of numbers. And the question that I had was, firstly, linked to Kashipur. I wanted to get a sense of you having made a INR 150 crores kind of investment. For the rail services that you can offer from there at current volume level, what kind of returns would you be earning on this investment, let's say in the first year?

Samvid Gupta: So like we mentioned previously on the call, so we'll get back on detailed numbers after we close - only on like revenue on the rail part, that we can only comment after closing.

Aditya Mongia: The point I was trying to kind of get to a that was it an acquisition, which is like an attractive acquisition on near-term numbers, or would we require two, three, four years to realize decent returns on this kind of investment that we are doing...

Samvid Gupta: It was an attractive from the numbers point of view, also the payback point of view. We'll be able to share more details in December, but also there's a slight premium that's been paid on account of a running business. It's a 41-acre ICD that's generating 3,000 TEUs per month. So we did pay a price for that, but it's still well within our investment purview of like a good payback and a good ROI.

Aditya Mongia: A related question, what is the prospects of expanding volumes from, so what is the capacity that you can reach, given the assets that you have bought and Kashipur versus 3,000 TEUs per month, that is the throughput today?

Samvid Gupta: On capacity basis and depending on turnaround time, we can theoretically handle three rail line we can't theoretically handle up to 10,000 TEUs if needed. But we don't see that number immediately. What we have projected is that within, say, a period of three to four years, we should be able to reach about 6,000 TEUs out of this location. But the timeline is enough to handle more if needed. And we'll also be exploring some domestic volumes going ahead. So that also can be taken care of.

Aditya Mongia: Just to kind of put it in the right context, what you're saying is this can become as big a play as Jaipur can be. While, for Jaipur, since it's a greenfield project, we are assuming INR 100 crores, while capex here is 1.5x of that number. So some premium for running business, yes.

Samvid Gupta: Yes. And also this is larger than Jaipur. This is 41 acres, whereas Jaipur is 30 acres.

Aditya Mongia: That clarify. The second question that I had was more to how to think about the volume growth for the company. Now you said that the sector should grow, let's say, mid-teens. Given your focus on adding assets, how should one be thinking through from a medium-term perspective, the growth for your company on the rail front?

Samvid Gupta: Yes. So we've given the guidance of double digits, and this was before announcing Jaipur and Kashipur. So we stick to that guidance for the rail business. CFS volumes are flat. But if you look at CFS volumes on a like-to-like basis, when you remove Punjab Conware out of the equation, then we are up there also. But say, this is the base year for CFS. So next year onwards, CFS would be flat and double digit for rail. And adding Kashipur and Jaipur, we're looking at high double digits.

Aditya Mongia: The other question that I had was more on the network that you are trying to set up and the advantage that may give you owning, let's say, a portfolio of terminals. And you talked about Jaipur in some context of it being replaced by double-stacking can happen. I'm just trying to kind of imagine with three terminals that you add, does the network advantage for you become meaningfully more meaning, sticky customers, higher margins, higher market share? Just trying to think so that.

Ishaan Gupta: Yes. Network is very important in this industry and not just having a high number of ICDs, but having them in the right locations through our network. So why it helps is that when you, firstly, it's hub-and-spoke model, which we use, so we can combine containers from two ICDs and run double stack trains for the longest part of the routes. Even Faridabad ICD for example, is going to be on double stack route next year onwards. So we will have a double hub system. We will have the choice of running from any ICD to any port via any other ICD. So we can top up volumes. We can increase double stacking. Our rake requirement goes down compared to other, compared to our competition because, again, of all the hubbing and transit times a better, overall asset utilization is better. So there are multiple reasons why network advantage plays out.

Aditya Mongia: Just a last question from my side. Given the capex that you were thinking through, which is a few hundred crores every year, does the dividend policy of the company, would it change in any manner?

Ishaan Gupta: No. We will continue paying dividend like how we have been. How we view cash planning is that with our current earnings with the capex, which we have announced, keeping the net debt-to EBITDA ratio of between 1 to 1.2 maximum and paying our dividend, that's how we are planning everything. In fact, we expect the dividend to go up this year compared to previous year.

Moderator: The next question is from the line of Shashwat Desai from Sameeksha Capital.

Shashwat Desai: As our margins have increased at around 9,500 TEU in the rail business, as the DFC part comes in and all other efficiencies you have, what headroom we have on this as volume increases?

Samvid Gupta: Sorry, could you just start over? We miss the first part?

Shashwat Desai: So as your margins have increased at around 9,500 TEU in the rail business. So I just wanted to understand what -- as the DFC part comes in and other efficiencies you have, what headroom we have on this as volume increases?

Samvid Gupta: There is definitely scope for growth here. But yes, so as the DFC comes, then double stacking will increase. And when it goes up all the way to JNPT, that will also help, faster turnaround of trains will also help. So just for example, we used to have an average transit time from NCR to the port of about 72 hours.

Now as and when DFC sections have opened, we've reached up to 48 hours. And during pre-COVID, when there were no passenger trains, we've done it at even 24 hours. So if we can hit the 24 hours number consistently, our margins will definitely improve. And yes, the 25-ton axel train will come when the DFC is complete. So that will also increase the load-ability like I was saying. So that will be how we increase our margins. And as and when we're adding terminals, that's also helping out, and there will be a shift from road to rail. So we expect that volumes go up, fixed costs per TEU becomes lower and margins will improve.

Shashwat Desai: So can we go to 10,000…

Moderator: Excuse me, this is operator, Mr. Desai, we're unable to hear you.

Shashwat Desai: Yes. So do we have a target? Can it go to around INR 10,000 -- DFC per ton...

Management: So you're able to understand, but if you're asking...

Moderator: Mr. Desai, please check your headset because your voice is fluctuating and your audio is not clear. As there's no response from the line of Mr. Desai, we move to the next question from the line of Atul Tiwari from Citi.

Atul Tiwari Sir, my question is on CONCOR. So I mean, if I remember correctly, you have briefly mentioned in the past that you may also be interested in that acquisition. Obviously, probably in a partnership with another partner. So what is the thought process as of now? Because now government seems to have restarted the process? And are you going for it or you are not interested?

Samvid Gupta: No, we won't be interested in Concor. One is that our balance sheet won't support such an acquisition? And second, the issue is regarding land licensing fee are still not clear with this new

Gati Shakti coming in. So we don't know how it will work. In the meantime, we are continuing to expand on our own. And yes, that's how we'll progress.

Moderator: The next question is from the line of Aditya Mongia from Kotak Securities.

Aditya Mongia: Maybe one or two questions more from my side. The first one was on capital allocation, and I understand that you are probably doing a good thing by investing in the network through ICDs and taking maybe rolling stock on lease. Is there any downside risk to this strategy in the sense of you not owning rakes - what are the risks associated with this kind of strategy versus, let's say, a CONCOR would ends up buying all rolling stock themselves on the balance sheet?

Samvid Gupta: So I mean, the lease is slightly at a higher rate compared to owning. So it would be own too cheap in -- it would be cheaper to own in the long term, but there's no risk as such because we are tied with long-term leases of 10 years and we build in clauses regarding upgradation when it happens and we can switch our trains to the newer wagon. So no risk as such.

Aditya Mongia: So service levels broadly get maintained and are not sacrificed through such a strategy in any manner?

Samvid Gupta: Sorry, I didn't get that first?

Aditya Mongia: So service levels are basically broadly maintained, whether it is leasing or buying the asset.

Samvid Gupta: Yeah.

Aditya Mongia: Just one more question from my side. And this is probably a risk that investors typically point out that CONCOR has become bigger post-DFC and other players would find it more difficult if we are not able to scale up. A, do you agree to that thesis? And B, with your network expanding, is that risk becoming lesser-and-lesser? Are you becoming more-and-more protected?

Samvid Gupta: So see, CONCOR has always been there since day one and their market share has been going down consistently and our market share has now, this quarter, our market share reached a level of 17% in NCR, which is the highest compared to any other CTO and Concor within NCR has come below 60%. So I don't see a risk even post-DFC, we'll have access - four our terminals, Garhi, Faridabad, Jaipur, Viramgam will all be on the DFCs, rest will be connected by hub-and-spoke. So I don't see any major change happening in competition with them.

Aditya Mongia: And just one last thing. You kind of mentioned, I think a mixed kind of rakes and that leading to better yield. I'm assuming you're talking about domestic and EXIM combined. I'm just trying to get the sense of whether that mix effect can be how meaningful driver of your profitability incrementally with the new network in place?

Samvid Gupta: Yes. By mix rakes, we're meaning that basically, if we're sending something from the North, we can combine on one train at Garhi hub volumes of Faridabad, Sahnewal, Kashipur, Garhi volumes, and we can send it to Viramgam, and these containers don't necessarily have to be of one port. They can be of Mundra, Pipavav or JNPT, because then we'll bring it to Viramgam, and we'll maximize the distance that we double stack this. And from there, then we distribute it locally. So that will improve our service level and the containers don't have to just wait at the ICD for the a port-specific train.

Aditya Mongia: And Jaipur changed the equation for the better or it's something that should be on a standalone basis?

Samvid Gupta: Jaipur will help because Jaipur can also act as a hub, and it's already a double-stack location. So it gives us more flexibility to use the hub and spoke to our advantage.

Moderator: Thank you very much, ladies and gentlemen, that was the last question for today. Participants have switched out due to time constraints. They can reach out to the management and SGA team. On behalf of Gateway Distriparks Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.