2nd May, 2022

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| Scrip Code: 543489 | Trading Symbol: GATEWAY |

**Disclosure under Regulation 30 of SEBI (LODR) Regulations 2015**
**Subject: Transcript of Conference Call held on Tuesday, 26th April 2022**

Dear Sir / Madam,

Please find enclosed the transcripts of the Investors / Analysts call conducted after the meeting of Board of Directors on April 26, 2022.

This information is available on the Company's website at https://www.gatewaydistriparks.com/GDLEarningsCallTranscript.php.

Kindly take the information on record.

Thanking You,

Yours faithfully,
**For GATEWAY DISTRIPARKS LIMITED (formerly known as Gateway Rail Freight Limited)**

Gateway Distriparks Limited

**ANUJ KALIA**
**COMPANY SECRETARY**

"Gateway Distriparks Limited
Q4 FY22 Earnings Conference Call"

**April 26, 2022**

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 26th April 2022 will prevail.

**MANAGEMENT:** **MR. PREM KISHAN DASS GUPTA - CHAIRMAN & 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 - CHIEF EXECUTIVE OFFICER, GATEWAY DISTRIPARKS LIMITED**
**MR. SANDEEP SHAW - CHIEF FINANCIAL OFFICER, GATEWAY DISTRIPARKS LIMITED**
**MR. MANOJ SINGH - SENIOR VP - CFS, GATEWAY DISTRIPARKS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Gateway Distriparks Limited Q4 FY22 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 this conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. 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. Sachin Bhanushali, Chief Executive Officer; Mr. Sandeep Shaw, Chief Financial Officer; and Mr. Manoj Singh, Senior Vice President, CFS Business.

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

**Prem Kishan Dass Gupta:** Good evening, ladies, and gentlemen. And welcome 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 the company website. I hope you had an opportunity to go through the same.

The rail logistics business has performed exceptionally well in FY22 due to various factors. Firstly, during the COVID period, the passenger operations on railway network had come down significantly, which resulted in capacity getting available for rail freight transportation. Secondly, the partial completion of the Western DFC route, with around 750 kilometer of the 1,100 kilometer operationalized, it has resulted in an improvement in freight train speed, thereby reducing transit time, increased predictability, and better asset use.

In addition to these factors, we could increase our market share in the NCR region. The situation at Shanghai port has caused some disruption in supply chain, resulting in some temporary delays, but expected to get back to normal soon.

With this, I will now hand over the floor for questions and answers. Feel free to ask anything and the entire management is there to answer your questions. Thank you.

**Moderator:** Thank you very much, sir. We will now begin the question-and-answer session. The first question is from Sumit Kishore from Axis Capital. Please go ahead.

**Sumit Kishore:** Thanks a lot. See a strong margin performance in the rail and the ICD business. Is the EBITDA per TEU in Q4 of INR 10,357 is it sustainable about INR 10,000 for coming times or are there factors specific to the quarter which drove this margin performance? Read recently that railways has withdrawn the discount on haulage charges for container movements. How is that likely to impact your business incoming times? Thanks. That's my first question.

**Sachin Bhanushali:** Hi, thanks for your interest in the question. First is that on an annualized basis, we look at EBITDA per TEU margin somewhere around INR 9000 plus minus 5%. So, it is greatly dependent on the import, export mix as well as 20/40 mix as far as our total business is concerned. So, it is not something which is dependent on a particular quarter. So, from a forward-looking guidance point of view, I think we should consider it at the same level as INR 9000.

Second is that, as expected railway has indicated that the discount of 5% or rebate of 5%, which was available on laden containers and 25% on empty containers and empty wagons is getting withdrawn. Laden one will get withdrawn with effect from 1st of May and the empty one will get withdrawn from 1st of August. The burden will have to be passed on to the customer because when these discounts were given, we have passed on the benefit to the customer. And that's why withdrawal would also affect the price.

So, we'll see the increase in price to compensate for the rebate amount, more or less equivalent amount, we'll try for a marginal higher increase because our inflationary pressure are also resulted into our costs going up in other elements particularly the fixed cost segment part of it, but we hope that we should be able to pass on the increase in burden on account of rail haulage charges as well as inflation to the customer with effect from 1st of June onwards, if not 1st of May. And we'll be able to maintain our margin at INR 9000 continuing over the next financial year.

**Sumit Kishore:** So, basically, you managed about INR 9,485 per TEU in FY22. So, that falls in the about 5% plus range right on over INR 9,000?

**Prem Kishan Dass Gupta:** One more thing I would like to clarify is that in the last quarter, we had an exceptional income of about INR 12 crore, for the acquisition of land by Haryana government at our Garhi Harsaru terminal. So, this plus some other interest plus the interest income. So, all that might have added up to per TEU if you have converted everything for the last quarter.

**Sumit Kishore:** What is the exceptional on interest income?

**Prem Kishan Dass Gupta:** Exceptional means we have.

**Sachin Bhanushali:** He is asking about interest, exceptional interest income.

**Prem Kishan Dass Gupta:** No, not exceptional interest, but we have been accumulating cash in the company. So, we have cash in hand. So, based on that I mean we can see the interest income whatever you know I mean the rates are low but interest income has been doing all along this year, but also in this Q4.

**Sumit Kishore:** Sure. That's my second question on the P&L. So why have depreciation come down quarter on quarter, you're have explained the other income going up I believe quite a sharp increase, is there any other item in other income which is causing that increase, other than treasury income?

**Sandeep Shaw:** Basically, depreciation has gone down as compared to last quarter because mainly because Punjab Conware which we're using, we have surrendered and this agreement got closed on 31st January. The agreement got closed and all that so whatever depreciation was there that have been accounted for till 31st January only. If you compare with the last quarter then the depreciation will be little bit lesser in this quarter.

**Sumit Kishore:** It would be further down when the full quarter impact comes in Q1 FY23?

**Sandeep Shaw:** In last quarter 3, the full year full quarter impact was there because that the entire CFS was operational for the entire quarter. But in this quarter only January month was operational, that's why it's the figure is if you compare quarter 4 with last quarter 3, then depreciation for this quarter is lesser. Otherwise from Q1 onwards it will follow the same whatever it is coming on quarter to quarter versus whatever we disclose in quarter 4 almost with the same line it will come in Q1 also.

**Sumit Kishore:** Got it. In other income is there any other one off, or is it entirely the uptick is because of the treasury income?

**Sandeep Shaw:** One-off income, as Chairman just mentioned that there was INR 12 crore of exceptional income which came because of land acquisition of some of the land parcels by the government. So that's why INR 12 crore was exceptional income has come in quarter 4.

**Sumit Kishore:** So, that is part of other income. Okay?

**Unknown:** Yes. That is clubbed with the other income.

**Sumit Kishore:** I'll join the queue. Thank you.

**Moderator:** Thank you. The next question is from the line of Krupashankar Nj from Spark Capital. Please go ahead. Krupashankar your line is unmuted. Okay. We've lost the line from Mr. Krupashankar. We take the next question from the line of Jay Shah from Navrang Enterprises. Please go ahead.

**Jay Shah:** Hi, am I audible?

**Moderator:** Yes, you are.

**Jay Shah:** Yes, congratulations for a great set of numbers. I just wanted to ask that you know, nowadays because the last mile delivery is picking up so much and a lot of these other transport players are also getting into the rail freight business also. So, what advantage does GDL have over, you know, the other guys also that are vying for the same business in a way, especially rail freight that the likes of TCI, BCI even they are getting into rail transport. So, what primarily as a company do we have an advantage over them apart from the DFC?

**Sachin Bhanushali:** Frankly, I've not understood your question. But I think if you look at the business segment in which we work as far as overall logistics concerned, we are into international intermodal segment. And there is no, it's only the 17 intermodal operators which operate in this particular segment. As far as the last mile, I have not heard of any last mile rail transportation play by any other player.

But your point is valid, that the main differentiator in the international intermodal business is going to come out of dedicated freight corridor advantage which will have two effects. One is that the asset utilization will improve and secondly because of reliability of the supply chain, international supply chain, the costs will go down and there will be a modal shift from road to rail particularly operating out of Mundra port CFSs by road will get converted to a very large extent by two rail ICDs in northern India. So that's the significant edge that we have over others.

If you could elaborate on the question that you mentioned earlier, I'll be able to probably address it better.

**Jay Shah:** Sure. So, basically, what I was asking was, is there any way that the business is being flipped, for example, I was listening to the TCI Express con call where they were saying from one end to the other, for example, location A to B, they were also planning to start using the railway network, because of, you know, the problems with the roads and obviously, because of the fuel costs, everyone's trying to get onto the railway network, because they've identified the advantages. So, I was wanting to understand that is there any way they would be eating into our share of business or something like that?

**Ishaan Gupta:** No, Jay actually, it will be helpful for us because they will be customers for players like us.

**Jay Shah:** Okay. Got it. And just one more follow up question. How are you seeing the export size? And what are major sectors that are, you know, using our services for the export segment, like maybe pharma or is it capital goods or engineering, kind of sector?

**Ishaan Gupta:** So, the way that this business is it's not, it doesn't differentiate between different segments. People are using our services as Sachin was saying to connect to international markets. And this is one part of the overall journey. So, any cargo which can be containerized is handled by us. And in terms of the growth which we are seeing on the export side, it's not limited to ICDs, we are seeing it in our CFS business also.

So, as the volumes of the country are going up for export, then automatically you know, the number of containerized exports are going up and a large part of these guys also have imports, because their raw materials are imported from abroad. So, it's not segments specific it is more dependent on location, your quality of service. And since we have a network which we can provide to them, which is aligned with the dedicated freight corridor, so, that gives us a competitive advantage over many others.

**Jay Shah:** Okay. Got it. Thank you. Just one last question, I wanted to ask was how is the response by these companies to use the DFCs vis-a-viz what they previously used to use as the road transport, I mean, are they like willing to give us incremental business from their existing road share?

**Ishaan Gupta:** See for them what matters is the transit time and frequency of service which a player can provide. So, by being on the DFC both on the transit times, you know we can offer them better transit time. Plus, we are again our network because we have multiple ICDs and they connect to the DFC by either directly or via each other. So, we can provide them cut offs to the vessels for export, for example, or when the import arrives, then they don't have to pay detention at the port because we evacuate the containers on time. I hope that answers your question.

**Jay Shah:** Yes. Okay. Thank you so much. Thank you so much for the answer.

**Moderator:** Thank you. The next question is from Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

**Abhishek Ghosh:** Hi, sir. Thank you so much for the opportunity. So just wanted to understand around we've seen a fair amount of price increase as far as diesel prices are concerned. So, how are road freight rates faring between the rail freight rates? If you can give us some color? And is that also translating into better modal share as far as the rail part of it is concerned?

**Sachin Bhanushali:** So, the trucking rates have gone up significantly. In some cases, the trucking rates have gone up by 25% on the back of increasing fuel prices. But surprisingly long-distance transportation of containers particularly lightweight containers has not been affected by the fuel rate increase at all, which is a little I would say, irony in the given situation.

There has been no change in rail freight for conventional rail product as well as the container transportation except withdrawal of the 5% rebate which was their own laden rail haulage charges and 25% on empty rail haulage charges. And as I mentioned earlier, it will be passed on to the customer. The dynamics now has actually shifted entirely to transit time, from pricing, rail versus road pricing.

So going forward, I think the intensification of demand on rail for the rail product will depend on sustainability of the reliable transportation cycle on the back of the DFC, that's number one. Number two, over a period of time the cost of carrying inventory is going to go down significantly because there was a time when the price competition used to take place, the transit time on rail and road used to be more or less similar.

Now the product differentiation is so significant, that the possibility of losing a customer from rail to road is probably not there. Going forward, sustainability of dedicated freight corridor-based performance of ensuring connection to the vessel or evacuation of imports in time is going to be of importance. And I think there will be a continuous modal shift. There'll be a secular trend in modal shift from CFS to ICD, particularly the Mundra port base CFSs which is going to benefit us.

**Abhishek Ghosh:** Okay, sir. That's helpful. And sir, also, if you can just broadly talk about how -- because if you look at broadly for you, the growth has been almost to the extent of 16% on a YoY basis on rail volume terms. While we don't see a similar number for the overall EXIM rail movement by the Indian railways. So, what has been the kind of change in market shares for you, if you can just broadly highlight that?

**Sachin Bhanushali:** Yes, so we have been able to improve our market share both in NCR as well as maintain it in Punjab markets. So, NCR while the overall market has shown an improvement of just about 15% for the ICD business, we have been able to increase our YoY business by almost about 36%. And so, we are now closer to 16% as far as our market share in NCR is concerned, 15.35% no -- 15.85%. As far as Ludhiana market is concerned, Ludhiana market, we continue to be at about 35% of the market and the market has grown by 18%. We've grown by 20%.

**Abhishek Ghosh:** And sir, this is what period?

**Sachin Bhanushali:** This is for the entire year, 2022.

**Abhishek Ghosh:** Okay. Not specific to the quarter?

**Sachin Bhanushali:** No, it is not about quarter. In fact, most of our responses in this conference call are with respect to the year's performance, unless you specifically ask about the quarter.

**Abhishek Ghosh:** Okay. And so just the other thing in terms of the capital allocation, if you broadly look at the year, your capital, your operating cash flow generation has been very significant. And you have a broad net debt of about INR 300 odd crore today. So just two things over there. If I see your balance sheet, while you have a gross debt in excess of INR 500 crore and you have a large amount of cash on your balance sheet. So, why not just repay it and have a lower size of debt? That's one.

And secondly is how should one look at the capital allocation strategy from here given that the balance sheet is much more toned down in terms of debt and there is significant of operating cash flows. So, how should one look at it as far as capacity expansion and capex, if you can just broadly talk about these two aspects? Thanks.

**Prem Kishan Dass Gupta:** See, if you look at the debt, it has come down significantly in the last 2, 3 years. And the cash on the balance sheet which we have, we have capex plans for that, and we have taken a considerate view of the cash flows that are available to us month over month, the cash in hand that we have as of now, and accordingly, you know, we divide it over whether to pay dividend or to invest into capex, we might go in for some more loans going into the future, not for the existing facilities where we incur capex on a regular basis.

But for the new terminal that we have been, you know, talking about, and we have made some progress on that and so, that cash will be used for that purpose rather than reducing the debt now, and couple of months later, or few months later, you know, taking the debt again. So, that is how we have a dividend paying policy for more than since the beginning of the company more than 25, 30 years. So, I mean, that we will continue to do so, we will reduce our debts regularly. But we will also have new debts for our new expansions and at the same time we use our cash. I hope that answers your question?

**Abhishek Ghosh:** Yes, sir. But just wanted to get an understanding in terms of you mentioned, raising more debt to add more terminals. So, what should be comfortable net debt to EBITDA, which we'll be comfortable with?

**Samvid Gupta:** Earlier, we used to always give an indication of 2:1 but, you know, our results have been good, our EBITDA has increased by a lot. So, 1.5:1 net debt to EBITDA is something we're looking at.

**Abhishek Ghosh:** Okay. Fair enough. Thank you so much. And I have few more questions. I'll come back in the queue. Thank you so much.

**Moderator:** Thank you. The next question is from Bharti Sawant from Mirae Asset. Please go ahead.

**Bharti Sawant:** Hi, thank you. First of all, congratulations for very good set of numbers.

**Sachin Bhanushali:** Bharti, you are not audible. Could you be a little closer to your microphone?

**Bharti Sawant:** Yes. Just hold on. Is this better?

**Moderator:** Yes.

**Sachin Bhanushali:** Yes, much better.

**Bharti Sawant:** Yes. So, one clarification and couple of questions. So, the clarification that I'm seeking is on the Punjab Conware, what is the impact during the quarter? And going forward, what should be the annual positive impact on account of Punjab Conware no longer being part of GDL?

**Samvid Gupta:** Yes, so virtually in Q4, Punjab Conware wasn't there, since our operations were till Jan 31st, you know, we had already given our intimation to customers that we won't be there in the facility, and there was no proper plan in place for the new person to take over. And still the facility is vacant as of now. So, we did about 5000 TEUs in January in Punjab Conware. So not much of an impact over there.

And going forward, you know, we have shifted a lot of business, and we've gained market share in the Bombay facility in our own CFS. So, where we were initially doing say 8,000, 9000 TEUs at our own facility, we're now doing anywhere from 14,000 to 15,000. So, it's not all from Punjab Conware, it's a mix of both. So, that's net positive for us. While volume might appear to be lower, on an EBITDA basis we'll be better off.

**Bharti Sawant:** But Punjab Conware to my understanding was a loss-making facility for us. If I'm not wrong, it was closer to INR 5 crore a quarter. So, we haven't seen any positive impact on the EBITDA per TEU for the CFS business. Can you please explain that?

**Samvid Gupta:** It wasn't INR 5 crore per quarter. That was the fees that went to Punjab Cornware. So, in the last year, the fees was about INR 20 crore because it was based on escalations linked to WPI. And since WPI went up, our fees also went up. So, it wasn't making much money towards the last year but it wasn't the figure that you're saying.

**Bharti Sawant:** But can you, ideally we should have seen the EBITDA per TEU for CFS business improving, given last entire year, we have been upwards of INR 2,000 closer to INR 2,400 per TEU. And our guidance was also closer to INR 2,700 to INR 2,800. Whereas for the quarter we've ended up closer to or less than INR 2,000 per TEU, despite of this facility going off.

**Samvid Gupta:** So, there are actually a lot of other corporate expenses related to the merger and all that were accounted for in the CFS business, actually. So that's why it might be seeming a bit subdued. Also, due to overall budget improvements, there's an increase in employee benefit expense because of a higher variable payout. Along with that, there has also been some negotiations by the labor unions over there as their tenure gets up, so those costs have increased. And fuel costs has also increased, which has not been passed on fully right now. So those are the reasons why it's not appearing higher, but we still stay on track for improvement -- we will definitely improve our margins by working out of one facility and you'll see that over the next few quarters.

**Bharti Sawant:** Okay. Can you just give the exact quantum if possible on the merger related cost, which are accounted above EBITDA for the CFS business?

**Samvid Gupta:** Don't have that on hand right now, but it's basically, you know, the legal adviser costs, re-listing costs, and we had some roadshows and things related to that which have come into it. So, we can share those details with you later offline.

**Bharti Sawant:** Sure. Thank now. Next question is to Sachin. Wanted to understand what was the impact of the global supply chain disruption or shortage of containers to our business given our quarter-on-quarter EXIM volumes, not for GDL but in general at the macro level for Western DFC has been kind of flattish. So, what kind of impact are we seeing? And in light of that, what would be your guidance for the next financials as in for FY23, in terms of volumes for both the businesses?

**Sachin Bhanushali:** Okay. So, Bharti, as far as the macro view on the sector is concerned with the onset of the Ukraine crisis, as well as slowing down of the overall international maritime trade on account of closure of many South China sea ports, the tonnage has gone down roughly about 10% to 15%. This has also resulted into quite a few vessels missing call on certain ports, including those in India, resulting into a subdued performance of the imports, particularly in the second fortnight of March 2022, continuing in the first fortnight of April 2022-'23. But we are already seeing firming up of imports, so I don't think it will last long and we should be able to cover up in the rest of the quarter as far as our import performance is concerned.

On the export side, the same is actually resulting into non-availability of bookings since there are no sailings in the port, though empty containers are available. Bookings are not being offered by the shipping lines as freely as they ordinarily would. So, there is some kind of glut as far as empty containers or the exports is concerned, which will start picking up the moment, the overall let's say, drop in tonnage comes back on account of speeding up once Shanghai and other out China Sea ports start operating as well as the blank calls kind of disappear.

So, from that point of view, I don't see a major cause of concern, at least as of now, if we look at the pulse of the market, as of now, on a quarter basis, we should be able to remain somewhere around 90% to 95% of quarter four, which is normally the case, quarter 4 is strong and quarter 1 is one of the weaker quarters. So, we would look at similar numbers going forward in the current year, unless of course situation doesn't improve and the maritime trade continues to suffer at the hands of slow moment of supply chain, which doesn't seem to be the case though.

**Bharti Sawant:** So far, as we start off this financial year, this may not have a significant impact on the overall volumes, unless things worsen up?

**Sachin Bhanushali:** That's right.

**Bharti Sawant:** But is container availability a concern?

**Sachin Bhanushali:** Oh, not at all. In fact, now there are adequate containers available, container bookings are not taking place. So, there is an empty inventory which is available in the port towns as well as empty inventory which is available in the hinterland which can sustain an export level of the to match the demand from the trade. So, container availability is no more an issue. There are some pockets though, as far as overall maritime market is concerned, in some of the ports, there is an imbalance but that can be corrected over a period of time by shifting empty containers from one port to the other port which shipping lines keep on doing often.

**Bharti Sawant:** Understood, understood. Next, I wanted to understand on the status of DFC, what is the likelihood of the entire stretch commissioning by June 23, which is the stated guidelines? Has the last leg as in the land acquisition related issues pertaining to the last leg of DFC, that is connectivity to JNPT has that been resolved?

**Sachin Bhanushali:** So, June 2023 doesn't seem to be a possibility at all. Though there is a little bit of opacity as far as information from official sources is concerned, but on the basis of our reconnaissance done in the market and the pulse that we get from various sources. Best case scenario, December 2023, which is also very unlikely, but we are hoping that December 2023 or maybe FY2024 should see dedicated freight corridor segment between Palanpur - Makarpura, Makarpura - Nhava Sheva should become operational. There has been no positive information about removal of the obstacle of the non-availability of about 5% of land on the linear project. And that's why there is an uncertainty there.

**Bharti Sawant:** Understood. Lastly, on the capex front, can you guide us through what will be the absolute capex for each of these businesses over next 2 years?

**Samvid Gupta:** Yes, so we have this in our investor presentation also. We're looking at two terminals, rail link terminals at a cost of around INR 60 crore each. And then after that, we will be also spending on equipment and vehicles along with maintenance capex and building our warehouses at our existing facilities. So total capex both verticals put together will come to about INR 200 crore over the next 2, 3 years.

**Bharti Sawant:** Okay. That's it from my side. Thank you.

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

**Bhoomika:** Yes. Good evening, Sir, and congratulations on a good set of numbers. Sir, you spoke about that, you know, this quarter the INR 10,000 plus EBITDA per TEU for rail has been driven by an improved mix of volumes towards import export 20/40 feets mix etcetera. You know and given that the withdrawal of the haulage charges will largely be passed on. So that should not be an issue. But, you know, what restricts us to see some more expansion from this INR 9000 to say maybe a INR 9500, INR 9700, etcetera. Is this mix something which is very difficult to sustain? And can you just talk about that a little more, especially given that rail mode share that you mentioned is only rising now?

**Sachin Bhanushali:** Okay. Bhoomika, may it happen what you said. But if wishes were horses, pigs would fly. It's not very easy to improve margins at that level consistently. And as Mr. Gupta mentioned earlier, the quarter 4 number is also, has got a little bump on account of the extraordinary income which arose out of compulsory acquisition of land, small parcel of land at Garhi Harsaru by Haryana state government for the construction of a road project and compensation that we got on account of that.

We consistently continue to be currently at the level of about INR 9,000 to INR 9,500 depending on the quarter and the way we measure it. On a steady state basis, we expect that we should be able to maintain this by taking an increase in our price to the customer to take care of the increased burden on rail haulage charges with withdrawal of these rebate.

**Bhoomika:** Sir, how would have the double stack improved versus last year but I would think that you know, that would be the key area of improvement in the margin profile as we've seen over the last 12, 18 months. So, if you can just give some color on that? And given you know, how is Viramgam kind of scaling up because that could act as a key further driver of improvement in the double stack index for us?

**Sachin Bhanushali:** Okay. So, we continue to be at about 35%, 38%, in the last quarter, we have been a little low. We are about 35%, but the annual number is at 38% as far as double stack index is concerned, that means, out of the total 40 feet containers, we were able to carry 38% of our containers on the second stack. It's also an account of heavyweight 4o feet containers cannot be carried on the second tier.

Our overall savings primarily has helped us in maintaining our margin at the same level. This year has not been significantly different from the previous year as far as number of containers as well as monetary value of the savings on account of double stack operation. However, the 40 feet component in the overall business has gone up. And that has helped us a little bit during the current year. But primarily it has been on account of the overall commercial strategy that we have been able to improve our margins as compared to last year as well as the nominal EBITDA has gone up.

**Bhoomika:** Understood, sir. And just a Viramgam number, I mean, how is that scaling up in terms of the scalar because that would also help in terms of?

**Sachin Bhanushali:** Viramgam, our hub-and-spoke operations out of Viramgam has actually paid us very good dividends in terms of savings of rolling stock as well as reduction in unit haulage costs, particularly for our Nhava Sheva business, our imbalance cost would have been much higher. So just to give you an idea, our underframe cost last year was about INR 7 crore, this year it's about INR 5 crore. It has gone down by INR 2 crore. And in addition to that some additional double stack benefit has been available for Nhava Sheva business as well as Pipavav business because we operated out of Viramgam.

Viramgam originating business has been a cause of concern. The reason for that is that the shipping lines are not willing to open new locations, particularly on the back of the COVID related restrictions. And in fact, they are trying to consolidate their business to a fewer number of ICDs then spread them around in multiple ICDs. But we're still on to it. And we expect that this year we will see some watershed in terms of improvement in volumes. So, inflection point probably should occur in FY2023 as far as originating business of Ahmedabad area is concerned.

**Bhoomika:** Got it, sir. I'll come back in the question queue for more questions. Wishing you all the best, sir. Thank you.

**Sachin Bhanushali:** Thank you, Bhoomika.

**Moderator:** Thank you. The next question is from Ashish Shah from Centrum Broking. Please go ahead.

**Ashish Shah:** Yes. Good evening, sir. Sir, can you just give a little more detail about this land acquisition gain we mentioned for the Garhi? So, what was the total quantum and what was the gain we made there?

**Prem Kishan Dass Gupta:** So, the total area acquired was about 2 acres out of the 99 acres that we had, So, it is not significant piece of land that is gone. And as per the government acquisition policy, I mean, they pay, you know, X number of times the market, the circle rate. So, our land at Garhi was purchased 15 years back. So, I mean, the gain that we made in our books was to the order of INR 12 crore.

**Ashish Shah:** Sure, okay. So secondly, if you can describe the overall competitive landscape in the Ludhiana market, there at the start of Q4, we were kind of indicating that competitive scenario has kind of increased, levels have increased because of the restart of the Adani terminal. So, if you can just talk a little bit more about the volume market share and pricing pressures there, if at all?

**Sachin Bhanushali:** Okay. So, Ashish currently, the Ludhiana market is in a steady state. We haven't seen much dynamics there in terms of competitive pressure. But our anticipation is that quarter 1, quarter 2 of FY2023 is going to be the period of action. And there would be a possibility of compression of margins there to some extent, though, we had taken a price increase last year. So, we have been able to bump up our margin per TEU basis, as well as overall performance of Ludhiana terminal in the last year.

This year, it is likely to be under pressure, it's very difficult to quantify at this stage because it depends on the aggression of the competition in the market, as well as the overall demand because if there is enough demand in the market and if it is more than what all of us can provide to the customers, then the price pressure would not be as severe as it would be if the demand drops. So currently, I would say the situation is a little fluid for us also, it would need maybe another couple of months experience to comment upon it.

**Ashish Shah:** Sure. So, lastly, just more of a clarification, you know, we have done well in the NCR market, our growth rate is high. In Ludhiana we have done well. But when one looks at the Indian rail data for EXIM loading, that seems to have grown by barely at maybe 2% or so. So, why so much discrepancy? What if you can just help us with that?

**Sachin Bhanushali:** Okay. So, the methodology, which is used by Indian railways to arrive at that data is a little skewed. So, they take data of TEUs from the number of TEUs or the throughput of the sector from us and multiplied by 14, which is not necessarily the average tonnage per container. And the average tonnage per container actually deteriorates further if 40 feet container composition in import and export increases.

So, I won't answer that to be reliable data. So, if you look at overall data, the port side business has seen, say about 4.5% to 5% growth, emptys have grown, Reesto also has grown. Reesto is basically transshipment, which does not come either into hinterland or CFS. But as far as the ICD business is concerned, I think the overall ICD business across India has grown roughly about 8% to 9%.

Northern India segment in which we operate our Faridabad and Gurgaon terminal has grown by 15%, by mistake, I mentioned it 18% earlier, but it is actually 15%. And we have been able to grow at 32% in that market, which means that we have been able to do very well as far as acquisition of market share in NCR market is concerned.

**Ashish Shah:** Got it, sir. And sir, these growth rates, you are saying is for Q4, right or for FY22?

**Sachin Bhanushali:** No, I'm talking about FY22.

**Ashish Shah:** FY22. Okay, sir. Thank you. That's all. Thank you.

**Sachin Bhanushali:** Yes.

**Moderator:** Thank you. The next question is from Abhijit Mitra from ICICI Securities. Please go ahead.

**Abhijit Mitra:** Yes. Thanks for taking my question. And congrats on a great set of numbers. Just to sort of, probe a bit more regarding the NCR market share actually, it's quite phenomenal, when we see that there are almost 15 players including yours as in present with the ICDs in that market. So, when you are gaining at 30%, you must be seeing someone losing market share significantly. At the same time, you're quite confident that you'd be able to pass on the rebates which has been removed by railways to the customers.

So, what is sort of giving this confidence? Is there distress in the market or you see some competitors gradually moving out or not being able to sort of play the game in the level which you are playing so? Some clarity on that. And same for Ludhiana, I think, while you're maintaining increased competition, but you also at the same time confident that you can pass it on as in pass the price on to the customers, which I'm believing is also depends on the fact on what your competitors also do, right? So, some thoughts on that? Yes.

**Sachin Bhanushali:** Okay. So, Abhijit, normally, the way you increase your market share is not necessarily by taking away the entire business from other operators. Most of the time, what happens is that the new customers which are being added which are shifting either from CFS to ICD business, or those who are setting up, let's say, new capacities in this market, they try you out and you gain your market share primarily from that, it is not necessary, it is basically the growth and new business, which contributes to your market share easily, rather than taking away business from others. Taking away business from others almost always results into a reaction from the service provider to match whatever you're offering both in terms of service as well as in terms of pricing. That's the first part of it.

Second part of it is that we have followed the commercial philosophy of creating adequate infrastructure as well as capacity on the rolling stock side, movement side. So that we are superior in terms of our frequency as well as evacuation of containers or connection of export containers to the vessel designated vessel. So, it's basically a on time performance, which is kind of we were always work on, this has helped us a lot. This has helped us in both import direction as well as export direction.

And we have been able to intensify this, with the freight express team which came in, which resulted into assured transit time being guaranteed by Indian railways to us and within the cluster of terminals, our assured transit times are the best in class. Not only that, we have actually been able to provide a performance which is better than the assured transit time. So just to give you an idea we have a 36 hours, 48 hours, and 52 hours for Nhava Sheva, Mundra port and Pipava port as far as Garhi terminal is concerned,

But we've been able to maintain 36 hours for Nhava Sheva, we've been able to improve the Mundra port times to a time to as low as 32 hours on an average basis, best ever as 27 hours. And Pipava instead of it being 52 hours we've been able to do it almost always less than 48 hours. So, this creates a good amount of confidence in the minds of customers.

Similarly, another thing which happens is that because of the competitive price which is being offered by others, there are many times when customers do test waters by shifting some part of their volume to the competition, but when the service is not as good as the service which is being provided by us, which comprises of timely evacuation, customs clearance, facilitation as well as storage whenever bonded storage is required to be done at the terminal. So, all this put together, the offering that we have is definitely superior. That is the reason why I think the customers stick to us, it's like the test of the pudding is in eating it. And since they find our services to be superior to those of others, we will not only been able to maintain our share, but also increase our share in the market.

**Abhijit Mitra:** Okay. Great. So, this assured service performance or assured transit time performance that you're getting, because of the scheme which Indian railways have started - this benefit is going to sort of spread as DFC stabilizes, or this benefit is going to stay with you?

**Sachin Bhanushali:** I think it will intensify further, with the dedicated freight corridor getting commissioned up to Palanpur. Almost unofficially it is commissioned up to Palanpur, and with the feeder routes to Mundra port and Pipava port also getting intensified. I think reliability of operating out of these two ports for Northern India terminals, particularly those who are directly on dedicated freight corridor like us. I think the benefit will intensify going further, going ahead.

**Abhijit Mitra:** Okay. Great. Thanks. That's all from my side.

**Sachin Bhanushali:** Thanks.

**Moderator:** Thank you. The next question is from Aditya Mongia from Kotak Securities. Please go ahead.

**Aditya Mongia:** Good afternoon, everybody. And congratulations for a good set of numbers. My first question relates to this advantage of transit time. And I think there's a very valid claim that you made that you have, you're the fastest to move out of NCR to the port. So, the transit time is lowest. Post DFC does that competitive advantage change in any manner, whether it gets diluted or remains the same?

**Sachin Bhanushali:** From a dedicated freight corridor point of view, the dedicated freight corridor which can help Mundra port and Pipava port is already there, operationally, it is already there. So, there is going to be only improvement as far as transit time on dedicated freight corridor and the rest of the network is concerned. So, I don't see any reason why it will get diluted for either for us, or it will improve for others and not for us.

So going forward, I think the benefit is going to stay number one. Number two is that those who operate more number of services will be able to offer better services. And I think we are heads and shoulders above others as far as our frequency of services as well as on time performance is concerned. And that's the reason why this benefit, as I mentioned earlier, will not only stay but will further intensify.

**Aditya Mongia:** Okay. Again, I just want to kind of clarify a bit on this point more. See I had gone to let's say another competing terminal. And what I got to know was that in terminals beyond that of CONCOR, a double stack actually goes ahead of the ICD and then comes back at a single stack inside the ICD. And CONCOR will have terminals on the ICD and will not see this thing happening.

**Sachin Bhanushali:** I have not understood what you said, sorry.

**Aditya Mongia:** So, the question that I'm going to ask you is that would it so happen that because CONCOR terminals are on the DFC, that double stack train comes directly to CONOR and in your case, it will not be the case and it will go further ahead of the ICD and come back as single stack to your ICD. Is that notion right or no?

**Sachin Bhanushali:** No, it is wrong.

**Prem Kishan Dass Gupta:** It is not a notion; I think this is something totally wrong.

**Sachin Bhanushali:** If you go back to the inaugural train, which was flagged off by the Honorable Prime Minister. It comprised of two trains one train from Khatusa and one train from Garhi Hasaru, and it was a double stack train which originated from Garhi Hasaru and went all the way up to Mundra port, and it was a double stack train. So double stack doesn't become single stack on account of dedicated freight corridor at all, dedicated freight corridor is an additional capacity over the congested segment between Atali and Palanpur. It does not affect double stack operations of any terminal which is already on double stack map.

**Ishaan Gupta:** In fact, we've been doing double stack since 2011 out of Garhi.

**Aditya Mongia:** Understood. That clarifies. The second question that I had was see you've gained meaningfully as rail operators, from modal shift that may have happened this year. We talked about NCR market, growing about 15%. And the port volumes growing about 5%. What I'm trying to get a sense of is that, it is differential that is benefiting you this modal shift that is happening, let's say in FY22. Can this growth contributions be even higher next year or should we assume a similar kind of growth kicker coming in for modal shift or incremental modal shift in next year itself also?

**Sachin Bhanushali:** Aditya, I think there should be some distinction which should be made between market share and modal shift. We are no mechanism to measure the modal shift. But as far as the market share is concerned, NCR ICD market has grown by 15%. Whereas the overall port markets have grown by let's say 5%, it is about 4.8%. So, 5%. So, the reason for this is not modal shift in all probability, the reason for this is that the manufacturing activity in India is actually getting better traction than commodity market. And that's why hinterland locations which are known to be manufacturing locations, have seen a better growth as compared to the portside business, which is almost always comprises of commodities. So that's the first part of it.

The second part of it is our market share growth has been primarily on the back of frequency of service, regularity of service, as well as on time performance, particularly in export direction, we have been able to scale up in the export direction, that has also helped us in reducing our imbalance, which results into improvement in our margins, because that compresses our operating cost metrics in such a way that we are able to generate a better per TEU margin. And there is something which is specific only to an operator, it is not a benefit, which becomes available to everyone. So, it's a complex play, which has resulted into this.

Going forward, I think the benefit of dedicated freight corridor as I mentioned earlier, will intensify. That's number one. Number two is that modal shift will take place, but it will be gradual, and we will see it over a period of let's say next 2 years, 3 years, because getting connected to Nhava Sheva is also going to help us in terms of increase in ICD business because of modal shift.

And the third part of it is that our market share will depend on how well, how nimbly we are able to address new market as well as growth market which is coming up which until now we have demonstrated that we are able to do it better than others. So, we hope that we continue our performance going forward as well.

**Aditya Mongia:** Okay. Understood. My next question was more strategic in nature. Some of your peers let's say Adani ports are able to offer an end-to-end service which start with ports and ICD and they do the rail in between also. Do you see customers starting to prefer that kind of an end-to-end service? And from that perspective, do you want to do more than what you're doing as a value add for the customer?

**Sachin Bhanushali:** So, let's look at it Aditya from a customer point of view, customer is port as well as route agnostic as long as it does not cost him more. So, choice of coming through a port primarily is dependent on the price, the overall transportation price that is A plus B, ocean plus intermodal price that the customer has to pay.

So, an end-to-end value chain can be considered to be an end-to-end value chain only if we take into account the ocean side of it as well as the intermodal side of it. I would not be able to comment upon the kind of offers which the competition has been offering in the market. But I think our numbers, both in terms of volume, as well as in terms of margins that we generate and overall profitability of the business is concerned, I think, in the past also we demonstrated that we are better off as compared to others. And we'll continue to be maintaining that lead.

And we are quiet, I would say sensitive and alive to the fact that other value additions into business may result into competitive pressure. So, we keep our ears to the ground to ensure that we also are ahead of the curve as far as any new innovation in the market is concerned. In fact, we always lead the innovation in the market.

**Aditya Mongia:** Okay. Sir, the only concern that I have and probably end with this is that you let's say maybe making INR 9,000 per TEU on the entire rail plus ICD journey, as an EBITDA and someone else who's doing end to end maybe making 2x of that. And then that someone else has a bigger chance of probably offering some discount?

**Sachin Bhanushali:** I would like to know who is one making 2x. I have not seen any operator in the market who is making 2x margins. It’s an imaginary question I think, Aditya. I don't think it's the real question.

**Sachin Bhanushali:** Okay. Okay. Those were my questions. Thanks for the response. And all the very best to you, sir. Thank you.

**Moderator:** Thank you. The next question is from Abhishek N from B&K Securities. Please go ahead.

**Abhishek N:** Yes. Hi, just two bookkeeping questions. So, the tax adjustment of INR 20 crore odd that relates to the merger exercise, is it?

**Sandeep Shaw:** Yes basically, if we see our result and -- hello, can you hear me?

**Abhishek N:** Yes. I can hear you.

**Sandeep Shaw:** Basically, if you see the tax adjustment of INR 22 crore which is coming in the results, because of the merger and all that earlier we have made this a standalone provision for both the separate entities for Gateway Distriparks Limited and Gateway Rail Freight Limited. And once this merger orders we received from the NCLT, then we have given the effect of the same of the NCLT order we have filed a combined return of the entity and this INR 22 crore adjustment which is coming as a positive for the company as a refund is because of that.

**Abhishek N:** Okay. So, what tax rate should I build in going forward in FY23-'24?

**Sandeep Shaw:** You build MAT rate that is 17.47% for the coming year.

**Abhishek N:** Okay.

**Sandeep Shaw:** We'll keep on paying MAT because we have 80IA tax benefit right now till '26, '27. So, till '26, '27 we'll keep on paying MAT. And whatever MAT credit will be available that will be used for in the subsequent years post '26, '27.

**Abhishek N:** Okay. That's useful. And employee expenses, I see you know, fairly big jump from around I think 150 or 21?

**Sandeep Shaw:** As already mentioned in the call, there was some provisions made for the variable pay and other expenses and all in this quarter. But if you see the overall employee expenses for the entire year, the last year it was almost INR 67 crore and this time it is INR 65 crore.

**Abhishek N:** Okay. So more or less the same run rate?

**Sandeep Shaw:** For the year.

**Abhishek N:** Okay. That's useful. Thank you so much.

**Sandeep Shaw:** Thanks.

**Moderator:** Thank you. Next question is from Harsha from Jeffries. Please go ahead.

**Harsha:** Yes. Hi, my question has been answered. Thank you.

**Moderator:** Thank you. The next question is from Pawan from Renaissance Portfolio Management. Please go ahead.

**Pawan:** Hi, sir. I hope I'm audible. Hello?

**Sachin Bhanushali:** Yes, you're quite audible.

**Pawan:** Yes, sir. So, sir, just one question. So, over a longer period, say take a 2, 3 years view, it appears our industry has got several tailwinds in terms of DFC, India signing FTAs, PLIs, etcetera, etcetera. So where do you see your this 3,30,000 odd TEU volume that you do over the next 2, 3, 4 years? If you could provide some long-term guidance vision that would be helpful. Thank you.

**Sachin Bhanushali:** It can be very difficult to answer this question because it is more like crystal ball gazing and knowing what is going to happen in next 2 years or 3 years. But if we look at, let's say, purely guidance, point of view, and if we look at GDP growth, say around 8% to 9%, as it has been predicted, and supported by the IMF numbers as well. I think a low double-digit growth is something which is going to be easily achievable.

But in addition to that, I think, our intensification of both services as well as presence in the market when we come out with two new terminals, which are quite actively, I think, in the process of closure. So, with both these things we should be able to grow at more than the anticipated rate of the sector, which would be let's say, lower double digit. So mid of teens or let's say higher teens is what I would look at, from an overall growth point of view, with a condition, with a caveat that the GDP growth has to be the main stay of the intermodal sector as such.

**Pawan:** Right. And, sir, so I understand there are, as you highlighted there are some one-off costs related to the CFS business but now, in terms of EBITDA per TEU does INR 2,200, INR 2,300 is the number that we should look in terms of EBITDA per TEU for the CFS business going ahead also?

**Samvid Gupta:** Slightly higher than that. So, we expect to improve our margins this year, now.

**Pawan:** Okay. And in terms of volumes sir, what should be the, say, volume growth expectation for the next 2, 3, 4 years in CFS business?

**Samvid Gupta:** So, volume will go down actually because of Punjab Conware was contributing about one lakh TEUs per year. But it's not that we lose the entire one lakh, we'll gain some of it. So, on the like-to-like basis we'll still be growing at anywhere from 3% to 5% in terms of volume, but if you add Conware into it, then you will see a dip but you won't see that at an EBITDA level.

**Pawan:** Okay. And just one last thing, sir, in case we see a very strong growth over the next2- 3 years, it is that we can further say accelerate our expansion plans in terms of say rather adding three, four terminals, then two terminals anything of that sort?

**Samvid Gupta:** So, we have two definitely on the radar, but yes depending on you know, the macros and where the industry growth is coming, we'll have to see the locations but we're open to expanding into other areas apart from the northwest corridor as well. And also, I think Sachin mentioned this earlier that capacity at our existing terminals, we have enough land banks to grow right now we're only developed about 50% of it and out of that 50% we're using half of it. So just with a little bit of incremental capex we can handle four times the volume that we're currently handling in all the ICDs.

**Pawan:** Okay, sir. Thank you so much. All the best.

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

**Aditya Makharia:** Yes. Hi. What's the rail coefficient now at Mundra and Pipava versus like say 6 months ago?

**Sachin Bhanushali:** Aditya, it's a very difficult question to answer. So, the railway numbers include the CFS volumes as well. There has been an improvement in Nhava Sheva. Nhava Sheva has gone up from 15% to 17%. Mundra port continues to be in the lower 30s, at present, I think it is about 33%. Six months ago, also it was about 32%. Pipava has improved a little bit more than that. Pipava used to be about 52% and it has reached a level of about 57%. I'm not sure about the Pipava current numbers. I'll come back to you on that it is either 55% or 57%.

**Aditya Makharia:** Okay. So, this implies that you know as the DFC stabilize the rail coefficient is going to go up, which means the shift from road has not yet happened in any meaningful way.

**Sachin Bhanushali:** Aditya, this is not the indicator which will prove that because this indicator is misleading on account of the CFS business being included in the modal split of rail and road. The entire CFS business will continue to be by road only. So, from a modal shift point of view the way I will look at it is that ICD business growth in ICD business viz-a-viz growth in the port business, all ports put together, all the three reports put together, is the right way of looking at it. And this year, we have seen that there has been a modal shift. There has definitely been a growth in ICD business more than that in the port towns. I think this trend is going to continue because of dedicated freight corridors. But to answer your question, yes, dedicated freight corridor will help it.

**Aditya Makharia:** Okay. Can you quantify anything which you've seen 2% shift, 3% I mean just ballpark in your estimate?

**Sachin Bhanushali:** No, I don't think I want to hazard a guess.

**Aditya Makharia:** Okay. Fair. Second question is, you know, the Palanpur Mehsana line I believe has started and so when does this connect to Ahmedabad, when do you see that happening?

**Sachin Bhanushali:** So, the next segment of 129 kilometers which is going to be operational, is going to be Mehsana, Baroda -- sorry Palanpur, Baroda. And Palanpur Mehsana line is becoming operational only from trial point of view, but unless the entire 129 kilometer stretch between Palanpur to Makarpura becomes operational, the stretch will not be opened for commercial operations.

**Aditya Makharia:** Okay. And when does that happen?

**Sachin Bhanushali:** I think by September 2022, we should see that. But the benefit of that doesn't come to us because Mundra port and Pipava port continue to branch off at either at Palanpur or at Viramgam.

**Aditya Makharia:** Oaky. And it doesn't happen at Nhava Sheva?

**Sachin Bhanushali:** Aditya, benefit of anything South of Palanpur or South of Sanand, comes in only when we reach Nhava Sheva otherwise you don't get that benefit.

**Aditya Makharia:** Okay. So, the 36 hours you're doing to JNPT will not be shortened further?

**Sachin Bhanushali:** No, no. Not as of now, until we reach Nhava Sheva with dedicated freight corridor right there in Nhava Sheva environment.

**Aditya Makharia:** Okay. Got it. Anyway, wish you all the best post the merger and yes look forward to out performance from your side.

**Sachin Bhanushali:** Thanks, Aditya.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. Participants who have missed out due to time constraints, they can reach out the management and SGA. On behalf of Gateway Distriparks Limited, that concludes this conference call. We thank you all for joining us and you may now disconnect your line.