"Gateway Distriparks Limited
Q1 FY 23 Earnings Conference Call"

August 02, 2022

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MANAGEMENT: **MR. PREM KISHAN DASS GUPTA - CHAIRMAN AND MANAGING DIRECTOR, GATEWAY DISTRIPARKS LIMITED**
MR. ISHAAN GUPTA - JOINT MANAGING DIRECTOR, GATEWAY DISTRIPARKS LIMITED
MR. SAMVID GUPTA - JOINT MANAGING DIRECTOR, GATEWAY DISTRIPARKS LIMITED
MR. SACHIN BHANUSHALI - CEO, RAIL, GATEWAY DISTRIPARKS LIMITED
MR. SANDEEP SHAW - CHIEF FINANCIAL OFFICER,
MR. MANOJ SINGH - PRESIDENT, CFS, GATEWAY DISTRIPARKS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Gateway Distriparks Limited Q1 FY23 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 date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note, that this conference is being recorded.

Today on the call we have Mr. Prem Kishan Das Gupta, Chairman and Managing Director; Mr. Ishaan Gupta, Joint Managing Director; Mr. Samvid Gupta, Joint Managing Director; Mr. Sachin Bhanushali, CEO, Rail; Mr. Sandeep Shaw, Chief Financial Officer; Mr. Manoj Singh, President, CFS.

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

Prem Kishan Dass Gupta: Thank you. Good evening and warm welcome to all the participants to the post results earnings call of Gateway Distriparks. 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.

The format that you find this time in Q1 2023 results, some of you might feel it is different, but basically after the merger, everything is now consolidated into one company, which is Gateway Distriparks Limited, except for a subsidiary which is Gateway Distriparks Kerala and an associate company Snowman.

So, going forward, we will be carrying on with the same format, because there's no point in giving Rail, CFS, empty, both as Rail and CFS because the company is one and the purpose of having the companies -- I mean merging was that we have combined revenues. We have combined efficiencies. We have combined costs, which has come down quite a bit after our merger. And going forward, I mean to give you a split between Rail and CFS and empty, and I mean, it's one company, one cost and we cannot spread the cost over different verticals. And frankly, we are following the leader in this segment..

So, we will be willing to answer the question where the growth is and where I mean the business is good and what are our plans, but please try and understand, that we will not be able to accommodate a request whereI mean, someone asked in the past split up of the Rail and CFS business, because this was not the idea when we merged the company.

And the company is doing well. Last quarter, we had some hiccups in the sense that due to COVID situation, Chinese ports were shut down and little bit was contributed also by the war situation between Ukraine and Russia. But the COVID situation is now being overcome at the Chinese ports and now, they are now fully functional and now, we can see, the containers which were stuck up in the last quarter arriving in July and new contracts being made between the vendors and suppliers and all over. So, I mean we expect healthy growth in this Q2, with July has been exceptionally good.

So, with that, I will pass on to the question-and-answer session to the participants. Thank you everyone.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Bhoomika Nair from DAM Capital. Please go ahead.

Bhoomika Nair: Yes. Good evening, sir. While I understand that there is going to be limited disclosure on the separate businesses, just want to understand the reason for the decline in the EBITDA per TEU on a consol basis, if I look at it, you know, it has actually fallen to about INR4,900 per TEU versus INR5,200 last year and INR5,300 in the fourth quarter. Now, I would assume this is largely got to do with the Rail business, given that 4Q had already seen a very weak performance on the CFS side. So, if some more qualitative reasons for this decline? Has it been because of the impact of the withdrawal of the haulage charges? Has it been lower empty running and things like that?

Samvid Gupta: Basically, the delay in being able to pass on the haulage charges, from Indian Railways to the customers. So that takes about anywhere from a month to 45 days, which depends person to person. Apart from that, it's basically the China lockdown, So, that had some impact on volumes, and then just the yearly costs that increase, the increments with staff and labor and things like that. So that's what's led to the decline.

And also, there were some one-time costs again related to the merger, which are now pretty much done. We had that event and there was a lot of advertisement, legal fees, merger fees. So, that was also still carrying forward in this quarter.

Prem Kishan Dass Gupta: And Bhoomika, in addition to it, like I said, we are reporting now, the empty handling by CFS business also, which was not being done in the past. So, Rail was reporting laden and empty, and CFS was only giving a laden throughput. So, we have added the empty handled by the CFS business also which is a low yield. So that might impact the overall quality realization. But going forward, I mean these numbers, I mean, you and everyone can know like this is a benchmark for how we operate at various levels and since there will be some --- earlier there were some restrictions there due to related party transactions. Now, I mean, we are operating on PAN India basis, so we have cross selling between Rail and CFS businesses. So, one or the other is compensating giving global discounts to big users. So, this empty business, CFS and the revenue --- corresponding revenue has an impact on the per TEU average that you see.

Bhoomika Nair: Sir, would it be possible to get the impact of the delay in pass through of the higher haulage charges and also the one-time costs related to the mergers and the legal fees etc.

Samvid Gupta: So, the one-time expenses was around anywhere INR2.5 crore to INR3 crore which has added up. And for the railway delays, we can't really share the exact data since we're not sharing split information anymore.

Prem Kishan Dass Gupta: At the same time, we don't have this data readily available because different customers have negotiated --- some of them, I mean, right from day one, we implemented 5%. Some of them were at 30 days, some of them were 45 days. We'll be able to give you a consolidated whatever was the impact had was there in this quarter but yes, I think so we have not made that calculation overall. We don't have that figure ready. So, maybe we'll be able to give you, if you can contact the management after one or two days.

Bhoomika Nair: Sure, sir. I mean, I appreciate not sharing the segmental numbers, but if we can get some qualitative understanding of how empty running, double stack etcetera, and market shares have moved, it would be really appreciated.

Prem Kishan Dass Gupta: So, just to add to it, the Rail business is doing well. The growth is there, very much there. The CFS business at best you can say it is stagnant or maybe I mean, if you look at it and it might be a negative volume, because I mean in this quarter, in Q1, we don't have Q4 Punjab Conware volumes in it and corresponding revenue, and at the same time Krishnapatnam port, because the lines have stopped calling, say, MSC and even other lines. So, the container business in Krishnapatnam has gone down significantly. Significantly in the sense that, it is at best one-third of the volume that we were having last year. So, the corresponding revenue has also come down in that, and going forward, unless and until the port, which is now owned by, which has changed hands from the earlier port operator to a new port operator and unless they and shipping lines agree, we don't see much volumes coming over there.

But even at these lower volumes, we are at EBITDA neutral at Krishnapatnam. So, all these things, I mean have contributed to, I mean muted the overall growth. But Rail definitely is the fore runner and Rail volumes are high and Rail revenues also high and going forward, it will remain the same, or even the Rail might have a more, much higher revenue and throughput, because we are going to expand and I mean we have been saying that for very long, but you will hear very soon about our new terminals, whenever they are coming up. It won't be long. We will announce that early.

Moderator: Thank you. Next question is from the line of Jay Shah from Capital PMS. Please go ahead, sir.

Jay Shah: Hi. Congratulations for a good set of numbers, to the management. I just want to know sir, now that we have consolidated everything, all the entities, now going ahead, can you just throw some light on what's the growth plan like for the company for the next two years? Maybe for the next two years? Three years? Because we've even seen turnaround in Snowman numbers and things are picking up there. But for especially the Gateway entity now, what does the growth plan look like?

Samvid Gupta: Yes. So, we've shared this in the past also. We have plans and its in our investor presentation also that we will come up with two new railing terminals, two new ICDs in the north. So, we're working on that and we'll be announcing those soon once we have concrete plans in place. And the CapEx, earlier, we were giving an indication of INR200 crore over the next two years, but now we're revising that to INR250 crore as we will also be expanding within our own facilities by adding more capacity and more warehouses, and other than that, you know all the equipment and trailers that are needed for it.

So, the growth will only be coming from the rail segment. As mentioned, the CFS segment will stay where it is. We won't be expanding further into that except for you know, just replacement of vehicles and maybe minor warehousing capacity. So that's the general plan going forward.

Jay Shah: Okay. So basically, you are saying the rail sector will now be the one leading the company?

Ishaan Gupta: Yes.

Jay Shah: Then what are the kind of the tailwinds that you're seeing? I mean, and the kind of inquiries and the demands that you're seeing from the companies for Rail transport viz-a-viz road? Is it picking up quarter-on-quarter or month-and-month?

Ishaan Gupta: Yes. I missed the first word before inquiries what you said, but we are seeing a shift from road to rail, especially with the DFC, as more and more of it gets commissioned. People are valuing the faster turnaround time. So, when the DFC comes, we should see even more shift. And over the last two years, I'd say it's made good strides in this.

Moderator: The next question is from the line of Mr. Achal Lohade from JM Financials. Please go ahead.

Achal Lohade: Yes. Good afternoon, sir. Thank you for the opportunity. My first question was just on, the first on the CapEx. Sorry, I didn't understand. You said INR250 crore for the two rail terminals. Have I understood it right? Is this only for the rail terminals we're talking about, INR250 crore? So, my question was, with respect to the CapEx, you mentioned that the CapEx number you're revising it to INR250 crore. Is that only for the rail terminals you're talking about? And can you help us understand what is the timeline we will be looking at and what is the current status? Has the land been identified, acquired and if you could elaborate a little bit on the location?

Samvid Gupta: So, INR250 crore is for all CapEx going forward. This is warehouses, equipment, and both ICDs. And this is only primarily for the rail business. I mean, out of the INR250 crore, maybe INR10 crore or INR15 crore will be required for the CFS business. Timeline wise, this is the CapEx for the next two years that we've set. And we're in the middle of identifying --- we have identified the land so we're just looking out to finalize it and hopefully, we should be able to close it within the next quarter.

Achal Lohade: And these will be on the DFC route or they are the satellite terminals, as we earlier indicated?

Prem Kishan Dass Gupta: It will be DFC as well as I mean on our hub and spoke model. So, I mean, everything cannot be on DFC. So, Northern hinterland is so vast and where I mean the volumes is there or business is there. So, it will be on DFC, as well as other parts of the hinterland.

Achal Lohade: Understood. And you also mentioned that there will be equipment or capacity enhancement in the existing locations as well for the ICDs. Can you elaborate a bit on that? Which location and what extent the expansion are we looking at?

Prem Kishan Dass Gupta: Yes. We have four ICDs now. Two in NCR, ICD Garhi and ICD Faridabad and then we have one in northern part, which is ICD Ludhiana. And then we have one in Viramgam. So, all these places where we have landbank and we have the ecosystem and infrastructure to serve existing volume plus another say 25% to 30% volumes. So as and when the volumes grow, our present volume, I mean, in NCR would be about 250,000 TEUs or something like that. And including Ludhiana, I think we are close to 25,000 or even more, on the 25,000 TEUs you can say.

So, our capacity, as I said, the ecosystem is there, the locations are there and any increase because of the volumes going up, both on the trade, as well as containerization from volume to containers and the market share, we can go up to easily four times this volume. 1.2 million TEUs is the minimum CapEx. So, that is where we are allocating some funds to have the equipment, the area has some additional warehouse, but the land bank is good enough to take care of that. So, the CapEx on that will be very small, but the main CapEx will be on the two main terminals where we are working on it and we will be on finalizing soon.

And those are the ones where the main CapEx will go. And ultimately, I mean, when new terminals come up, I mean everything has to be done according to our standard because Gateway Distriparks right from the beginning has different standards of quality of construction, quality of services and that means the cost and also the IT system, which is required for our customer interface and even with the further shipping lines.

So, mainly our investments are going in that direction and INR250 crore is on a conservative way that we have reported now, it might be even higher.

Achal Lohade: And the timeline for this?

Prem Kishan Dass Gupta: Timeline for this, Samvid said two years, but I'm quite hopeful that in the next 12 months to 18 months, we'll be spending this money. Even earlier. Achal, I can I mean, just to answer your question, we are looking for some land acquisition. We are looking for existing better acquisition, which are now available quite a lot. There's a distress in some of the rail operators who are not able to run properly or they're at a standstill. So, there are acquisition proposals, and which if it happens, I mean, it can happen in four weeks or eight weeks also.

Achal Lohade: Sorry, I'm bit confused. So, are you talking about these two terminals could be through acquisition or could be Greenfield? Is that understanding, right?

Prem Kishan Dass Gupta: No. These two terminals, one will be acquisition, one will be Greenfield, and there are other opportunities also, which are there in the system in container train operators. I mean, there are so many operators and not everyone is running well or so they want to exit this business. And we'll look at it. I mean, we will judiciously take a call. I mean, whether that location and that business is worth taking over or not?

Achal Lohade: Got it. And second question was with respect to synergy, you said now, it's fully integrated, possible to now talk about what kind of synergies can we expect in terms of quantification? On a quarterly basis or a full yearly basis, what kind of savings or incremental profits we can look at just purely from the synergy perspective?

Prem Kishan Dass Gupta: Yes savings are coming in, I mean, month by month, because, I mean, there's a lean organization, there is a --- as I said there is a product which we sell, which is PAN India basis, where I mean, the two companies which were operating separately, now, the company has locations all over India, including hinterland and the port town. So, those synergies are coming in and we are having some dealings with the customers and dealers and even bulk users or shipping lines. So, I mean those opportunities are coming and it will keep on coming.

We have, I mean, if you look at it, right now, we have nine locations and we are going to expand to 11. And then our footprint is going to be expanded. And right now, we are not into domestic and we don't want to go into domestic business right now. But as and when, we have got transit time, transit time is improved, we will definitely go into a domestic business also, but that's a long call. So, our focused way is hinterland of ICD rail. Our focus is on consolidating the CFS business by --- everyone knows that we had given up, we sold Chandra CFS two years back. We gave up Punjab Conware last quarter, that is Q4.

So, some of our volumes that you see in the combined statement, that also reflects the volume which were available for us in Punjab Conware but our other CFS in Nhava Sheva which we own, see, is going up. The volumes are going up and so, all these matters, you know, when you if there was a loss making unit, there was a second loss making and then there's another loss making or not even a loss making a break even with Krishnapatnam I mentioned. So, we will be concentrating on the rail business in the hinterland and at the end of the day, we will be only keeping those locations which are profitable in the CFS business. And that is our principle going forward.

Achal Lohade: Just last question, if I may, sir, with respect to the debt, can you help us understand the reason for increasing the debt and how do you see it given the CapEx we are looking at and the acquisition we are looking at? This INR250 crore, sir, is it excluding the acquisition or including the acquisition?

Prem Kishan Dass Gupta: So, there is nothing spend on acquisition. We have spent some amount on the CapEx for the land acquisition, which I mentioned. We have also had some CapEx, ongoing CapEx on the paving of the yards and the equipment. The reason why the debt from Q4 to Q1 has gone up, because we declared a dividend in April. So that was INR62 crore. So, and then at the end of the year, the variables and other employee costs were being paid up. That also comes up in the cash flow. So, it was already accounted for or provisions were made. So, there's nothing in the P&L account, it is only cash flow matter where I mean, there was a big expense in Q1 of this year, but going forward that expense will not be there.

Samvid Gupta: The debt levels, you know, overall net debt levels will remain within say one is to one EBITDA is what we're targeting. So, we're not going to over leverage ourselves for these new terminals and everything.

Prem Kishan Dass Gupta: In fact, we are below one to one. So, like I said, Q1 saw some exceptional, not exceptional, I would say, it was provided for, but it was paid in this quarter, like the dividend I said and employee benefit. So, which include the variable pay and some bonuses and directors' commission and everything, which is not going to be there for the next three quarters. So, all these will help us in the cash flows and those cash flows are going to be utilized to reduce the debt and fund our new acquisition because these INR200-250 crore, 50% will be coming from new cash accruals, 50% would be new debt, but at the same time the old debt will be retired by that time.

Achal Lohade: Got it. And with respect to, since now, CFS and rail volumes are combined, we don't have a break up, does that mean that overall aggregate volume growth could be 5%, 6%. And how do we look at the margin side, the consolidated level? Do we see a substantial improvement from here on over the next couple of years, or you think it will be more gradual improvement?

Samvid Gupta: So, this volume is without any addition of capacity or you know, the new terminals that we're talking about. So yes, I'd say that's about fair assessment, say, 6%, 7%, we can look at for growth in volume. EBITDA per TEU right now, it's between INR5,000 to INR5,100. It will change a bit, but yes, it will improve going forward. As we increase our volume, this will improve as well.

Moderator: Thank you. Next question is from the line of Krupashankar NJ from Spark Capital. Please go ahead,sir.

Krupashankar NJ: Yes. Good evening, and thank you for the opportunity. Just couple of questions from my side. First on the DFC side. So you have mentioned that the progress is ongoing. Can you can give some color on you know, what is the current status and what are the further opportunities with respect to operating leverage, which will drive margin expansion because of DFC? If you can highlight on that front?

Sachin Bhanushali: Sachin, here. Krupashankar, this is Sachin. If you look at classical operating leverage, this business does not have classical operating leverage, because we have a high fixed cost high variable cost business model as far as the Rail business is concerned. So, the essential advantage of dedicated freight corridor comes in three ways out of which two aspects are available to us. Dedicated freight corridor run, heavier trains, faster trains and longer trains. Longer trains is an advantage which is available only to Indian railways, because then unit cost of operation of a train gets reduced, that benefit is not passed on to rail operator.

As far as heavier trains and faster trains are concerned turnaround improves. So, productivity per train improves on account of that. This also results into regularity or frequency of service that attracts more customer. So, the addressable market increases on account of that. And because of the heavier trains it is possible to do higher double stacking which is basically a cost saving benefit which accrues to the company.

So, these two things will continue to intensify. So currently, let's say dedicated freight corridor with 23 tons of axle load per wagon and so, roughly let us say about 81 tons of gross load and payload of about 68 tons is able to give us a certain level of cost savings on account of double stacking. This will intensify further once we get the new type of wagon which is 25-ton axle load wagon which can run at 100 kilometers per hour. Currently a 25-tons axle load wagon is allowed to run 100 kilometers per hour only on DFC. The rest of the Indian railway network it is allowed to carry 23 tons, not full 25 tons and is allowed to travel at 65 kilometers per hour. Once these constraints fall off, and 25 tons axle load on the entire network on the feeder network as well as on a dedicated freight corridor network becomes available, the advantage will further intensify

So, this is not exactly the classical operating leverage, but the true operating leverage in the transportation business will arise out of this and the margin expansion will take place on account of this. Currently, we are at about INR5,100 --- INR5,086 to be precise as per our EBITDA per TEU is concerned and the margin would be to take it closer to INR5,500.

Krupashankar NJ: Understood, sir. So, what would be the current status, as in what is lacking behind on the --- given that the existing connectivity to Mundra and Pipavav is already completed. So, what can --- and given that northern hinterland volumes predominately go to these two ports? What can come in incrementally? This is my question. On these two ports at least.

Sachin Bhanushali: Okay. So, the mechanism of attracting more volumes is by way of organic growth as well as modal shift, and the organic growth primarily is driven by the economy rather than by transportation because transportation comprises a very small part of the overall scheme of things or let's say cost element. Unless Indian products are attractive internationally, Indian exports will not increase which is what started happening since last year, when you must have noticed the growth that we have had as far as merchandise export out of India is concerned. This trend will continue and that will result into additional business coming to the overall basket, and within that basket on account of dedicated freight corridor, the rail product has become significantly superior to the road product, resulting into business moving out of Mundra port and Pipavav port, particularly, Mundra Port CFS and then getting converted to road in import direction as well as an export direction, cargo going to Mundra port CFS by road and then getting converted into containerization, over a period of time will shift into ICD.

We can very clearly see this trend. It is evident in the numbers that we are posting as well, that overall volumes are intensifying as far as ICD business is concerned.

This is something which is going to grow over a period of time and it is good performance, good service delivery by rail sector will result into intensification of volume. Intensification of volume will result into shift of volume from pure road only to rail, road and rail, that is a multi-modal. And this is what is likely to play out over a period of next three to five years. Currently let us say we are operational from Ateli to Karjoda which is let's say regarding the Palanpur section, not fully operational, but more or less I think we are there. We are also likely to reach to Mehsana and to Makarpura which is Baroda, by end of the current financial year. And once we reached Nhava Sheva cluster, then overall advantage I think will be available to Nhava Sheva cluster of terminals as well. And then it will not be a benefit which will be available only to Mundra port and Pipavav port, but it is at least a couple of years away.

So, it's going to be a complex play. We quite certain that this is going to result into volume growth as well as margin expansion.

Krupashankar NJ: Understood. Understood. And given that, the CapEx outlay mostly talks more on the terminal addition and not on the rake edition, are you factoring in only existing rakes turnaround time improvement to drive incremental capacities? Is that how we should look at it or perhaps there might be a CapEx at a later date on rake side?

Sachin Bhanushali: We already seen --- Krupashankar, we have already seen that happening. In fact, you must have seen that over a period of last four years, we have not added a single train set to our total fleet. And our utilization has gone up from somewhere around 18,000 TEUs on a fleet of 31 train sets to 25,000 average. In fact, in the month of July, we're likely to see much better than that, and this intensification will continue. But the fact still remains that we need to increase our fleet and we are working towards that. Going forward, we will increase our fleet size in order to address deeper markets. New terminals which will come up will also result in to new services being operated by us. And we are planning to add 9 to 10 train sets to our existing fleet of 31 trains. But the initial plan will be to entirely go in for high-capacity, high speed trains by lease route because it doesn't make any sense currently, to appropriate the capital which is available with us to rail side capacity. It makes much more sense to put it into development of terminals. And that's what gives you let's say a strong hold in the market in terms of deeper penetration, as well as addressing higher volume of containerized traffic in EXIM business.

Moderator: Next question is from the line of Yash Tanna from ithought BMS. Please go ahead.

Yash Tanna: Yes. Congratulations on a good set of numbers. I just wanted to ask, could I have the ICD wise capacity utilization data for the rail terminal?

Samvid Gupta: Yes, sorry, it was on mute. So, unfortunately, we're not sharing ICD WISE data. So as a general rule of the overall ICD business, we have landbank enough to take it four times to our current volume. Based on the existing capacity we utilizing are 50%, roughly 50% to 60%.

Yash Tanna: So this is a combined?

Samvid Gupta: So, yeah. Basically, we can double our throughput on the existing capacity. And we can make it four times throughput with incremental CapEx on the existing landbank of our ICDs.

Yash Tanna: Okay. Got it. That's helpful. And also, like qualitatively, can you highlight on which ICD terminals might be on a very high utilization. So, we need to expand that. As you said, we're expanding the current ICDs as well.

Samvid Gupta: Yes. So, Garhi is our flagship terminal and that's where the major volume will be coming, and since that's a hub also, we would need extra capacity over there to handle more containers as it is a hub in the north and all containers will go from there to the west.

Yash Tanna: Got it. So Garhi is installed capacity is 2.5 lakh TEUs, right? And we can go up to 4x with some capex?

Samvid Gupta: Yes.

Moderator: Next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: Two questions from my side. You talked about the EBITDA margin decline that we've seen on a year-on-year basis. I have two questions. The first question is on the EBITDA margins. So, we see a decline of those 250 basis points on a year-on-year basis, and that is despite I mean, the throughput growth at the consolidated level and the total income growth seems to be of a similar magnitude close to 4% to 5%. So, what is leading to this EBITDA margin decline? If you could break that EBITDA margin decline into gross margin and the other expenses and talk a bit about the pressures there?

The second question is on the tax rate. So, there have been some tax adjustment it appears, tax write back which is leading to higher profit growth, although the performance at PBT level is a lot lower. So, could you speak about the full year tax rate and what exactly has gone in to be your taxes in this quarter?

Prem Kishan Dass Gupta: See, the decline in EBITDA which you are talking, even the combined volumes and throughput and since we are adding the empty handling at CFS level, so, volumes are higher and I mean, these are reflecting in the volumes. So, going forward, you will see that this is one-time CFS empty then also, one-time merger cost and also the increased IHC which we could not pass on to the customer, because there's always a lead time giving a notice to the customers which varies from 30 to 60 days. So, we have been able to --- this rollback by the railways and 5% discount was in on 30th of April. So, during the month of June, we have been able to get back some revenues which are going to the bottom line and also at the same time you know, something will come in July also which is q2.

So, going forward, you will see that these comparisons will be a very fair comparison between the overall volume and overall revenue and EBITDA margin and EBITDA and net PBT and everything you will see a change in the H1. So, why we are not giving these item wise rail vertical or rail location wise and the CFS location wise is because it is very sensitive to give this information and the idea of merger was to have one company, one financials. I mean if one company has to divide into different verticals because we might go into some other activity now, which is warehousing, which is in big demand, which will be in our ICDs, which will be in our CFS. We are expanding the warehousing over there, but the customers are asking for warehousing outside the CFS or ICD. And where I mean, the one use will be linked to the service that we provide with the warehouse and even, going to extended service levels, scope of services. So, I think the EBITDA this quarter, I mean, you can see what it is. And to be fair, the comparison will be in next quarter.

Sumit Kishore: So, what is the one-off element in this quarter, which is depressing your EBITDA? I mean, what is the quantum if we were to look at it just to the EBITDA numbers?

Samvid Gupta: Say, it's about INR2.5 crore. These are basically legal fees, merger expenses and all.

Prem Kishan Dass Gupta: See, these one-time cannot be quantified, whether it was on the merger or whether it was on CFS.. So, as I said earlier, it will be a fair thing to compare our Q1 results in Q2, where I mean, every parameter will be tested.

Sumit Kishore: Okay. So, just one comment here if you're not going to share any segmental information on CFS, ICD, at least provide some color on transportation income or storage income or something of that sort that gives more color into what the company has achieved in a certain quarter? Otherwise, we're just looking at some headline numbers and trying to understand your commentary, which frankly, is not making as much sense as it used to?

Prem Kishan Dass Gupta: No, then I'm sorry to say that then you are not understanding the process of the merger which has taken place over the last two years or you have not been following the company because we cannot give you a segment wise what is happening; similarly we cannot give you the cost of the management. We were having overheads at each and every location, in each and every vertical. What we are planning to do and what we are going to achieve, it is for everyone to see. What we are talking about is our Q1 results, what are the differences in the Q1 because of the merger cost, because of the RST by Indian railways, because of the CFS emptything and more than that, I mean, we cannot do you on color on what will be the --- it will be forward-looking statements that we are saying that look at this quarter, this has happened. But it will not happen in Q2. It will not happen in Q3. So, I mean to be fair to us also, I mean, these questions should be limited to what exactly we are doing and what exactly has happened and if you have followed the company for the last couple of years when the merger process was announced, you should be able to analyze what is there.

Sumit Kishore: Yes. So, would it be be fair to expect going forward some color on --- so, I understand there is a Rail ICD and CFS stream underlying. So, there is an element of transportation income and there is an element of associated with whatever handling you do of the container at the ICDs. So, or some other handling income at the CSF if at all. So, would you sort of break it up into this handling and transportation income, so that we get some more color?

Ishaan Gupta: Hi, Sumit. Ishaan here. So even in the past, our breakup of revenue when which we collect from customers varies based on location, based on activity which we perform. And it's not a segment which we track in the financials, because these are consolidated agreements that we have with people for carrying out a number of activities. So that's why we don't build in that sense that handling is separate, transport thing is separate, and warehousing is separate always. It depends from customer to customer. The way that you should be looking at it as how we also look at it as promoters, is the volumes that we are doing, how much growth that we are seeing in each of our locations, each of our geographies which we operate in. That's what we are worried about.

Import and Export, EXIM is what we are looking at and not domestic. And it's end-to-end pricing for the customers.

Sumit Kishore: Thanks Ishaan for sharing that. My last question is on the tax treatment which has happened in this quarter and what kind of tax rates will be taken for the rest of the year.

Sandeep Shaw: Yes. Sumit, Sandeep here. The tax rate which we have taken for this quarter is MAT, that is 17.47%. And the current tax, which you'll see in our financials are 9.14% according to the MAT tax rate for the current quarter and there is some reversal of deferred tax liability of INR13.27 crore. And that's why overall tax expense is coming INR4 crore negative. And for the full year, we will keep on paying MAT for the full year, for this year, i.e. 17.47%.

Moderator: Next question is from the line of Atul Tiwari from Citi. Please go ahead.

Atul Tiwari: Yes. Sir, just would like to get some sense from you about the transit times on DFC through Mundra Port and Pipava Port as of now? And how does it compare with when the first leg was not commissioned? That is one part and are you seeing some kind of shift from Rails to road, Road to Rail already or that is yet to start?

Sachin Bhanushali: So, the pre-DFC turnaround time or one-way transit time used to be on the order of about a mean of about 60 hours with maximum can be anywhere between 100 hours to sometimes even worse than that. But our average transit time in export direction has now settled somewhere around 35 hours for Mundra port, about 42 hours for Pipava port, and is roughly about 40 hours as far as Nhava Sheva is concerned. This is the mean time. There are cases in which, there are a large number of cases where the transit time is in fact coming down. We have had our best ever time of 27 hours as far as export movement is concerned. Import direction the numbers are still a little on the higher side, roughly about two to three hours more than the export direction. But as we get advantage of the feeder routes between Mundra port and Palanpur and as well as Pipavav poet and Viramgam getting converted into DFC standard route, this is likely to come down and settle somewhere around 24 hours in either direction.

Then Nhava Sheva benefit will come when Sanand, Makarpura, Sanand-Vadodra Nhava Sheva link of the dedicated freight corridor which is phase two and phase three will get commissioned. That is the time when we will also see Nhava Sheva transit times somewhere around 24 to 28 hours. There has been a significant drop in the overall transit time that has resulted into volumetric growth for the ICD business, and within the ICD business, our growth has been much more spectacular as compared to other operators, who either are not necessarily directly serving on the dedicated freight corridor or do not have the network effect which we have on account of having multiple terminals being operated through a hub called Garhi Harsaru.

As mentioned earlier on the call, our intensification of our penetration in the market is going to be by way of development of satellite terminals and maybe a couple of terminals which are closer to the dedicated freight corridor. This benefit is further likely to intensify. So this is basically the overall operating strategy that you address more and more market, closer to the market, go into areas where it is either un-serviced or under serviced, pick up business from there, bring it to a hub, transport it on heavy duty high speed trains between hub to hub or hub to port and contain your unit cost of production to such a level that you're able to generate margins which are better than the industry margin. The price will continue to be determined by the play of demand and supply.

So whatever price discovery takes place on the street, vis-a-vis that if you're able to manage your cost metrics well, then you will be able to make money at the same time provide quality of service. So, this mantra I think we have been able to deliver in the past and we'll continue to work further going forward as well.

And modal shift, which was evident during the initial commissioning of dedicated freight corridor whether it was half of it when it got commissioned in January 2021 or full commissioning, which has taken place somewhere around April, May 2022 will further intensify. If I think the numbers are going to speak for themselves going forward.

Moderator: Next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.

Abhijit Mitra: Yes. Thanks for taking my question. And I hope I'm audible. Just query on the, now the merger is through, and we are seeing a change in the reporting structure also, at least to the analysts, but in terms of executive structure, how is the executive restructure? I mean, is it still sort of separate leadership, looking at Rails and CFS as a separate business? Or is it merged structure at the top?

Prem Kishan Dass Gupta: Yes. We are still in the process, and most of the management team has merged. So, I don't understand what are you talking about the merged management or… Obviously, the Rail business has a different set of people and CFS has different set of people. But earlier, like when we're having two CFOs, or two different salespeople, and so it's very lean organization now. And it has definitely resulted in the costs that we have been able to achieve over a period of the last 12 months. And when the merger was announced in December, when we got the permission from the NCLT, and by the time now that we are speaking, it is still an ongoing process, and definitely it will be a single lean team, where I mean, there will be no duplication of work.

Abhijit Mitra: Yes. And just to understand in terms of in terms of business or MIS or data capture, do each of these terminals, be it CFS, ICDs, they maintain their own P&L or there is a centralized or the business-wise P&L is somewhere else? I mean, that category, would be somewhere else?

Samvid Gupta: So, each location has to maintain its own profitability, otherwise, we won't know what we're doing. So, I think it's quite obvious that would be maintained, and then it's all centralized, and we give the consolidated number out.

Abhijit Mitra: Okay. And the volumes that you report is essentially addition of the volumes that each terminal is handling, right? I mean, that's the way to look at it? I mean, be it CFS or ICD?

Prem Kishan Dass Gupta: Look, I mean, let me be very clear that the lean and single organization is there. And this is an internal process where we watch each and every location, not vertical, whether it is CFS or ICD or warehousing or any other. I mean, we have associate company also, Snowman. There also, I mean, GDL Board is involved in it. We have a 60% ownership in Gateway Kerala, where I mean we are fully involved into the running of and the reporting on the numbers and the profitability. So, if you ask us, how much one person is getting paid off? And these is not necessary information.

I mean, I think, since this is the first quarter that we are making a big change, you're having all these questions, but I mean, you I'm sure you're watching or covering other companies also. Gateway Distriparks is one company and it will continue to be one company and the expansion there, whether we acquire something or whether we develop a new thing, it will be GDL, one consolidated Company, one Board, and one management. And please don't go into the nitty gritty of, I mean, how we handle the people, how we handle the customers. It is an internal process, and we have a business which we have to conduct and you should be happy that we are conducting this business in a positive manner and the growth chart, I mean, I don't want to project it right now, but definitely we are on a high growth path.

Abhijit Mitra: Sure. That's helpful. The other question which I had is that in terms of acquisition, you said that the possibilities of acquisitions are there. So, which catchment areas are you looking at?

Prem Kishan Dass Gupta: It will be in the northern hinterland, because I mean, the Rail business is profitable only if it is more than 500 kilometers from the port. So, we have one or two locations in mind which are less than 500 kilometers from the ports. But we will be working on a hub and spoke model where I mean, each and every location on its own has their own volumes and they give us the profitability to the company.

Moderator: Next question is from the line of Riya from Aequitas Investments. Please go ahead.

Riya Mehta: I just wanted to know when will DFC be fully commissioned and what kind of incremental volume growth are we seeing from there? And second question will be in regards to the overall charges which we are not [Technical Issues]. My first question was in regards to the DFC which is getting commissioned. So, what kind of incremental volume do we look at from that aspect?

Prem Kishan Dass Gupta: We are already having incremental volumes on the DFC and as and when, I mean, there was some section maybe you know, last week when some section had been tried, so that will add another 100 kilometers. So, each and every section gives us an improved turnaround time and that helps in getting the business shifted from road to rail.

And the other thing is that our locations are I mean, we took a call early and our locations are much better than a lot of other locations which our peers have. So, I think incremental volume is coming every month, every quarter and by the increase in the total DFC corridor, which Sachin just mentioned will be completed by end of this financial year, Pipavav and Mundra , but Nhava Sheva will take time, maybe another year from the completion of these two sectors. So, DFC is definitely helping us in increasing our volumes.

Riya Mehta: Okay in terms of percentage, could you help us, like what would be the incremental throughput coming from there?

Sachin Bhanushali: So, the growth in the overall market on account of DFC is currently pegged somewhere around 12.5% But the overall intensification and that is, that includes both movement from the modal shift from road by CFS to ICD by rail. This includes some element of organic growth and some element of a modal shift. The expectation is that it should be in higher teens. But I think it will take some time for that to happen until the dedicated freight corridor reaches Nhava Sheva, which is a much richer, I would say container environment in India, multimodal environment in India as compared to only the Gujarat port, because Gujarat port also have to compete with the Kandla port environment for bulk cargo transportation. So, once it reaches Nhava Sheva, it will get further intensified. I won't be surprised if we have modal shift, as well as the organic growth in this sector, upwards of 20%. But it is going to be, it going to unfold over a period of next three to five years. We'll have to wait for that. And we are working towards it as far as our operating strategy is concerned, which is just now mentioned in one of my answers to an earlier question.

Riya Mehta: Right. I think that is very nicely summarized by you. And currently we, as you mentioned that we are at 50% of the capacity of our ICD business. So, going forward in the next one year perspective, not from a long-term perspective, what kind of capacity utilization are we looking at?

Samvid Gupta: So, if you go to the investor presentation, we have the installed and design capacity over the years. So, we're currently at 50%. And with the volume growth that we've given on this call, you can kind of assume where we will be exactly.

Riya Mehta: Okay. 5% to 7%, 6% to 7% is your volume-wise for the next year, right?

Ishaan Gupta: That's for the company as a whole.

Riya Mehta: Okay. And for ICD business specifically?

Samvid Gupta: We are again not splitting between CFS and ICD. So, we're just giving a throughput for the whole company now.

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