Date: May 22, 2025

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
India

Scrip Code: 543529

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
India

Symbol: DELHIVERY

Sub: Transcript of Earnings Conference Call pertaining to the Audited Financial Results for the quarter and financial year ended March 31, 2025

Dear Sir,

This is in continuation to our earlier letter dated May 17, 2025, regarding audio recording of the Earnings Conference Call held on May 16, 2025, at 06:00 P.M. (IST) on the performance of the audited Standalone and Consolidated Financial Results of the Company for the quarter and financial year ended March 31, 2025.

Please find attached herewith the transcript of the above investor and analyst call.

The above disclosure is also being uploaded on the website of the Company at www.delhivery.com

You are requested to take the same on your record.

Thank you.

Yours sincerely,
For Delhivery Limited

MADHULIKA VIPIN RAWAT
Digitally signed by MADHULIKA VIPIN RAWAT
Date: 2025.05.22 22:32:51 +05'30'

Madhulika Rawat
Company Secretary & Compliance Officer
Membership No: F 8765

Encl: As above

Delhivery Limited Q4 FY25 Earnings Conference Call

May 16, 2025

Management: MR. SAHIL BARUA, MD & CHIEF EXECUTIVE OFFICER

MR. AMIT AGARWAL, CHIEF FINANCIAL OFFICER

MR. AJITH PAI, CHIEF OPERATING OFFICER

MS. VANI VENKATESH, CHIEF BUSINESS OFFICER

MR. VIVEK PABARI, HEAD - INVESTOR RELATIONS

Moderators: MR. BAIJU JOSHI, MACQUARIE CAPITAL

Moderator:

Hi. Good evening, everyone. Welcome to the Q4 and full year FY25 Earnings Call of Delhivery Limited hosted by Macquarie. Before we start, Delhivery would like to point out that some of the statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. Kindly note that this call is meant for investors and analysts only. If there are representatives from the media, they are requested to kindly drop off this call immediately.

To discuss the results, I am pleased to welcome Mr. Sahil Barua, MD and CEO; Mr. Amit Agarwal, CFO; Mr. Ajith Pai, COO; Ms. Vani Venkatesh, Chief Business Officer and Mr. Vivek Pabari, Head of Investor Relations at Delhivery. As a reminder all participants' lines will be in listen only mode and participants can use the raise hand feature to ask any question, post the opening remarks. Now I invite Mr. Sahil Barua to take us through the key highlights of the quarter post which we'll open up for Q&A. Thank you and over to you, Sahil.

Sahil Barua:

Thank you, Baiju. Good evening to all of you and thank you for joining us this evening on Friday. I'd like to begin by just placing officially on record on behalf of the entire Delhivery management and the entire Delhivery team, our deepest gratitude to the men and women of the armed forces of India and also specifically to all of the veterans who serve at Delhivery, we are grateful to you.

I'd also like to welcome Vani. As the Chief Business Officer this is her first earnings call, so welcome to Vani on behalf of the Delhivery team.

As usual, I'll begin with a short 15-to-20-minute presentation, which summarizes results for Q4, and post that summary, we'll open up for questions.

So a broad summary of Q4 - our expansion and profitability has continued into Q4 despite headwinds in the industry overall. So a very satisfying quarter. This is the highest profitability that the company has declared, and possibly one of the first times that Q4 margins have expanded compared to the Q3 period as well. All in all, a very strong end to the financial year and puts us in a very good position for the next FY.

In terms of a quick snapshot of numbers, in Q4, we delivered revenues of Rs. 2,192 crores, up about 6% year-on-year and a sequential decline of 8% compared to the peak quarter, which was Q3. EBITDA came in at Rs. 119 crores and 5.4% EBITDA margin. This is an expansion of about 320 basis points compared to the same quarter last year and a sequential expansion of 110 basis points compared to Q3 of FY25. PAT came in at Rs. 73 crores. PAT margin of 3.1% compared to a loss of Rs. 69 crores in the same quarter last financial year. So, an overall swing of close to Rs. 140 crores YoY. PAT has also tripled from Q3, where we reported an overall PAT of Rs. 25 crores.

We delivered 177 million packages in our Express Parcel business, year-on-year largely flat and about 460,000 tons of freight in our Part Truckload business, which is a year-on-year growth of about 19.4% and a sequential quarter-on-quarter growth of 11%. For FY25 as a whole, revenue from services stood at Rs. 8,932 crores, and total income stood at Rs. 9,372 crores, a growth of nearly about 10% YoY. EBITDA came in at Rs. 376 crores, with an overall EBITDA margin of 4.2%. That is an expansion of nearly Rs. 250 crores compared to FY24 and a margin expansion of 260 basis points YoY. Overall PAT for the year, this is our first profitable year overall, we came in at Rs. 162 crores of PAT, 1.7% margin compared to a PAT loss of Rs. 249 crores in FY24. For the full year, we delivered 752 million parcels in the Express Parcel business, broadly flat YoY, and about Rs. 1.7 million tons of Part Truckload freight YoY growth of 18.7%.

The company continues to be extremely well capitalized. We have about Rs. 5,493 crores of cash and cash equivalents on the balance sheet. Obviously, this is prior to the consideration that will be paid out once we receive confirmation from CCI on our deal with Ecom Express. In terms of key operating metrics, PIN Code reach for the company continues to remain broadly flat. We serviced about 18,833 pin codes as of the close of Q4 FY25. We continue to serve 220 countries through our partnerships with FedEx. The total active customer base of the company has continued to expand rapidly. We had 33,000 customers at the same time last year. We ended Q4 FY25 with an overall customer count of about 44,000. Overall infrastructure has remained broadly constant, a mild reduction from Q3 as we've jettisoned a little bit of peak infrastructure. We operate close to about 20 million square feet of real estate across the country. The total number of gateways remains constant at 111. Automated sort centers remain constant at 45. Sorters remain constant at 65. There's been some consolidation in the last mile network. Freight service stations have reduced from 130 as of Q3 to 118 as of Q4 FY25. The broad DC network remains largely constant at close to about 4,550 delivery centers, pan India. And team size remains broadly constant at the 62,000-person range.

Spoke about this before, in terms of revenue from services, in Q4 revenues came in at Rs. 2,192 crores which is a growth of 6% YoY and a sequential decline quarter-on-quarter. Of course, Q3 is the peak quarter for our Express Parcel business. For the full year, FY25, we've delivered about 10% growth in revenues. Revenues have grown from about Rs. 7,200 crores in FY23 to nearly Rs. 9,000 crores in FY25. The Express Parcel business obviously continues to be the largest part of our business. For the full year, it came in at about 60% of revenues. As you can see, the contribution of our PTL business continues to increase year-on-year. The business was 16% of revenues in FY23 and has now grown to 21% of total revenues as of the end of FY25. Supply Chain Services, Truckload services, and other businesses contribute about 19% to total revenues.

In terms of individual business lines, the Express Parcel business has grown to Rs. 1,256 crores of revenue in Q4 FY25, with about 177 million packages delivered, broadly flattish YoY. The PTL business has seen significant growth, in revenue terms we've grown to Rs. 517 crores in Q4 FY25, which is a 24% growth YoY in revenue and a 12% growth QoQ, representing massive share gain through this period. Tonnage has also followed the same trend. Overall tonnage has grown from 384,000 tons of freight to nearly 460,000 tons of freight in Q4 FY25, which is a 19% growth YoY and an 11% growth QoQ. Supply Chain Services, the business continues to remain broadly stable. We delivered about Rs. 230 crores of revenue in Q4 FY25, which is largely flat both compared to the same quarter last year as well as the previous quarter. Truckload revenues have also remained broadly flattish from Rs. 160 crores in Q3 to Rs. 151 crores in Q4. Cross Border Services revenues have also remained largely flattish.

In terms of overall FY25 performance. Express parcel revenues have grown to Rs. 5,320 crores of revenue in FY25, which is a growth of about Rs. 300 crores compared to last year and a growth of about Rs. 800 crores compared to FY23. Total Express Parcel shipments came in at 752 million, broadly flattish compared to last year and a growth of about 90 million shipments compared to FY23. PTL revenues continue to grow strongly. FY25 revenues came in at Rs. 1,889 crores, 25% growth YoY, about Rs. 800 crores larger than we were in FY23 and tonnage came in at nearly 1.7 million tons of freight, which is a YoY growth in tonnage of about 20%. Supply Chain Services, while Q4 was relatively flat, FY25 has been a good year from a growth standpoint. Overall, revenues have grown by about 17% from about Rs.

776 crores of revenue in FY24 to a little over Rs. 900 crores in FY25. The Truckload and Cross Border Services have remained broadly flattish. Truckload came in at Rs. 626 crores versus Rs. 609 crores in the previous fiscal, and Cross Border Services came in at Rs. 179 crores versus Rs. 153 crores in the previous financial year.

In terms of overall profitability, first of all for FY25 as a whole, in the column on the extreme right, revenue from services came in at Rs. 8,932 crores. Overall service EBITDA for the business on an absolute basis has grown by Rs. 43 crores from Rs. 941 crores to Rs. 984 crores. Broadly flattish service EBITDA margin, a mild decline of about 60 basis points from 11.6% in FY24 to 11% in FY25. The Express Parcel business obviously had a headwind in terms of extreme pricing actions from competitors at the end of last financial year, which is reflected in FY25 numbers. Margins for this business came in marginally lower at 16.2% for FY25 versus 18.4% in FY24. There's been a massive expansion of service EBITDA YoY in the Part Truckload business. The Part Truckload business lost Rs. 46 crores in FY24 and has generated service profits of Rs. 101 crores, an overall swing of 8.5% in service EBITDA margin as a whole in FY25. Supply Chain Services was obviously affected by our participation in the quick commerce segment, which as we've discussed before, we've exited. Overall business came in at 2.2% service EBITDA margin with a service EBITDA of Rs. 20 crores versus Rs. 53 crores for FY24. In terms of quarterly trends, the big change obviously is in the Part Truckload business where service EBITDA margins have grown from 3.8% in Q3 FY25 to 10.8% in Q4 FY25, an expansion of 700 basis points. This has been driven by a combination of both improvements in yield. As we've discussed in previous earnings calls, pricing revisions were underway all through FY25, and these have started to play out. This quarter and the first quarter of the financial year are typically when contracts are renegotiated, and we anticipate that this will continue. In addition, with increasing volumes, there's also been improvement in productivity levels across the entire network and improvements in fleet utilization, which have led to the significant expansion in overall service EBITDA.

Similar story for Supply Chain Services as well, which is a direct beneficiary of improvement in transportation margins. As you can see, while the overall annual margin has dropped from 6.8% to 2.2% as of Q4 FY25, we are nearly back at run rate levels at about 5.4% service EBITDA margins. The Express Parcel business came in at 15.9% in Q4 in terms of service EBITDA versus 15.6% in Q3. Overall, there continues to be an overhang from Q3 and from some of the pricing actions that we saw last financial year. We do anticipate, however, that margins will expand in FY26 and beyond.

Corporate overheads, as discussed, have remained flattish throughout FY25. As a percentage of revenue from services, corporate overheads stood at about 9.7% of revenues overall. Wages have remained largely flat. Marketing expenditures have remained largely flat. Technology expenditures have also remained largely flat.

Adjusted EBITDA, therefore, for Q4 came in at Rs. 55 crores, which is a margin of 2.5% compared to Rs. 45 crores in Q3 FY25, which was at 1.9%. And PAT overall has expanded to Rs. 73 crores for Q4 FY25, a PAT margin of 3.1% compared to Rs. 25 crores in Q3 FY25. Overall PAT for the financial year came in at Rs. 162 crores, which is an expansion of Rs. 400 crores or an expansion of about 460 basis points compared to FY24. A quick snapshot of what we've been talking about. As you can see, there has been a consistent trend in improvement in profitability. FY25 is the first year where all four quarters of the year have been PAT profitable for Delhivery, and Q4 FY25 is the highest PAT that Delhivery has declared in its history. Overall as you can see, the trend from FY23 to FY25 as well, we declared a Rs. 1,000 crore PAT loss in FY23, PAT has increased by Rs. 1,170 crores from FY23 to FY25 with a Rs. 162 crore profit and 1.7% margin in FY25.

The other heartening thing and a question that's often brought up, is also Capex intensity. As you can see, and as we've discussed in prior analyst calls, Capex intensity across the business continues to decline sharply. From FY19 to FY25 if you can see the trend, we've come down from 9% in FY19 and were close to the 6.8% to 7.5% range through FY20 to FY24 as the network was being built out. In FY25, Capex as a percentage of revenue has dropped to 5.2%. We anticipate going forward that Capex intensity in the business will continue to remain largely stable and slowly taper its way towards our long-term targets of between 3.5% and 4%. That's a quick summary of the financial performance of the company and the operational performance for Q4.

As you're aware, we've also announced the proposed acquisition of Ecom Express, which is currently under discussion with the Competition Commission of India and we await approval. We had put out a detailed note on the Delhivery website and filed with the exchanges a document on the frequently asked questions about the acquisition. We'll cover it briefly through this call as well. So in terms of questions around integration, our belief is that the integration of Ecom Express is materially different from our prior integration with Spoton, which we had acquired in 2022. The risks of the integration are also materially lower. As we've discussed in the note that we've put up, there are a couple of key reasons why this is the case. I'll just quickly recap them. In terms of customers, we have a nearly 100% overlap of customers with Ecom Express. All of the customers that work with Ecom Express and with Delhivery are already deeply integrated and familiar with Delhivery systems, and all of our customer facing business processes, right from the operational processes to billing processes, collections, and reconciliation are equivalent or similar.

In terms of relative scale, Ecom Express' volumes are about 40% of Delhivery's Express Parcel volumes. In terms of overall tonnage or freight carried, the network tonnage of Ecom Express' network is less than 20% of Delhivery's total tonnage. By way of comparison, at the time of our acquisition of Spoton, Spoton's PTL volumes were close to two times that of Delhivery's PTL volumes. And so the overall delta in tonnage between Ecom Express and Delhivery significantly reduces the complexity of this acquisition. In terms of network, we expect that limited facilities will be retained, and the facilities that we retain will seamlessly be configured as Delhivery nodes. Facility retention will largely be limited to locations either where Delhivery is capacity constrained or where repurposing an existing transportation facility into a Delhivery fulfillment center or service center is feasible. No additional technology, no new technology will be required for integration of these facilities into Delhivery's network. In terms of people, Ecom Express is a high-quality network, and the Ecom Express employees are sufficiently familiar with e-commerce logistics. They've been in this industry for a long time. The regular attrition in Delhivery's network itself will provide us sufficient room to absorb all of the qualified staff from Ecom Express across our operations around the country. Needless to say, at the time of their onboarding into the Delhivery network, they will also undergo rigorous training via the Delhivery Academy. Our purchase consideration already includes or factors in about Rs. 300 crores of integration costs. These have been considered, and we anticipate that we should be well within this envelope.

In terms of volumes and retained volumes, our assumptions on retained volumes were fairly conservative to begin with. Our assumption was that we would retain close to about 30% of the volumes of the Ecom Express standalone network. From the time that the deal was under consideration up to now in May, we've already seen an organic uptick in the volumes of Delhivery's standalone Express Parcel network. As you can see, our Jan. Feb. daily average volumes are represented by the black dotted line on the left. From there going into March, we saw an uptick in overall volumes as customers began to shift some of their volumes into the Delhivery network. On formal announcement of the deal, this has continued and has been solidified. The trend in April was marginally higher than the trend in March, which in itself is a new phenomenon. Generally speaking, Q1 volumes are soft, and April volumes tend to come in below March volumes. So this is a positive sign. And May volumes on average have been higher than both April and March volumes as well. So overall, I think from a volume retention standpoint, we remain highly satisfied.

The Ecom Express P&L is here, we've put out a detailed note on this. The important consideration, of course, is that the PAT number that was reported, which was a PAT loss of Rs. 398 crores for the nine months of FY25, consisted of also a net loss on fair valuation of CCPS of Rs. 215 crores. Adjusted for that, the overall PAT loss for Ecom Express stood at Rs. 184 crores for nine months of FY25 and an adjusted EBITDA loss of Rs. 104 crores for the nine months of FY25. This was already factored into Delhivery's consideration for the network. In terms of balance sheet, I think the key factor over here is on property, plant, and equipment. As of December '24, overall PPE, including capital work in progress, stands at Rs. 464 crores, of which plant and machinery, office equipment, computer and IT equipment stands at Rs. 370 crores. The company has about Rs. 200 crores of automation assets, which are available for Delhivery's use. A reasonable portion of these are also from Falcon Autotech, which is a Delhivery portfolio company. We do not anticipate any complexities in redeploying this automation equipment across the Delhivery network. And our belief is that this will sharply influence our own Capex plans in FY27 and beyond.

So with that, that's a quick summary of overall performance. We're quite satisfied with overall profitability improvements through this financial year. And I think it sets us up very well for FY26 and beyond. I'll pause here, and be very happy to take all of your questions. Thank you.

Moderator:

Thank you. We'll now start with the Q&A and we will take the first question from Krupa Shankar. Krupa Shankar, please go ahead.

Krupa Shankar:

Yeah, thank you for taking my question, and congratulations on great achievement with respect to profitability in the PTL segment as well as overall PAT for FY25. The first question is on the PTL piece - just wanted to get a sense that you have significantly outperformed the underlying industry growth in PTL and by far, we would be the second largest player in the ecosystem based on tonnage. I want to get your sense, Sahil on what is the growth runway you are expecting, given that we have reached certain economies of scale. And the second piece is, while yield management, of course, has played a crucial role, can you talk a little bit more about the operating efficiencies which you achieved beyond operating leverage this quarter? Because, just on the QoQ tonnages, is that what is entirely driving the margins, something on those lines.

Sahil Barua:

Sure. So yes, our PTL business has obviously been a great story for the last two financial years, especially after the Spoton integration, we've outgrown the industry quite comprehensively. I think it's a testament to the overall quality of the network. It's testament to the overall investments that we've made in capacity, in automation. And I think we see no reason to believe that our growth runway in PTL is going to be significantly different from what we've seen so far. You know the market in India is heavily unorganized, as we've discussed several times. The reality is that Delhivery is effectively organizing this industry. And as long as, whatever, nearly 80% of this industry continues to remain unorganized, there's very, very large headroom for growth for Delhivery in this space. We will continue to exploit that. I think from our standpoint, as you can see and I've mentioned in FY24 throughout my analyst calls and in FY25, we had a responsibility not just to deliver growth, but also to demonstrate that this growth would come with the operating leverage and the margins that we've always signaled. As I've always said before, we expect that PTL margins will be similar to the margins that we see in our Express Parcel business. And while of course, we've had a consecutive, you know, eight consecutive quarters of improvements in our service EBITDA margins, I think the reality is that at 3.8%, there were obviously questions being asked about whether we would ever get to those numbers. Hopefully, as you can see, the Q4 numbers, which have come in at 10.8%, and we brought up several times that as the business gets closer to about 175,000 to 200,000 tons of freight, we hit nearly full potential margins. That's quite visible. I do want to be clear that Delhivery's aim always, to begin with, is to make sure that we can deliver the profits we say we do on the revenues that we say we do because generating revenue, by itself, is not very hard in logistics. The difficult part is delivering it with profitability. I think we'll continue to take that approach. Our approach to building capacity will also remain similar.

So our anticipation is that as long as we can continue to profitably get accounts, as long as we can continue to build capacity in a safe fashion, the growth runway is not affected, and neither is the margin trajectory.

In terms of yield management, no, yield is not the only driver of the improvement in margins. Yes, yield is one part of the story. Overall, yields have gone up, I think to about Rs. 11.3 per kilo of freight delivered compared to, I think, Rs. 10.9 in Q4 of FY24. Do bear in mind that in Q4 FY25, we also onboarded a very large customer in HPCL where the yields are significantly lower actually than the Rs. 11.3 yields. So the like-for-like comparison YoY will be even stronger. I think this reflects two things. One is, as I mentioned, it reflects the success we've had in renegotiating poor rates that were signed in the Spoton era and that we had to reset, our team has been doing that for the last two years. And second, to be honest, it also reflects customers' confidence in the Delhivery business because we have both delivered 20% Y-o-Y growth as well as delivered improvements in yield through this period. That's one part of the story, however. The second part of the story has also been sheer operating leverage, which, of course, has come from increased tonnage flowing through the network. But remember saying operating leverage is easy, actually generating it and engineering it is much harder. So, what you're seeing here is, what is finally coming to fruition is the investments in automation, is the investments in software, in operating systems and in training that we've been making over the years. We are the only network which is capable of delivering these massive jumps in growth. And at the same time, also delivering profitability at the same time.

To give you a sense, between FY23 and FY25, Delhivery's PTL revenues have grown by nearly Rs. 800 crores. There aren't too many PTL businesses in India, which do Rs. 800 crores of revenue at all. So that should give you a sense of how our operating leverage has improved. And the third driver apart from operating leverage on just the pure facility and fixed cost has been a massive improvement in fleet utilization as well. As I've brought up several times in the past, one of the hardest problems in trucking is figuring out how to optimize your yield management at a truck level. Software systems have been maturing over the years, and we've gotten much better at figuring out what loads go on to what trucks. As we've been able to increase the density of loads that are going on to trucks, that's obviously improving profitability as well. And obviously, the other piece is, as we've expanded our sales force, which is something that I've spoken about as an impediment to growth in the past, as that has slowly started getting solved, what we're seeing is that we're also able to generate business in locations which previously were considered to be sort of smaller locations or reverse locations. And as we are able to generate more loads coming out of these reverse locations, they obviously bring up aggregate utilization across the network. So, it's a combination of yield improvement, pricing discipline, investments in automation, sheer operating leverage coming from scale, improved fleet utilization coming out of software improvements, better training of the staff on the ground. So, it's a lot of things coming together.

Krupa Shankar:

Got it. One follow-up on that, Sahil, what would be the fleet utilization levels at the moment in 4Q?

Sahil Barua:

Krupa, you know, you guys ask us questions about utilization in every quarter, and every quarter, I come back and say the same thing, which is our job as engineers of the network is to make sure that no matter what we think the base is, we can actually improve utilization. So my own estimations of what the available capacity of the fleet is have changed over time. I think, look, we've always said that our utilization prior to Q3 was in the sort of 65% kind of range. Q4 on a similar comparable basis would have gone beyond 70%. But the reality is, as we get better at engineering our truck routes as we get better at engineering our facilities, as we get better at designing software that tells us what to load on the trucks, the definition of the capacity itself is changing. So, you'll have to excuse me for not giving you a highly specific point estimate. All I can tell you is that fleet utilization has improved quite significantly between Q3 and Q4.

Krupa Shankar:

Sure. Thanks for that. One more question on the e-commerce piece. Express Parcel, the margin profile is hovering around 16%. Last year, we were close to about 18% or so. I just wanted to understand if this is going to be the new normal, at least over the near term and probably you would see that the margin expansion would kick in when Ecom Express gets integrated. Is that the right way to think about it?

Sahil Barua:

Yes, our primary reason for acquiring Ecom Express obviously was because we have extremely high incremental margins, as we've discussed in the past. Even with pricing pressure, Delhivery's incremental margins tend to be in the 27% to 30% range. And as you've seen in the past, without the pricing pressure our incremental margins can sometimes be as high as 50%, depending again, of course, on where the volume comes from and where it's going to. As our network continues to fill up with the volumes that we retain, we do anticipate that there will be some expansion in overall margins. The good thing in our network because of the operating leverage is that even if the gross margins remain broadly constant as volumes increase with the network, the service EBITDA margins will continue to rise. So yes, as volumes come in, once we finish with the integration, we do anticipate that normative margins will go up. Now, what percentage of that we may continue to pass to some of our deserving customers in terms of what share of wallet they reward us with or if we want them to actually drive further growth, remains to be seen, but I think also as you will see pricing pressure in this industry will significantly be reduced going forward.

Moderator:

Thank you. We will take the next question from Sachin Dixit. Sachin, please go ahead.

Sachin Dixit:

Hey, Hi Sahil and team, congrats on a decent set of results. My first question is with regards to the acquisition, basically. So with Delhivery acquiring Ecom Express and some sort of market chatter being that Xpressbees piece is also not in a very good shape. How do you think 3PL industry structure evolves going forward, right? So effectively, it looks like it's Delhivery and maybe someone like a ShadowFax and some other smaller players who will rule the roost. Is it how you see it?

Sahil Barua:

Sachin, I'll answer this question the way I always have. Delhivery has always been more than 100% of the profit pool of this industry. That position has only been strengthened over the last financial year. As we mentioned before, at the pricing that currently prevails in the market, Delhivery is the only profitable player in this industry and to the best of our understanding our remaining competitors with model similar to Ecom Express have also seen an expansion in their losses in Q4, which means our competitive positioning continues to be better. I have been public about this. There were too many players in this market in the previous quarter. Our acquisition of Ecom Express has not changed that dynamic. There are still too many players in this market. And in terms of what exactly will happen as I've mentioned, you know, how long can unprofitable players continue to survive in this market is a question that I am not best placed to answer. I think the reality is it depends on how much capital they have left. But I think what this deal has done is it does signal that if you are a loss-making network in Express Parcel with no path to profitability, consolidation or exit is an inevitable outcome. So I think we're very happy. Our position will continue to improve. As you can see from our cost advantages, they are not theoretical, they are material. Our service advantages are material because customers don't reward you merely for having the lowest cost. And at the end of the day, we will continue to grind our way through these advantages and make sure there is very limited, if any breathing room for any competitors in this space.

Sachin Dixit:

Got it. Got it. My second question in regard to the rapid commerce foray that we had. Any updates on that? How is it shaping up, how many dark stores, orders per dark store, et cetera?

Sahil Barua:

I think Ajith Pai is on this call, why don't I ask Ajith to take that?

Ajith Pai:

Yeah, I think it's satisfactory in terms of what we had planned. We are in three cities as of this quarter and about 18 dark stores. In terms of orders per dark stores, the older dark stores are now clocking at about 350 to 400 orders per day, while the newer ones, of course, have a certain ramp up time. But it's early days. We had, I think, pointed out that this is something which will take some time, and we're planning an overall number of 50 dark stores over the entire fiscal.

Amit Agarwal:

Just to add that these dock stores are nowhere comparable to the size of the typical common dark stores. They are significantly smaller.

Sachin Dixit. Got it, Amit. Just a quick follow-up on the orders per day, right? So we obviously mentioned like roughly at 700 to 800 orders per day is when this breakeven. How much time do you anticipate that to be for the older dark stores to reach?

Amit Agarwal:

So our expectation is that it will take about four months to five months for an individual dark store to get to that point.

Sachin Dixit:

Got it, Got it. Thanks Ajith. Thanks Amit.

Sahil Barua:

Sachin, I'll just add one more thing on top of that. When we think about our rapid commerce business, one of the things we've realized is that this is not just an exciting form factor for B2C clients alone. In fact, when we started the thesis was around B2C, but what is becoming particularly interesting is that we now have B2B customers who are saying that they would actually like to participate in a faster form of commerce. So for example, there are players who want to deliver spare parts to various parts of their supply chain or time-critical machinery to various parts of their supply chain within three, four hours and so on. And in fact, one of the things that we are evaluating now is, how do we open up our shared dark store network to B2B as well. And I think over the long-term, as I look at it, the reality is that's possibly the more interesting part than the B2C part.

Sachin Dixit:

That makes sense. Sahil, thanks a lot and all the best.

Moderator:

Thank you. We'll take the next question from Vijit Jain. Vijit, please go ahead.

Vijit Jain:

Yeah, Hi. Thank you. And congratulations on a pretty good performance on the OpEx front here. My first question is on the Rs. 300 crore integration costs comment that you made, Sahil. So just trying to double-click into that, is this mostly payouts related to the locations you would shut down, et cetera, and those things? Or does it include the operating losses that the business will incur while you integrate?

Sahil Barua:

It's a combination of two things, Vijit. One of them is going to be the lease liabilities, which contain lock-ins. We had anticipated that, the extent of time it would take for us to shut down. That said, we'll make every effort to either repurpose facilities within the Delhivery network as fast as we can or alternatively negotiate with landlords for a slightly shortened lock-in period. We've taken the full cost obviously. The second is, yes, you're right. As the core part of this network, which cannot be shut down, continues to survive and some volumes flow though. There will be some operating losses that we had factored in. I think we've been pretty conservative about the roll back of the Ecom Express network. And as things stand, I think once we have approval, we'll be able to fully roll back much faster than that. So it does include a certain amount of operating losses as well. Amit, you have a more detailed answer, feel free to come in.

Amit Agarwal:

Sahil, these are the two broad categories in which we have accounted for this Rs. 300 crores.

Vijit Jain:

Got it. Thanks. And my second question is, so Sahil, to your earlier comment on when you were showcasing the March, April, May, weekly order inflows. So you said some clients have already started to move and April and May have had, despite the seasonality being weak, some uptick in volumes. So in general, just wanted to understand that because most of these clients are already on Delhivery, what exactly is happening here? And to what extent do you believe this is them actually moving from Ecom Express to you? I'm just trying to understand how that comment was arrived at.

Sahil Barua:

Yeah, so I think what exactly is happening is clients are moving their volumes into Delhivery's network. And as expected, it has been a very seamless transfer, it appears to be. Customers can just manifest whatever volumes they want to, into Delhivery in any case. I think customers are obviously looking to balance out their volumes between Ecom Express and Delhivery. And you know in some cases, they are shifting certain kinds of PIN codes into Delhivery preemptively. I think it's a very positive sign that the

Delhivery network has been able to handle these volumes without any concerns whatsoever. In terms of how they are balancing across various logistics companies, I think the reality is most of them are moving volumes into Delhivery. And our overall share of the market is going up pretty rapidly.

Vijit Jain:

Got it. Thanks. Sahil, just on that, your current assessment of what volume share – what percentage of the volume would you be able to retain?

Sahil Barua:

Our estimation when we did the calculation of our consideration was that we would retain about 30% of the volumes within the core Ecom Express network. While I think it's been two months right now, Vijit, one and half months really, since we've announced. And you know, it's best to make more definitive statements once we have the CCI approval and things play out a little more. But let me put it this way - as of now, we are very happy.

Vijit Jain:

Got it. Thank you so much. Those are my questions.

Moderator:

Thank you. We'll take the next question from Abhisek Banerjee. Abhishek, please go ahead.

Abhisek Banerjee:

Hey, congratulations guys on a great set of numbers. So first, with regards to your Express Parcel business, right. So how are you kind of looking at the in-sourcing trend right now? And I think last quarter also you mentioned that it is probably the worst is behind us. So how to kind of look at it as we go ahead. And I mean by you, you know, buying out Ecom Express, some of the capacity will be vanquished here, right? So would that not mean that a disproportionate kind of share has to come to you because otherwise you wouldn't have the capacity. If you could just explain this part, it will be great.

Sahil Barua:

I don't really need to, Abhisek you answered your question. So the reality is we do anticipate that we will accrue share. That obviously was the basis of the acquisition itself. As I have mentioned in the past, this industry was plagued with excess unproductive and loss-making capacity. Not just within Ecom Express but other players as well. And I think as the capacity in this industry becomes normalized and the interesting thing with Delhivery, and Delhivery is the only player in the industry who can do this, while we normalize capacity and reduce it in this industry, pricing of shipping will not go up. In any other industry, if you were to normalize capacity, you would imagine that pricing of logistics would go up.

Given our inherent advantages in our cost structure, this will not happen. And hopefully, what that will mean over time is that customers will choose the right service for themselves, which is the highest quality service, the one with the highest reach and the one with the most efficient pricing.

In terms of self logistics, you know, I've said this several times in the past, when looked at purely from a dispassionate lens of cost and service performance, self logistics businesses do not compare favorably with third-party logistics and certainly not with Delhivery's network. I've gone into this in extreme detail over the last two years. The fundamental logic hasn't changed. Wherever these self logistics arms are being run for non-financial reasons, in that situation, I suppose they can continue for any length of time. So nothing is fundamentally altered. I think the worst from a self logistics standpoint is behind us. I think the industry will continue to consolidate. I think Delhivery will get its share and we will solidify our position in this market.

Abhisek Banerjee:

Got it. Now if I look at your Capex outlook, Amit, always guided for about 5% odd number. Now given you are talking about almost Rs. 170 crores of automation Capex in line with e-comm. How do you kind of see the Capex number for the next couple of years?

Sahil Barua:

Amit, do you want to come in?

Amit Agarwal:

Abhisek, first of all, I think what we have said and Sahil reiterated earlier in the call is that our long-term guidance for the Capex is in the range of 3.5% to 4%. And what we expect is, over the next two years to three years, the Capex on automation equipment should be minimal. Now this, of course, is a bit dependent on how much growth we see organically in the market for us post the acquisition, but to put certain numbers in perspective, when we look at e-comm's DRHP, I think they filed that they have capacity to do about 120 million shipment sorts per month, whereas the volume retention that we have factored in our valuation would basically mean that we are retaining roughly only about 15 million per month. And let's assume there are two sorts. There are 30 million sorts per month. So in a sense, about 35 million shipments per month additional parcel sorting capacity. That's a broad number. Now over a period of two or three years as this growth adds on to the business, we should not require to buy parcel sortation systems, we will require to buy bag sortation systems for our PTL and integrated PTL and B2C bag sorting at that point.

Abhisek Banerjee:

Understood. In terms of the integration cost of Rs. 300 crores that you spoke about, so the cash outgo for the acquisition will be only about Rs. 1400 crores and the rest passes through P&L. And finally, just one more question on the outlook on PTL growth going ahead, given you already are sitting on a very high base this year.

Sahil Barua:

I think we've already answered the question on the integration costs, Amit. Is there anything else that you want to recap?

Amit Agarwal:

No. That Rs. 300 crores will pass through the P&L of Ecom Express, you're right.

Sahil Barua. And in terms of the outlook for growth, again, I have discussed this already. I think our outlook for growth continues to remain positive in the PTL industry. As I mentioned, we've added nearly Rs. 800 crores plus in revenues between FY23 and FY25. That's the size of a reasonable number of PTL companies in India as a whole. So we will continue to go after this market. I think our belief is that there is a strong trend of movement from unorganized PTL towards organized PTL. I think there are a large number of origins that continue to remain highly under-served by organized high quality players like ourselves. And as you can see, we again have very large cost advantages that flow through and are visible not just in our Express Parcel P&L, but also in our PTL P&L. And those cost advantages allow us to service PTL customers across the country with a higher quality network, faster speeds, lower damages and highly competitive rates. So I see no reason for us to have any change in our growth expectations of the PTL business.

Abhisek Banerjee:

Superb, thanks. Best of luck for FY '26.

Moderator:

Thank you. We'll take the next question from Dhruv Jain. Dhruv please go ahead.

Dhruv Jain:

Hi team, thanks for the opportunity. My first question was on the Express Parcel business. So in FY'25, the 3PL market was obviously facing challenges with respect to insourcing and weaker demand. Sahil, what's your take on FY'26? Do you think that the industry can go back to get growth? Or do you think that there could be certain headwinds that still come in the way?

Sahil Barua:

I mean, very bluntly, I don't care where the industry goes. I care about where Delhivery's volumes go. And our anticipation, of course, is that through the acquisition of Ecom Express, we will be able to grow faster. As I mentioned, there are two kinds of industry scenarios. One is an industry which is growing, let's call it, 18%, 20% a year or higher. In that situation, Delhivery will obviously get at least market growth, if not more, because one of the challenges in this industry, of course, is creating capacity and managing capacity, and Delhivery is the only player which has the ability to manufacture productivity and capacity across the country. What also helps us, given that we're a freight denominated network, incremental volumes in Express Parcel are actually a very small fraction of overall tonnage carried in the network. And so the amount of extra capacity that we need to create pan India is very small. So that's the case where the market does very well.

In the case where the market doesn't do very well and has sluggish growth, as you've seen in the last financial year and the year before, the reality is that it becomes highly unsustainable for other players to survive. The reality is while the market was growing, several errors in network design and pricing went relatively unnoticed for our competitors in this space. As we mentioned, the parcel only network model built around either franchise models or built around highly specific parcel origins is a poor model, and it doesn't deliver profitability, it doesn't work in a country like India. Delhivery is the model that works. And so in a world where parcel volumes remain sluggish, counterintuitively, perhaps Delhivery's competitive position is strengthened further. So the reality is the last two years of sluggish growth have accelerated our share of the overall profit pool of the industry, while maintaining market share. So irrespective of what happens to the market. I think from a Delhivery standpoint, we are very satisfied with where we are, and we anticipate that with this acquisition and consolidation, there will be additional growth in our parcel volumes.

Dhruv Jain:

So the second question that I had was on the customer additions, we've seen a very sharp customer addition for Delhivery over the last year or so. Just wanted to clarify, is this largely the PTL SME push that we're doing? Or is this also a lot of addition in the e-commerce business?

Sahil Barua:

It's both, Dhruv. So in the SME space, the gateway to Delhivery is effectively Delhivery One, which is where clients can access all of Delhivery services both Express Parcel as well as PTL, it's a self onboarding platform. And as more and more customers discover Delhivery services, they self sign on and we service them both on PTL and on Express Parcel. I don't have the exact numbers in terms of what number out of this extra growth has come from Express Parcel versus PTL, but it's both. And some are also coming in through our new service, which is an expansion of Delhivery Direct, which is our local service, which is essentially an on-demand three-wheeler, two-wheeler service that we've launched in the city of Ahmedabad and we've just gone live in Delhi. We also intend to go live in Bangalore and in Bombay over the next 45 days. So some of these are also SMEs coming into that platform.

Dhruv Jain:

Got it. Thanks. And all the best.

Moderator:

Thank you. We'll take the next question from Gaurav Rateria. Gaurav, please go ahead.

Gaurav Rateria:

Hey, congrats on good execution on profitability. I have a couple of questions. My first question is just a little bit of a bridge to understand this quarter's profitability, as I think last quarter had a certain one-off cost on freight cost, which would have normalized. Also, there might have been some actions to rationalize the capacity which you mentioned in your remarks on service centers, et cetera, when you're talking about this quarter? The second question is on Express Parcel. You alluded to certain pricing actions. Historically, Delhivery has led any price action. Was it different this time? The third question is on working capital and Capex. A great job done. Going forward, do you think that we have achieved the level of working capital days that we've intended to in the past or is there a further room for improvement. And this Capex of 3.5 to 4%, is this something that you tend to achieve over the next two years? Just trying to understand the timeline is one year, two years or more like a medium-term outlook? Thank you.

Sahil Barua:

Sure. Amit, do you want to quickly start with Capex, and then I'll move on to the other items.

Amit Agarwal:

Sure. So Gaurav, coming first to the working capital, I think on Express Parcel and Part Truckload businesses, while we don't disclose each business line wise working capital days, we are fairly close to our target number of days. I think there is still room to reduce working capital days in these two businesses by two to three days for each of them. However, in our Supply Chain Services business, we have a significant room for improvement. Hence, I would expect that over the next two, three years, you can expect one to two days improvement on an overall business basis for working capital. On Capex, I think there is a fair bit of chance that in FY27, we will be able to start hitting our long-term Capex targets on the back of excess automation equipment that we will acquire in Ecom acquisition. So yeah, it's fairly possible that FY27 onwards, our Capex would be in that 4% range rather than 5% range and will strive to maintain around that.

Sahil Barua:

In terms of pricing, I think, yes, historically, Delhivery has led pricing in this industry, as I've discussed several times every three years or so, we typically tend to make a big pricing move. I think last year was the one year where we did not lead the pricing move in the market. As I've mentioned, we did see that competition in this industry, in order to wrest short-term market share, took certain pricing calls, which at that time and perhaps in hindsight, we judged correctly. Our anticipation was that this pricing was suicidal and was untenable because the pricing appeared to be at a negative gross margin. So we waited it out, and that obviously reflected in our numbers in Q4 of the last financial year, and that overhang continued through this year, obviously.

I think going forward, the way Delhivery will look at pricing is as we always have, which is when we discover systemic engineered efficiencies, that are sensible for us to pass on to our customers in a neatly sliced form, which means in a complex form that is dependent on origin, destination, the kinds of products they're shipping, the quality of their customers, the weight of their packages and so on, we will continue to do so because our interest ultimately is in making our clients' businesses more viable. Fundamentally, in e-commerce, the reality is that logistics is a large input cost. And especially if you look at the three large marketplaces and even perhaps one level below them, one of the problems in this industry historically, and why there has been client-led pricing pressure, especially for our competitors, is that we essentially service customers who can't afford our services. And so we effectively have to continue to find efficiencies. Unlike competition in this industry, Delhivery has engineered those efficiencies rather than merely attempted to reduce price. So we'll take those calls on a case-by-case basis, on an origin-by-origin basis, on a product-by-product basis. All our clients, of course, are eligible and we like to give them volume linked discounts and share of wallet linked discounts as we grow. That's a carefully chosen decision, however. So hard for me to comment on exactly what path it will take. But let me put it this way, suicidal price, I think, in this industry, more or less at this point in time has ended because I assume most players have seen the consequences of that kind of pricing.

Gaurav Rateria:

Thank you. And the first question that I had on the bridge on this quarter profitability with various elements such as normalization of freight costs, some reduction in excess capacity, et cetera? Thank you.

Sahil Barua:

We don't have an exact bridge at this point. But suffice to say, even if freight efficiencies had been discovered in Q3, you're right, we did have excess freight costs that we had carried right at the start of the quarter when volumes went up. But I think even adjusting for that, net-net, there has been an improvement in profitability QoQ. And if you look at it just in terms of reduction of excess freight centers or excess real estate, if you go back to the statistics slide at the start, the reduction in real estate is actually not that significant. I think it's from about 20.5 million square feet to about 20.1 million square feet or thereabouts. So yes, there is some impact, but it's not as significant. I think the big improvements have come really from organic improvements and fleet utilization, which have been driven both by an improvement because of automation and improvement because of software led loading of trucks, better routing of the trucks as well and obviously, much better and targeted business development. And of course, some of it is down to the sheer operating leverage because of the PTL business.

Gaurav Rateria:

Thank you. Very helpful. All the best.

Moderator:

Thank you. We'll take the next question from Koundinya Nimmagadda. Koundinya, please go ahead.

Koundinya Nimmagadda:

Yeah Hi, Sahil, thanks for the opportunity. Three quick questions. Firstly, a book-keeping one. What would be the percentage of your largest customer today, it was about 16.5% or so number last year, what would that number be today? Book-keeping question on that. And the second one is on the Express Parcel realization versus margins. So we see the realizations going up, but margin per parcel has been trending down. Now the thing I was trying to understand is, is this realization going up due to the change in customer mix? And is that also the reason for a reduction in your margins over here? And the last question on the Ecom Express integration side. What was the reason why you assumed only 30% retention on the customer side? What was the fear out there in being so conservative?

Sahil Barua:

So I think the third question is the easiest. I think an optimist can never be pleasantly surprised. So the reality is it made sense for us to have a conservative basis for the valuation of the asset. And we are pleasantly surprised. So that's the short answer on Ecom Express.

In terms of realization versus margin, yes, realizations have gone up, margins have trended down a little bit. You're right. It is entirely down to parcel mix. It's not just the mix in terms of clients, it's also the mix in terms of weight and distances, both of which also have an impact on overall profitability. That said, I do want to point out that I know it feels like there's been a systemic downtrend in margins from whatever 18-odd percent to 16%. But that said, do bear in mind that as a lot of this pricing overhang in this market clears up, there's no reason for us to believe that we won't be able to get back to our 18% margin level. So I wouldn't read too much into this 18% versus 16% at this point.

There's no structural change to the business. There's no structural change to our margin profile either, at this point in time. And in terms of the percentage of business from our largest customer, I think there's no major swing in terms of percentage of our business coming from the largest customer. In fact, as the PTL has grown the contribution of the largest customer would, in fact, have reduced. Amit, I don't have the exact numbers, would you happen to have that?

Amit Agarwal:

Sahil, last year we disclosed that our largest customer was about 16% of our revenues, 16%, I don't think there is a material change to this number. There will be some decimal point change here or there.

Koundinya Nimmagadda:

Understood. So just on that realization versus margin. As the industry opportunity moves away from the horizontal or the marketplace players, do you see a potential opportunity for Delhivery now being the largest player after the consolidation, perhaps having a significant share being able to take on price hikes and also drive margins. And also because here, you don't get volumes from a single concentrated customer, the volume aggregation risk also lies with Express Parcel players. So do you think that will also add like a competitive advantage for you?

Sahil Barua:

Competitive advantages have not been determined by this acquisition. Our competitive advantages have been built over 14 years. So they will persist. In terms of taking price hikes, as I've mentioned in the past, there will be a time in this industry when pricing will begin to float up. As far as Delhivery is concerned, that will be the day that our productivity gains can no longer outpace inflation. As things stand, we continue to have fairly formidable engineering and software capabilities, which allow us to manufacture productivity ahead of inflation. As long as we continue to do that, I think the right answer for our customers and the right answer for all of India's manufacturers and traders, whether it's in B2C, e-commerce or in B2B is for us to bring down the input cost of logistics. As we've mentioned, this is essential for our customers to be able to grow their businesses. And so as long as we're able to manufacture these efficiencies, we will continue to question our pricing and see whether there are ways for us to make it more affordable for our customers. So we're not at that point yet. That said, as I mentioned, all of this will be subject to absolute margins in our business as it continues to grow.

Koundinya Nimmagadda:

Understood. Thank you. And all the best.

Moderator:

Thank you. We'll take the next question from Aditya Mongia. Aditya, please go ahead.

Aditya Mongia:

Thank you for the opportunity. I'll go ahead with my questions. The first question would be on this comment you made of new services and related Rs. 6 crore loss that you have booked in the adjusted EBITDA for the quarter gone by. Are these related to your quick commerce endeavors and if so, how to think through this loss-making number becoming profitable over a period of time.

Sahil Barua:

Yes, it is linked to the quick commerce, rapid commerce business because a number of the dark stores as they were set up, there's about a one month to one and half month period where these are tooled up and where customers begin to consign inventory into the dark stores. So they're essentially not generating any revenue at that point. It's not particularly dissimilar to how the fulfillment center in the Supply Chain Service business also operates. The only difference in the larger fulfillment centers, of course, is that we were able to negotiate rent-free periods for fit out and for consignment of inventory whereas in the dark store business, it takes a little bit of time. The dark stores are also at different stages of evolution. The ones that we currently have in Bangalore, Chennai and Hyderabad, I'd ask Ajith to come in just a minute. The way we are looking at it is the oldest cohort of dark stores starting to turn close to breakeven in Q2. And then sequentially, as other dark stores get there, this loss should come down. Ajith, do you want to comment on this in some more detail?

Ajith Pai:

I think that's more or less what the situation is, Sahil. I think the only other point I would mention is that it does take some time for client onboarding due to integration with inventory systems. And that's the other variable, which decides how fast the orders ramp up.

Sahil Barua:

The other thing, Aditya, just to note, is that a part of this is also linked to the launch of our Delhivery, local Delhivery Direct business, which is the on-demand availability of three-wheeler and two-wheeler forms. We had launched in Ahmedabad and there's a supply creation phase where there are a certain amount of losses that we bear. We've also launched Delhi and Bombay, so there will be some amount of burn that will come from those two locations. And as those start scaling up, I think our anticipation is once we get to perhaps a couple of thousand orders a day in these cities that burn also starts dropping very significantly. We're already seeing an improvement in profitability in Ahmedabad. Now we've launched in Delhi, so that will negate some of the gains that we've had in Ahmedabad. But those are the two sources of the burn overall.

Aditya Mongia:

Understood. The second question that I had was on the Part Truckload segment. I just wanted to kind of check that as you incrementally want to improve margins from there on. Would improving yields have a bigger role to play from here on or an improving cost structure. In some ways also to understand what is the sophistication of the customers' needs and whether yields can be a fairly good way of us adding value and getting good value in return?

Sahil Barua:

It's a good question, Aditya. I think both things will happen going forward. There'll be improvements in yields as well as improvements in underlying productivity and operating leverage and scale as the volumes go up, I think the yield story is not done fully yet. We've gone from about Rs. 10.8 to Rs. 11.3. And as I mentioned, the Rs. 11.3 in Q4 includes HPCL, which is a shorter distance and hence a lower yield customer. So actual yield inflation has been more than that. I think yields will continue to go up. Most of the new business that Delhivery is developing on a monthly basis actually is coming in at very healthy yields. I think that's reflective of customers paying additionally for the express service that we provide. Customers are willing to pay an extra, whatever, Rs. 1 to Rs. 2 per kilogram for highly reliable express services pan India. So it's difficult for me to give an exact forecast about how the yield will look every quarter because as HPCL grows and as we get more customers like this, the short distance customers, the yield will sort of bounce around a little bit. But net-net, I do think that the yield story is not complete yet. In terms of cost structure, obviously, one of the big things is just straight-out operating leverage. As volumes go up, margins have continued to go up. But as I mentioned, there are very serious advantages that are now starting to show both because of the automation as well as because of our ability to yield-manage the trucks, which is effectively to manage what goes into what trailers. The other thing, obviously, is as our trailer form factors evolve going forward, which is still something which is in very early stages, we should see other additional benefits accruing to the PTL business.

So let me put it this way. The important question at the start was can the PTL business turn profitable. I think that's been answered. Can we get to a 10%-plus kind of margin. That's also been answered. Will we get to our normative margins? I think we're very confident. Can margins float above even what the normative margins are that we've said in the past, I think even that's now looking like a real possibility.

Aditya Mongia:

Understood. Maybe one more question from my side. Sahil, this is on the Express Parcel segment. Now as you said, the last two sluggish years have made you even more competitive. You're now adding another acquisition that makes the scale also go up. As thinking what more needs to be done to kind of increase the share of pie with the captives. Is there something different that Delhivery needs to do? Or is it just a kind of wait and watch game, how should one think through it? Because from a cost perspective, that was the only reason why outsourcing and insourcing decisions have to be taken as it's becoming a little bit clearer how the captives should be thinking about it? And part B of this question is, as at some level, the fact that Delhivery may be the only large surviving third-party kind of option for captives, would there be other reasons why captives may think very differently about insourcing, outsourcing, and how to tackle that situation?

Sahil Barua:

So I think in terms of what Delhivery will have to do differently, I think there are a few things in our discussions with our key strategic customers and we've had several over the last couple of months, I think everyone is looking for kind of, for lack of a better way to put it, an off-ramp from captive towards third-party logistics and are trying to find the right engagement model, I think there are areas where captive players have realized that they are particularly uncompetitive. And so rather than taking a one size fits all reduction in captive share of wallet, they're taking a more nuanced approach saying there are certain categories that it makes more sense for a third party to operate, for example, heavy goods or certain kinds of destinations or certain kinds of distances or certain kinds of origins or certain times of the year. So I think those are discussions that are ongoing. And as I mentioned, I think rather than a wholesale shift from captives, I think this kind of piecemeal shift quarter-on-quarter for the next several quarters is how we will go about it. It's also more easily digestible than deconstructing an already built-out network. So what Delhivery will have to do is to build all these capabilities.

See we already have pretty solid capabilities on handling heavy, which is unique to us because of the PTL network. So we'll continue to ramp that up. Some of the marketplaces also are expanding their own service offerings. Some of them, for example, have gone out and retail players have launched into marketplaces. Now marketplaces are a specific area of competitive advantage for Delhivery. So as those grow, our advantages multiply. The second is some of them, for example, are now trying to do more B2B, now as they do B2B, that also is something that naturally comes to Delhivery better. So heavy B2B marketplace volume, certain destinations, those are the capabilities that we'll have to build. Fortunately, none of them is radically different from what we do today. We just have to identify these opportunities and have these discussions.

In terms of how the captives are thinking, see, it's the same story. Financially, I've said this before, the captive model is more expensive and a franchise based captive model also delivers less reliable service than the Delhivery model. I think Delhivery being the only player or being a major player is not in and of itself something that I think the large marketplaces should worry about. We have a 14-year track record of being a reliable partner and of being able to build capacity when they need it most. E-commerce is still a highly peaky business. As an example, May is a peak month, August will be a peak month, September and October will be peak months, December and January are peak months for D2C. And it's difficult to build a network which has the capability to take all of that and really process it reliably. So I think the worries over time should fade. The second is we have a historical track record of aligning our pricing with their long term objectives. And so I do believe that what you will see from here on, if you ask me, is a closer, tighter and a more fruitful relationship between Delhivery and our largest marketplace clients.

Aditya Mongia:

Got that. Those are my questions, and all the very best. Thank you so much.

Moderator:

Thank you, everyone. That last question. Please reach out to the IR team for any further questions. Before we end on behalf of Macquarie, I'd like to thank Delhivery for the opportunity to host this earnings call. Over to you Sahil, for any closing remarks.

Sahil Barua:

Thank you, Baiju, for hosting us. As I mentioned before, it is a strong end to the financial year. We're very happy with where we've ended up, especially Express Parcel margins have remained constant despite headwinds in the industry and in the PTL business, we've seen significant improvement in overall margins and also significant growth YoY. I think the last two years have really been about consolidation. It's been a slow grind in an industry that's faced a tough phase. We believe that as this industry consolidates, Delhivery is in a very solid position. And the foundation has been built. We've had a good start to FY26, and hopefully, this will continue. So thank you all for joining us again. Baiju, thanks for hosting us, and see you on the next analyst call.