Date: August 13, 2026

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 Unaudited Financial Results for the quarter ended June 30, 2026

Dear Sir,

This is in continuation to our earlier letter dated August 08, 2026, regarding audio recording of the Earnings Conference Call held on August 08, 2026, at 06:00 P.M. (IST) on the performance of the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter ended June 30, 2026.

Please find attached herewith the transcript of the above Earnings Conference 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: 2026.08.13 23:50:27 +05'30'

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

Encl: As above

Delhivery Limited - Q1FY27 Earnings Conference Call
AUG 08, 2026

Management:	MR. SAHIL BARUA, MD & CHIEF EXECUTIVE OFFICER
	MR. VIVEK PABARI, CHIEF FINANCIAL OFFICER
	MS. VANI VENKATESH, CHIEF BUSINESS OFFICER
	MR. VARUN BAKSHI, CHIEF SALES OFFICER
	MR. NAVNEET KUMAR, HEAD - SUPPLY CHAIN SERVICES
Moderator:	DHRUV JAIN, AMBIT CAPITAL

Sahil Barua : Thank you Dhruv, thank you Ambit team for hosting us and thank you all who have joined today on Saturday evening. We will make a slight change from our usual practice so far, I will just start with a quick summary of the quarter. Our investor presentation and analyst presentation is already uploaded, so instead of going through that after a short summary, we will just jump directly into questions and answers.

So, very quickly, looking at Q1, it's been a solid start to the year. Overall revenues for Q1FY27 came in at nearly Rs.3000 Cr, up about 28% year-on-year compared to Q1FY26 and EBITDA came in at Rs.156 Cr, which is about a 5% growth year-on-year. Q1 was an interesting quarter because we faced several new challenges as a business.

There have been chronic labor shortages across the industry throughout the period of April, May and June. We also had significant disruptions due to both elections as well as weather in this quarter, some of which - especially weather-related challenges - have continued a little bit into Q2. There was also the overhang of geopolitical uncertainty leading to inflation and input costs and fuel and changes to the statutory labour codes.

What I'm particularly proud of is that despite a challenging external environment, we delivered record volumes in Q1. Our express business delivered 322 million packages in Q1, which represents a growth of 55% year-on-year and continues to reflect the sustained trust that tens of thousands of e-commerce shippers and clients across the country continue to place in the Delhivery network. Our PTL network also continued its growth trajectory.

We delivered close to about 542,000 tonnes of freight in Q1, which represents a growth of 18% year-on-year. More importantly, yield continued to improve in the PTL business and has risen to close to nearly Rs. 12 for Q1FY27, leading to a revenue growth of over 20% year-on-year.
Our supply chain services business came in at nearly Rs.200 Cr of revenue for Q1.

Profitability was affected by the start of two new large contracts, which we expect will stabilize over a combination of Q2 and early Q3. The pipeline in this business continues to remain strong with new client starts expected in e-commerce, which is one of our core sectors, but also in automotives and consumer durables.

New initiatives also continue to grow rapidly. Delhivery Direct, which we've spoken about before, is growing faster than initially expected. Our original plan was to reach a GMV of close to Rs. 250 Cr in FY27. As things stand, we are currently at a GMV ahead of plan at close to about Rs.150 Cr GMV and expect that we will close the year higher than originally planned.

Contribution margins have also expanded compared to where we originally thought we would be and our anticipated investments in this year therefore will be somewhat lower. From a technology standpoint, we launched Delhivery Maps, which is based on our proprietary GIS information. Obviously, we've been deploying Delhivery Maps across internal operations for a while now but intend to also make this available to external customers going forward.

Our investments in automation and engineering have also continued. We continue to bring in new industrial automation systems across both our key transportation facilities in terms of in-facility movement and automated storage and retrieval systems across our fulfilment centers. As the external environment continues to remain challenging, especially from a labor availability standpoint, these automation investments we expect will be key to sustaining market share growth over the next couple of years.

Net-net, I think looking back at Q1, it's a very good start to the financial year. Record volumes in Q1 especially are particularly heartening given that Q1 is usually the slowest quarter of the year in logistics and we're well positioned for the year ahead. We anticipate the overall environment to be more benign going forward and see no major changes to either our FY27 or medium or long-term growth and profitability targets.

So, it's a short summary. With that, what I'll do is just wait for the queue to form and be happy to take questions as they come up.

Dhruv Jain, Ambit Capital: Sure. Thanks, Sahil. We'll wait for the queue to form. Anyone who wishes to ask a question may just use the raise hand button, and we'll let you in then.

Sahil Barua: Dhruv, I think we’ve got a couple of people in the queue so we can start whenever you’re good.

Dhruv Jain, Ambit Capital: Sure, Okay. The first question is from Sachin Salgaonkar. Sachin, please go ahead with your question.

Sachin Salgaonkar: Hi, Dhruv. Hi, management. Three questions. First question, Sahil, is on the express volume growth or guidance of 20-30%. Clearly, it's a wide range. When we look at 20% at the low end to 30% at the high end, can you help us understand how we should think about the contours in terms of what will drive the growth towards a low end and high end? And when we talk about new customers, what kind of new customers? Is it mainly the quick service which is picking up and beyond? And any color in terms of how much volumes are e-commerce, let's say, versus a D2C vertical versus quick service would be helpful. Thanks. Let me pause here and then I’ll ask the other two questions.

Sahil Barua: Sachin, why don't you give me all your questions and I'll answer them one by one..

Sachin Salgaonkar: Got it. The second question, Sahil, is on PTL yield. You did mention about this number going up in a meaningful manner this quarter. Is it something related to seasonality or is it something which is sustainable going ahead? That's question number two. And question number three is these entire contractual revisions in terms of fuel price, which comes with a time lag of one month. And your point of it getting reflected into Q2. One of your listed peers has a similar revision, but that happened after five days versus one month. So just wanted to understand, are we doing an apples to apples comparison or is there something more than a bilateral agreement with 3PL's get with their customers? Thank you.

Sahil Barua: Sure. So let me start off on Express. Overall our growth so far in Q1 is 55% YoY, but of course that also has the base effect due to the fact that the Ecom Express acquisition was fully reported from Q2 onwards in the last financial year.

Broadly looking at where we are at the start of Q1 and the early part of Q2, we're towards the mid or upper side of the range that I spoke about, which is a 20-30% range. Demand has continued to remain strong even in Q2. To be honest, Q1 is actually interesting because it's a quarter which generally is quite soft.

Now what we have seen is that even adjusting for the Ecom Express acquisition, our volume growth in Q1 has actually been pretty robust. We are ourselves trying to see what that means in terms of our internal projections for the rest of the financial year. If I look at the Q1 volumes and where we started off in Q2 and what we are hearing so far for the rest of Q2 and early Q3, it does look like we will be towards the better end of the range that we have provided.

That said, this is something that we're still tracking pretty closely, which is why the wider range, otherwise we would have been a bit narrower. In terms of what factors will affect overall volumes for the year, we'll know a bit more over the next month as we see the festive sales starting to spike towards the festive sales.

August is generally one of the first high watermark months that you see in this industry. What's interesting, of course, like I said, is that we already started seeing pretty high volumes in Q1. And August, so far, I know it's only been eight days, but so far, even August volumes are looking pretty robust.

That's one part. The second is, of course, from a technology standpoint, I've spoken about this in the past. We have improved our serviceability engines and our demand shaping tools over the last year or so, which determines both the volumes that we are directing into different DCs and also the kind of volumes that we are directing into our different DCs.

And that also will play some part in our ability to take on extra loads. One of the key features, as an example, is our ability to redirect traffic within our network towards underutilised nodes. Now, as that system continues to mature, the really big impact that we will see will be during the peak season.

So like I said, I'm fairly optimistic about the fact that we'll be towards the upper end of that range. But, just given how abnormal it is to see a very strong Q1 in this industry, I mean, I've been doing this for 15 years. This is possibly the first time that we've seen a Q1 which has been strong on volumes. We've just taken a wider range.

In terms of new customers, we've seen this across the board. Obviously, in terms of the count of customers, the majority of new customers that come into the delivery network are direct to consumer and SME businesses. We continue to have pretty solid client growth in terms of the number of customers signing up to use Delhivery, self-signing on to the DelhiveryOne portal, or even using the consumer application to come on.

So growth has been pretty much across the board. Our D2C volumes, every year I get asked this question, and I think every year we come back with more or less the same answer. The sustained growth in D2C volumes continues to be in that 40 to 45% range year-on-year.

This is a segment within which we have a disproportionate share. And also what tends to happen is that we have a disproportionate share of heavier packages. So we've seen, while we've seen new customers come in across the board across segments, obviously the larger count has been on D2C and SME.

But that said, if you look at the volume growth numbers, it's pretty evident that volumes have grown more or less across all customers, across all segments. Faster speeds also obviously have contributed additional volumes. We launched our SDD and our NDD programmes in a more structured fashion.

We always provided the service, but it's a more structured product, over the last five or six months. And it's also better integrated into our supply chain services business. Now that is also becoming a meaningful part of our overall express volumes.

On PTL yields, this isn't a seasonal improvement in yields at all. This is actually a planned and delivered improvement in yields. We've been talking about this for several years now, saying that, as this quality of the network continues to improve and as our relative scale continues to improve, our ability to generate higher yields will also improve.

Of course, a part of it is linked to the fact that there are fuel pass-throughs. But I think,, we have something like a 37 paisa improvement in yield, of which really only about 6 paisa is coming from the fuel inflation. Most of it is just organic improvements in yield.

So, there's no reason to believe that this will not be sustainable. And, it's across all sorts of distances. So, it's not that we're just getting long distance parcels, which is long-distance freight, which is really increasing the yield.

We're seeing this across the board. In terms of contractual revisions, this just depends really on what kind of contracts different logistics companies have signed with customers and how soon it manifests. In our case, with some customers, we have situations where we look at the average fuel price over a month and then index that and revise pricing going forward because there's pretty significant variability right now in the way fuel costs have been moving.

So, in our case, by about the end April to mid-May is when the discussions with customers on the contractual revisions had begun. And in some cases, we have more complex engagements with customers where the pricing that we charge to them, also depends on the kind of share of wallet that they provide to us and the profitability of every lane that they provide to us. So, in any case, what will happen is the entire impact of fuel inflation and the passthroughs will be evident in the Q2 numbers.

Sachin Salgaonkar: Got it, Sahil. Just one clarification on the NBFC point you guys mentioned in the shareholder letter. The point was out there, asset light.

What we understand, obviously, if it's lending, there will be capital allocated towards NBFC. So, what exactly do you guys mean by asset light?

Sahil Barua: So our intention is not to lend heavily off the Delhivery’s balance sheet at all.
We have a number of high quality lending partners who we intend to work with and with whom discussions are already underway, where essentially the logic is that Delhivery understands and knows both the demand side as well as the supply side. And therefore, the information that we have, first of all, is valuable. And the second piece, of course, is that we are underwriting to some extent the demand that the supply side of the fleet owners are expected to serve.

So fundamentally, we don't anticipate having to allocate significant capital ourselves to lend. The idea really for Delhivery is to be able to facilitate fleet owners, to get both insurance as well as fleet financing and expand their fleet. The benefit to us is the fact that a larger pool of supply ultimately becomes a more stable pool of supply for us as we grow and reduces cost of service for us over time.

Sachin Salgaonkar: Thanks, Sahil. All the best. Thank you.

Dhruv Jain, Ambit: Thanks, Sachin. The next question is from the line of Vijit Jain.

Vijit Jain: Thanks for the opportunity. Sahil, three questions from my side and I'd also just shoot them straight up. So, a follow up to your previous answer where you said that the yield increases in PTL of about six paisa would have been fuel linked.

If I back that out, is it fair to say that, maybe 20 percent of the margin impact that you would have seen in the quarter is fuel linked and the vast majority of the rest is more of those minimum wage increases? I mean, when I look at the gross margins on a QoQ basis, they're down 300 bps.

So I'm just trying to split that into these two. That's first. Second is your comment on the e-commerce demand environment in 1Q and I mean, it's pretty visible that on a QoQ basis, this is, I think, one of the first quarters in many years where you've seen, 5-6% growth rate.

I wanted to understand how much of it is the underlying market improving versus further market consolidation. We've, of course, heard of those things happening. That's the second question I had.

And the third question I had was, the Delhivery Local and Delhivery Direct businesses, do they use your existing physical infrastructure? Because at least my understanding would be that there would be more or less local transportation in cities. Right.

So I just wanted to understand these three things a little bit better. Thank you.

Sahil Barua: Sure. Thanks, Vijit. I'll answer those questions, I'll answer them in reverse order, because on the first one, I'll also ask my colleague, Vivek, our CFO, to come in. On Delhivery Local, there are two parts to it: Delhivery Local and Delhivery Direct .

Local is the one where we provide light commercial vehicles on hire, on demand, intra-city. This is largely speaking a point to point movement, which is, let's say a trader wants to ship something to another trader within Ahmedabad or within Bombay or Delhi or Bangalore. So in that sense, they don't really use any physical infrastructure.

The fleet owners who participate in Delhivery Local are either independent fleet owners, and they're typically a combination of people who work with us across other parts of our network. So these could be people who provide LCVs to our regular express or PTL operations or even within our gateways or within our hubs, starting from one facility to another. But there isn't really that much physical infrastructure that's involved in this business on the Local side.

Delhivery Direct, which is also delivered through the same app, which is the Delhivery app. So, you can both book LCVs in these six cities, but you can also, as a consumer, ship inter-city across the entire country. Delhivery Direct is the consumer application.

There it's no different, in some senses, from our express business, which is like an e-commerce parcel for all practical purposes.

In terms of growth in e-commerce, it's interesting because you're right, we have not seen a 5.5 percent or any growth, frankly, between Q4 and Q1 of the subsequent financial year for a while. So it's a pretty solid indicator, all things considered.

I'm not sure that all of it is down to underlying market growth, because, if you look at it overall, market commentary has been that the market continues to grow. People have been guarded overall on e-commerce volumes. I think a part of it is down to, I don't know if I should call it consolidation, but effectively, as I mentioned in the past, uncertain environments are actually good for Delhivery.

We brought this up in the past as well. What typically tends to happen in uncertain environments is that there's a flight to quality and there's a flight to a long-term sustainable player. And so typically in this period, we do see volumes coming to Delhivery because what tends to happen, and to some extent, in an ideal world, we would have liked profitability in Q1 to be higher than it turned out to be.

But we made the decision at that point in time at the start of Q1 to say, network service quality must take precedence over anything else. And so, those investments in having additional staffing were required because of the uncertainties that we had to continue to support our fleet partners when fuel costs were going up and to make certain investments in the network to maintain service levels. I think that has paid off. And that's part of the reason why we've seen an increase in volumes in Q1 and a sustained improvement towards this part of Q2 that we've been in so far as well. I think it's more of a share shift towards higher quality because we've sustained service levels as opposed to anything else. In terms of the change, in terms of the impact of both fuel as well as minimum wages, Vivek, can you comment on specific details that we have over here?

See, just very broadly before Vivek comes in, in the transportation businesses, one thing to bear in mind is that fuel and wages have differential impact on express and on PTL. Fuel is obviously a more significant factor for PTL, relatively speaking, as compared to express where labour is more important cost overall. But Vivek, feel free to go ahead.

Vivek Pabari: I think you are referring to some 20 percent, which I guess you mean 0.6 percentage of margin impact is through fuel. Look, if you think about the direct impact, which is the fuel price at the retail pump going up for our trucks, yes, you are broadly right. But in a way, the impact will actually be higher.

The overall oil prices do impact consumables cost and they do impact the airline charges. And while our last mile riders also start expecting a higher payout when the fuel prices go up. So overall impact would actually be higher than that.

The direct impact is closer to the number that you are referring to. The manpower cost hit will be in the similar range.

Vijit Jain: So Vivek, then out of the 300 bps, if I'm looking at it, right, quarter on quarter basis, right, six paisa, the fuel price increase that you've taken on PTL gives a good indicator. That's what I was looking at. So it seemed like minimum wages had a bigger impact here. I just wanted to double check if that assessment was correct.

Vivek Pabari: Minimum wages, you would expect them to have a bigger impact also because there is no contractual pass-through clause for minimum wages. To some extent in this quarter, the contractual pass-through of fuel rates would give you some cushion against the cost increases and some margin protection.

The full benefit will be visible in the second quarter. But on minimum wages, you don't have any such contractual clause. So yes, the impact would be larger.

Vijit Jain: Got it. And maybe if I can follow through on that, would you, would you, be looking to pass on these cost increases as well immediately in 2Q and 3Q and so on, the minimum wage impact?

Sahil Barua: I think yes, and in certain parts, but I'll go back to what I was talking about earlier, which is, we've spoken about this, a lot of how we choose to price individual contracts with different customers depends on the overall volume share that we expect to get from them, because there's also the fact that as volumes go up, we see operating leverage. And so, we, in that sense, have a unique ability in an inflationary environment to make sure that customers don't bear the full extent of the inflation by using our efficiencies as well. So, both sides end up winning. But yes, as minimum wages get revised, we do anticipate that they will continue to get revised. We will pass that on in the form of price increases to customers down the line.

Vijit Jain: Got it. Thank you so much, Sahil. Thank you, Vivek. Those are my questions.

Sahil Barua: But, sorry, Vijit, I know this wasn't your question. So, Dhruv, before we take the next question, I think on the previous question, that was asked by Sachin, there was something about somebody saying that there will be a five-day pass-through of diesel price hikes. I believe that was one of our competitors who's largely in the e-commerce space. When we were referring to the fact that contracts typically can stay till the month end before you revise pricing. That's typically in the freight world. In the e-commerce world, of course, any inflation on pricing in terms of fuel, many of those contracts obviously don't have the same structure as the freight contracts. A larger part, the reason why I was talking about freight contracts and why it's important to differentiate is that fuel has a significantly outsized impact on freight business as opposed to the e-commerce business.

Dhruv Jain, Ambit: Next question is from Alok Deora. Alok, you can unmute and go ahead with your question.

Alok Deora: Good evening, this is Alok Deora from Motilal Oswal. So, some of the questions have been answered. But just following up on the question related to the increase in cost. So, just had a couple of questions. One is like now we are in August. So, the last diesel price hike was in May. So, as we went into July and the contracts would have been revised for the fuel impact. So, is it fair to assume that July and August would be at the pre-diesel hike margins? So, one question is that.

Second is, typically we have seen that the wage cost pass-through is a much more difficult thing to do very seamlessly as compared to fuel cost, because fuel is very much in the public domain. So, customers are still kind of okay to allow that to some extent. But wage cost is typically more of negotiation and how we put it across.

So, could there be a case that the wage impact could last for maybe, one quarter or two quarters depending on the demand scenario and things like that? Just your thoughts on that, please.

Sahil Barua: Yeah, sure. So, on wage cost, the reality, yes and no. Wage costs do not have the same contractual structure that fuel costs have. And part of the reason is because fuel is, relatively speaking, national rates are closer to each other, whereas wage costs vary dramatically across different states. But fundamentally, look, the wage cost also, when the changes are as dramatic as they have been, does get passed on and it's not as difficult a discussion with customers as you might think, because the reality is that when the minimum wage goes up, it's a statutory wage that goes up. Now, unless you as a shipper are deciding specifically to work with a non-compliant partner, which large shippers, and meaningful shippers generally are not willing to do, because ultimately you do want your goods to be delivered safely and by a reliable network, the reality, therefore, is that that inflation is borne by all your service providers. So it's not really as difficult a negotiation. The only difference, of course, is that with this fuel cost, you have a defined timeline, which is, the contract is indexed every month to the fuel cost for that prevailing month, which with wage costs, it's not very cleanly defined. And so, this is a discussion that goes on with customers.

But suffice to say, all of these negotiations with customers are underway. And as I mentioned, should the wage cost inflation continue, more states will come in. We are still waiting to see what happens exactly in Karnataka, but as that comes in, pricing for customers will get revised in line with that, and I don't anticipate that that delay will be very significant. Which brings me back to the original question, which is, do we anticipate any changes to our margins overall for FY27 compared to what we've been saying so far?

I don't think we will see a very significant difference to our margins. We don't anticipate a very significant difference to our margins, despite where Q1 has turned out to be. A couple of reasons I mentioned, the only difference is that we've had to make sure that service standards across the network remain absolutely robust in a difficult operating environment.

We've had to bring forward some investments that we would have otherwise made a little later in terms of either staffing or network expansion. Now, those have come in a little earlier. The good thing is that H2 typically is when volumes and logistics, whether it's parcel or freight, both grow pretty significantly.

And as that happens some of these investments have been made already. And so they'll just get absorbed. So no, I don't anticipate any structural change to our margin trajectory for the year or beyond either.

But of course, to be honest, on fuel, especially at this point in time, your guess is as good as mine as to what's going to happen tomorrow. So we'll continue to watch that. And obviously, we'll keep everyone updated.

But as things stand, I think, things seem okay.

Alok Deora: Sure. If you could also indicate whether from July onwards, since all the fuel contracts have been revised, I mean, that month’s lag has played out now. And would we be, as far as fuel is concerned, we would be at the pre-diesel hike kind of margins?

Sahil Barua: Yeah, I think Varun Bakshi is on this call, but more or less, I think practically all of the contracts have been revised. But Varun, you're on the call.

Varun Bakshi: Yeah, so Alok, while the coverage is not 100%, I can confirm it's almost, almost 100%. There are few customers where it wasn't there for reasons. Very, very, very less volume.

We are covered upward of 97, 98% at this point in time. Obviously, when the diesel price hike happened, this number was slightly lower, which we have worked on till then. Just clarifying one more thing on DPH for the benefit of everyone. DPH is look back and look back on the previous month on the average price. So, basically, the price escalation happened in multiple parts during May, which means the June reference was not totally the last hike price for me. It was an average of gradually moving from 1st May to 31st May. So, in that sense, the effect of DPH in July can be expected, if the price remains the same, July, August can be expected to be more than AMJ. Hope that clarifies.

Alok Deora: Sure, that does. Thank you so much. All the best.

Dhruv Jain, Ambit: Thank you, Alok. The next question is from the line of Gaurav Rateria. Gaurav, you may unmute and go ahead with your question.

Gaurav Rateria: Hi, congrats, Sahil, on the reappointment. Congrats, Vani, on elevation. My questions are a couple of them. Let me just read all of them together. The first is you alluded to market share gain in your express business. Just want to understand, is it more within the 3PL consolidation happening with the stronger pairs, or is there also some evidence of a share shift happening from the insourced logistics arms of the e-commerce companies to the 3PL companies?

The second question is, I understand the 1Q margins had many factors, which are external in nature that impacted the service EBITDA margin of 13.1%. But is there any normalised margin to go with? What would have been the normalised margins had these factors not been at play? And how much of this would be recouped and by when? It may summarize all the comments that you're making around the fuel and the wage cost.

The third is that on the wage cost, I understand it's related to the minimum wages, but there were also certain changes made to the gig worker side of things in a couple of states. So have they been implemented yet?

Or there is further implementation of that will bring certain changes to the cost structure for the industry and for the company. And lastly, Sahil, I know that you're giving up certain of the roles, more roles to Vani, more responsibilities. So how are you going to be incrementally spending time on going forward in the company?

Sahil Barua: Thanks, Gaurav. Let me go one by one. On market share, your question was whether its growth with (inaudible for a few second) or across clients. We've seen both improvements overall in our share relative to other 3PLs, but also an improvement in share from customers who have in-house logistics.

So basically, the growth in volumes from customers who have in-house logistics is also large enough to suggest that we've gained some share versus in-house logistics. And because I've been talking about since the day we went public, which is one, obviously maintaining service levels in a complex and inflationary environment is difficult for most networks, including first party networks. And uncertain environments are typically good for Delhivery.

We've always seen that in the past 15 years. We have certain structural cost advantages. We have certain structural service advantages.

And we also, to be fair, which will bring me to your second question as well, have invested to make sure that we retain that service quality in the challenging environment. So, my sense is that we've gained share overall. Is it evidence of a structural shift in how people think about insourcing versus outsourcing?

Evidence is a strong word. The reality is, again, I've been honest about this for several years, which is that working with a high-quality trusted third party partner is a very high quality decision for any e-commerce company. I do believe that there are structural advantages that the third-party industry brings to e-commerce shippers.

Whether it's evidence or not, of course, depends on what our client's individual strategies are. They have individual viewpoints on why they continue to run logistics in-house. They have individual experiments that they're all trying.

Certainly, we've seen two very good quarters in terms of volume, whether it's Q4, which again, historically, has not necessarily been as strong as Q3. Now, we saw a good Q3, we saw a strong Q4, and we've seen a strong Q1 now. Is there conclusive evidence that there's a shift from insourcing towards third party?

I certainly hope so. At least so far, the volumes have been pretty encouraging. But let's see. I hope so. Let me put it that way.

The second question in terms of the impact that could have been of the inflation, of both wages and fuel, and what normalized margins are, my sense is that we should have, Vivek, you would have more detail on this, but my sense is what, between 35 and 40 Cr?

Vivek Pabari: Sahil, yes, closer to the number on the lower range. Yeah, close to about, 35 Cr thereabouts, in terms of just making sure that one, I mean, some of this, obviously, what will happen is that this is because of a delay in the pass-through on fuel, which will happen in Q2. But some of it, as I'd mentioned, is to make sure that we maintain service quality in quarter one.

So normalised, it would have been at least probably about 30-35 Cr higher compared to where we ended up.

Third question, the area that we need to spend most time on as a company outside of, of course, everyday operations management, making sure our clients are happy and so on, goes without saying. But, again, I've spoken about this in the past when we were going public as well.

About every four or five years, there's a fundamental change that happens from a technology and engineering standpoint in logistics. And I have been speaking about this for the last year or two, which is that we're at the cusp of that moment again. When we started the company, there was no industrial automation in logistics at all.

And then we went through phase one, where we went out and started introducing automation. The next question after buying automation or simple automation was to design more complex automation that was uniquely suited to Delhivery's needs. The third piece after that was to integrate, from a technology standpoint, on two different networks, which enabled us to deliver the kind of cost structure and service quality that we're able to deliver.

We're at that juncture again, as a company, where we really need to relook at how we're going to mitigate some of the risks that we see coming up, whether it is labour availability is going to get more complex, statutory labour codes are changing. Doesn't matter whether it's for fixed employees, or whether it's for gig workers. And either way, wage inflation is a reality.

The reality is that the operating environment from a climate standpoint is becoming more and more difficult to operate in. And these are challenges that delivery absolutely has to mitigate. So more of the time, across the senior management team, and certainly more of my time is going to go into the fundamental competitive advantages that delivery has, which are around network structure, technology, product and engineering.

And I think that is really going to set us up for the next quality, till we reach the next leap, which is hopefully maybe, four or five years out.

Gaurav Rateria: Thank you. All the best.

Sahil Barua: Thank you.

Dhruv Jain, Ambit: Thanks, Gaurav. The next question is from Aditya Suresh. Aditya, you may unmute and go ahead with your question.

Aditya Suresh: Thank you, So, three questions. So first is just a clarification on margins. So based on what you've given in the letter in terms of volume growth, can you just clarify again what margin we should expect for PTL and for express for FY27? We appreciate the longer term and what the business could do. But just I want some clarity on FY27 based on the volume growth that you see. That's one. Second is on supply chain services.The broader theme of the past few quarters has been about recalibrating that business, resetting that business, want better margins, better contracts etc. So in that context, could you speak about the sequential decline even as you scale revenues this quarter.

And the third question was on Quick Commerce or how you've seen the Quick Commerce opportunity in terms of where you would like to play today. So obviously some of the listed players are more aggressive in that space. Do you have any desire to build more capabilities, capacities in the last one? Thank you.

Sahil Barua: Sure. Thanks, Aditya. Vivek, do you want to come in on the first one? I can take two and three after you.

Vivek Pabari: Aditya, In Express, our target has been in that 16-18% service EBITDA range. We continue to maintain that and we remain confident that in the second half of this financial year, we will be in that range, in fact, closer to the higher end of that range. The PTL, as you would have seen over the last two years, the consistent QoQ margin expansion which we typically end up exiting each financial year at roughly about one and a half to two percentage points better margin than the previous financial year.

And that's the target with which we continue to execute this financial year as well. So yeah, the long-term target there also is 16-18%. We exited last financial year at 13.4%. This financial year, our internal objective will be to exit closer to 15-15.5% service EBITDA margins.

Sahil Barua: Yeah. Coming to supply chain services, just be clear, Aditya, the reason why there's a sequential decline in the margins is not because of any structural change to the existing contracts that we had from the previous financial year. So the existing contracts that we had continue to remain profitable. Last year, the supply chain services business actually improved EBITDA by 4x year on year. So those contracts continue to remain as profitable as they were in the last financial year.

The major change is the start of two new big contracts. At the start of the contract, what typically tends to happen is that we will commission the fulfilment centers across multiple sites. Inventory starts rolling in.

There's a period where there's a mismatch between inventory inbound and inventory outbound. And typically, our billing will be on inventory outbound. So what tends to happen during that period, and it is factored into the overall NPV calculations or IRR calculations for the project, is that typically there's this buildup phase where margins are negative, because we're essentially paying the rent, we're paying the manpower, we're just stocking up for the client as they move from their previous operations to us.

And that is the overhang that you see on Q1, where we've been scaling up both with an industrials player and a consumer durables player. It takes a little bit of time to set the network in place. So, it's not any structural change in the supply chain services business.

It's just we had these two large contracts, which were starting off together. And what typically tends to happen is about 45 to 60 days after the inventory starts rolling in is when you start moving to high potential, the full potential outbound volumes. And at that stage, the margins start quickly scaling up and reaching their full potential.

So, we don't anticipate any complications with the two new contracts that we signed as well. Now, obviously, where we started on e-commerce clients coming in, those contracts are typically profitable, almost from the get-go. I mean, there's an inventory buildup phase, but it's typically much shorter, because we already have the systems that are already pre-integrated very often, its transportation is happening through our existing network and so on. So no fundamental structural change for the SCS business.

In terms of Quick Commerce, I've said this in the past, we do play in the part of Quick Commerce where brands, which either work with us as part of our supply chain services business, or, for example, in the PTL network, are supplying into mother warehouses or dark stores of the four or five large Quick Commerce players. And I think that part makes a lot of sense for Delhivery, because it fits strategically, and from a margin profile and from a unique, differentiated capability standpoint, with what we do as a network overall, we are ultimately one of the fastest growing PTL network in the country, one of the larger ones, the second largest player in the space, we have a differentiated ability to manage, appointment deliveries, hold requests, and so on. We understand ecommerce pretty well; we have the ability to allow our customers to ship to multiple channels out of the same pool of inventory and so on.

So that's where our focus is going to remain, because we believe that that's where we add the most value. We have stayed away from two specific parts of Quick Commerce, as I've pointed out before, we do not run dark stores for Quick Commerce players. As of now, there isn't a multiplayer dark store model that has emerged because every Quick Commerce player wants to have dedicated dark stores.

And we do not do delivery from dark stores to consumers. For the simple reason that these, even if today the reality is that because the industry is going through this period of explosive growth, and you've seen Amazon enter and Flipkart enter, and there are five or six different players, our view is that this isn't the land grab that it appears to be where because you've established a beachhead by running dark stores, for one of the five or six large Quick Commerce platforms, this is either strategic to them or something that they will, indefinitely outsource to third party players. We do believe that, ultimately, as these companies look at the margin pressure, the first place where they're going to try and squeeze the operation, and perhaps justifiably so is going to be in the dark store operations in the last mile delivery costs, which is more or less how it's played out everywhere else.

And so, we don't see any value in being in that part of the supply chain, it is an undifferentiated service, the ability to rent a two and a half thousand square foot shop, rack it up and stock, FMCG and count it while using somebody else's systems is essentially contract logistics by a different name. And contract logistics businesses in India have always struggled to generate returns. The fact that it's in Quick Commerce doesn't particularly differentiate it from anything else.

And similarly, last mile delivery in Quick Commerce again, we don't view it as a differentiated capability. I do think that that's something where again, the Quick Commerce players ultimately will keep this completely captive, and they will crash rates over a period of time. You can see that happen, for example, in food delivery.

So where, again, the outsource percentage is small, so we think the same thing will play out and we've stayed away. So, we're not particularly excited about it. We believe that as long as Quick Commerce continues to grow, there will obviously be the very large challenge of getting goods to mother warehouses, getting goods to dark stores on time. And making sure that that happens reliably is really where Delhivery is going to play.

Aditya Suresh: Thank you.

Dhruv Jain, Ambit: Thanks. The next question is from Krupashankar. Krupashankar, you can unmute your line and go ahead.

Krupashankar: Yeah, good evening, and thank you for the opportunity. My first question is on the express parcel side. Just wanted to get a sense around pricing structurally, given the fact that, Sahil, you've said that the industry has seen a consolidation as well as outsourcing is gaining traction.

So how should we look at pricings and margins beyond specific hits like fuel hit and so on? Structurally, how do you see this going ahead?

Sahil Barua: Sure, Krupa, you said you had more than one question. Do you want to just quickly lay them out?

Krupashankar: Sure. So, the second one is that you mentioned that the QC pricing and margins on hyperlocal will collapse, just like food delivery. So just wanted to get a sense around, how do you see this going ahead? Why do you believe that this can and how quickly do you think this can pan out? And lastly, on the new initiatives, just wanted to get a sense around how the spend split across local, rapid, financial services and so on? And how do you see that business going?

Sahil Barua: Sure. So in terms of pricing structurally in the e-commerce industry, even irrespective of the inflationary costs that we've seen in the last quarter or so, I discussed this in the past, in the last earnings call as well, we don't see significant pricing pressure in the market any longer. I have mentioned this in the past, I call it two years ago, we did go through a period where there was poor pricing overall.

And frankly, that allowed us to consolidate the industry last year as we did. We see much less of that now. And so structurally, we don't anticipate any need for pricing or yields in this business to come down.

We will, at the bare minimum, it's safe to assume that yields will hold. Of course, yields in any given quarter will change, like I've discussed, this dozens of times in the past, in reaction to the weights that we are carrying, the distances we're carrying, the client mix, and so on that, typically, for example, H2 yields will be higher than H1, because you're carrying more heavy and so on. But broadly speaking, no change.

And of course, this inflationary environment as we gather more information as more of the cost structure becomes manifest, these increases in labour costs, these increases in fuel are obviously passed through to customers. And frankly, our discussions with customers on this are fairly smooth, because most customers do realise that, it's not just a Delhivery problem, this is an industry wide problem, irrespective of whether they happen to run in-house logistics or work with 3PLs, everybody is subject to the same cost inflation. In terms of quick commerce, I'm not always sure that, you're asking somebody who's already skeptical.

So, take whatever I say, perhaps with a pinch of salt. But, why do I believe and how soon do I believe there will be structural pressure, margin pressure on people who are providing third party services, or rather, why will there be more attention to these costs is because this fundamentally, first, is not a super high margin industry to begin with. And there's not a lot of margin when you're delivering, a 500 rupee AOV product and trying to deliver it within 15 minutes, because it is a point-to-point delivery.

One of the things to understand in quick commerce, you guys have asked this question in the past in PTL, this comes up in freight all the time, which is directionality of load makes a big difference to the cost at which you serve. If I must run a truck, which goes from Delhi to Calcutta and then comes back empty from Calcutta to Delhi, the chap who ships from Delhi to Calcutta is more or less the chap who ends up paying for the entire trip. Quick commerce by virtue of being a point-to-point delivery is a doubly expensive delivery as opposed to a consolidated delivery, which is what we do.

And so the ability to eke out efficiencies in this business, first, are minimal, which is one of the reasons why structurally Delhivery stays away from this business. There are limited to no network benefits when you're trying to deliver in such a short period of time. The math behind this is largely undeniable.

You have a Poisson arrival of orders. If you don't have a sufficient queue of agents, you either get exponential delays, or you have to overstaff. This is really not rocket science.

It's predictable as to what will happen. And to give you another example, you've already seen this happen, for example, in cabs. The great promise when cabs began was that everybody would be riding in air-conditioned Mercedes cars at 8 rupees a kilometer forever.

But the reality is that as demand goes up, if you insist on maintaining a 10-minute arrival of cabs, either the reality is that you have to have a lot more cabs, in which case the company, which is the platform, has to burn that money for idle utilization or everybody has to pay a lot more. And so today, cabs don't cost 8 rupees a kilometer and cost three times as much. So that is a choice, of course, that Quick Commerce will have to make at a certain point saying, are we going to truly reflect the cost of this extremely fast delivery?

In which case, of course, the question is, what is the real demand? Or alternatively, the point is that somebody is going to have to really pay for this. So, I don't really know.

That's one of the reasons why Delhivery has stayed away from this. I don't think you can manufacture these efficiencies. And how soon are companies going to start looking at this cost?

The reality is that when you're in a process of rapid growth, you will try to outsource and say anybody who can set up a dark store for me is as good as me doing it myself, because companies at this point in time will say, look, we lack enough organizational bandwidth. And we would rather launch, people are throwing out saying we want to launch three dark stores a day or whatever it is. Now, when you need to launch three or four or five dark stores a day, you probably do need to have as many partners as you can possibly have.

One of the indicators which worries me when I look at that is that the number of startups which came in saying we are dark store specialists, and no longer exist already in a period of less than 12 months is fairly significant, because as a company, we see this pretty often, somebody will come to us and say, can I run dark stores for Delhivery? And we say, who are you? And they say, we happen to run three dark stores for quick commerce in Chennai, or we run two dark stores in Bangalore, or whatever it is.

And the reality is that that first set of 6, 8, 10, 15 dark stores, and so on, happens fast. And then the economics don't stack up. And this company essentially runs out of gas.

And this gets seamlessly transitioned back to the quick commerce player. So, in that sense, it's difficult to see how this becomes a scale business. And as I said, ultimately, as Delhivery, what we are most interested in is businesses which have strong and sustainable network effects.

The fact that I happen to run a dark store, well, in Kormangala, in no way, makes it any more likely for me to be much better at running a dark store in Mumbai or in Ahmedabad, or in Delhi, or whatever it is, there are, frankly speaking, no network benefits at all. So how soon will it come as soon as quick commerce companies start seeking greater efficiencies, wherever they happen to have outsourced this. But again, like I said, the world surprises me all the time.

So, this is just my point of view, take it with a pinch of salt. Your last question on Local and investments across new initiatives, the largest portion of investments in new initiatives are in Delhivery Local. It's also the largest and the fastest growing opportunity that we're chasing now.

Financial services is extremely new, we just got our NBFC approval in July. So, it's still relatively a very, very new business. So practically speaking, the safest way to think about all of the investments that we're making in new initiatives is largely in Delhivery Local.

The good news, of course, is the Delhivery Local at this point in time is growing faster than we anticipated. We were expecting to exit the financial year at a 250 Cr ARR. But, here we are, we're sitting in August and we're already hitting, sorry, in July, and we're hitting a 150 Cr ARR.

So, it's a good sign, again, we're revising this target upwards. And contribution margins have been better than we originally expected. So in that sense, the amount that we had earmarked, up to about 160-175 Cr for the financial year, at least looking at current trajectory, we should be well within that.

Krupashankar: Got it. Very clear. Thanks for answering my questions.

Dhruv Jain, Ambit: The next question is from Jinesh Joshi. Jinesh, you can go ahead with your question.

Jinesh Joshi: Am I audible?

Dhruv Jain, Ambit: Yes, you are.

Sahil Barua: Yes, you are. Please go ahead.

Jinesh Joshi: Yeah. Sir, I have a question on B2C realization. This might sound a bit repetitive, but I just wanted to get your thoughts on this. So, while we understand that the realization is a function of weight and distance, as you highlighted in response to the previous participant's question, the general thinking that we have is that once our market share increases post acquisition of Ecom, ideally, we should be getting some kind of pricing power, right? Obviously, this adjusts for the dilution that comes from the lower weight of the acquired network.

But at some point in time, yields have to settle down at a range from where on sequential basis we see an improvement come through. And now if I have a look at your numbers from 1QFY26, the yield, which was at about 67.5. In 1QFY27, we are at about 58 and every quarter we have seen that decline come through. So just wanted to get your thoughts as to when on sequential basis this decline will get arrested, and we will see the benefits of pricing power come through.

Sahil Barua: Yeah, Jinesh , this is a repetitive question. Between Q1 of last year and Q1 of this year, I think we addressed this in Q2 last year, which is and I will bring it up again, Ecom Express did not provide heavy delivery services at all. So essentially, our acquisition was of a small parcel delivery network.

In Q1 of last financial year, we were a standalone network. So the proportion of heavy consignments in the combined volumes of Delhivery and Ecom Express, which is in Q1FY27 or Delhivery consolidated effectively now is lower than it was in Q1FY26 and materially lower because we acquired a small parcel delivery network, as a consequence of which the yield is materially different. So, mix is the simple answer as to why there is a big change between Q1FY26 and Q1FY27.

It is just fundamentally a proportion of the total volume, but we are also carrying 55% higher volumes in Q1FY27 as compared to Q1FY26. So it is simple math. That is why the yield is different between FY26 and FY27 Q1s.

In terms of pricing power, when will you see now as an example, and we will have this discussion at the end of Q3, you will probably see compared to Q1 a sequential increase in yields, because the proportion of heavies, for example, goes up typically, intercity shipment distances tend to rise during this period, because you see much larger volumes coming in from tier 3, tier 4 cities and so on.

So you will see that, but that again, would not be evidence of any change from a pricing standpoint, that is just evidence of the fact that the mix has changed. If I think the question that you are getting at is, will there continue to be cuts in pricing? The answer to that, as I have mentioned, is no.

For two reasons. One is in an inflationary environment, first, even if you are maintaining price, or if you have the ability to increase price to less than the impact of inflation, effectively, for your customers, that's still better. So we don't anticipate that there will be any, in this inflationary environment, customers are not going to come to us and say, look, you need to reduce prices at any point.

And so there's no pricing pressure from that standpoint, first of all, from a customer standpoint. The second is this is an industry wide inflation. So it's not like there are any other players who have the ability to absorb this or anything, Delhivery has the ability to absorb this inflation much better than anyone else, which perhaps is reflected in our increased volumes.

And the third is in any case, as the number of players in the market has come down, the need to respond to anyone's irrational pricing has also reduced quite significantly. There's no need, we don't have the competitive situation that we had. Now, if your question is, are we going to take pricing up sequentially, as I mentioned, we continue to monitor exactly what's going to happen to statutory labour costs going forward.

From a fuel standpoint, of course, first of all, the impact of fuel in our express network is significantly lower. And also relative to other players who provide only e-commerce services, it's still lower because of the form factor of the vehicles we use, for example, the structure of the network, the distances that we travel. And so the inflation of fuel has a slightly lower impact relatively for us in the express network.

But yes, if statutory wages go up, and this is a discussion that we're having with customers, pricing has to go up in response to that. And that is a negotiation that is ongoing with most of our customers. As I mentioned, it's not a particularly difficult negotiation to have, because it is an industry wide problem.

Jinesh Joshi: Got that sir, pretty clear. One last book keeping question from my side. I think in the press release, we have mentioned that our PAT before the e-commerce integration cost is at about 62 Cr, while our reported PAT for the quarter was about 32 Cr.

However, the e-commerce integration cost that we have reported in this quarter is about 17 Cr. So can you please highlight the difference of 15 Cr that is there in this quarter?

Vivek Pabari: Jinesh, I'll take that.

The 17 Cr is more like a cash cost equivalent. But on the actual statutory P&L, you will also have depreciation. And you'll also have the depreciation on tangible assets, but you'll also have the rent, which shows up as depreciation on ROU assets.

So, on the stat P&L, this number is closer to 30 Cr. You can see the line-by-line difference in the two columns that we have- the stat column and the management estimate column. So that's why the PAT difference is higher than the EBITDA level difference.

Jinesh Joshi: Understood Sir, Thank you so much.

Dhruv Jain, Ambit: The next question is from Swapnil. Swapnil, you can go ahead and ask your question. Swapnil, if you are speaking, we can’t hear you. As there is no response, the next question we'll take is of Aditya Mongia. Aditya, you can go ahead and ask a question.

Aditya Mongia: Yeah, thanks for this. I had a question firstly on the express parcel segment. I want to get a sense of how much the small parcel business is now for you in the entire mix.
And the context is that if there's an expectation that this mix will keep on increasing, so is there a need to probably tinker or change the way Delhivery’s business model or network is kind of structured to be more effective in taking care of maybe different requirements that are there?

Sahil Barua: Sure. You have a couple of questions, right? You want to just lay them all out?

Aditya Mongia: I prefer to go one by one if that's fine, Sahil.

Sahil Barua: Yeah. So on the first question, can you just walk me through how you're thinking about it? Because fundamentally, our legacy, of course, is we began life as a small parcel delivery network.

So, the underlying network structure per se, the structure of the delivery centers and so on, they don't need any fundamental change as our small parcel volumes go up. So, the fundamental architecture of the first mile and the sortation centers routing into whatever the last mile delivery points continue to remain the same.

Aditya Mongia: Understood. I take that as an answer from you and we can move on. But the context was just that is there any change that you would want to do? Let's say if this small parcel business was to become the majority of the business, which can happen, let's say Meesho can become whatever, 35-40% of your overall business, 50-55% of express parcel business and let's say Amazon and Flipkart start scaling up a similar line of work.

Is there any change that you would want to bring about in the way things are being done?

Sahil Barua: I see. Well, one of the things that structurally does, I don't know, structurally is the right word, but it does change in the network. There are one or two things that change and these are, it's an interesting question.

Two things change a little bit. One is the last mile delivery centre average sizes as the service centre network gets larger does change. Now, let me, okay, actually, this is a good question.

Let me try and explain what's going on. Let's say you're in a city and you were earlier doing both PTL and heavy delivery out of distribution points, which are also doing last mile delivery and let's say last mile delivery for e-commerce. And we didn't have a service center because we have only about 180-odd service centers.

But let's say I'm making this up and we do have a service center in Patna, but let's say you were in Patna and you did not have any service centers. You had no freight service center. So, freight and heavy is being directed into Patna, being delivered by DCs, which were erstwhile e-commerce delivery DCs.

Those are now providing serviceability. Now, what happens is that when you activate a freight service station in Patna, which now has the ability to do PTL freight as well as heavies, what's happening is you're withdrawing the average weights from the DC network back into a gateway or a service center. And when you do that, the average size of delivery centers that you need in that specific city suddenly crashes because you no longer have the requirement to service 100 kilos of freight or 200 kilos of freight.

And so, the opening of a service centre and subsequently, we're already seeing this happen in the freight network as well. When you take service centers back for certain kinds of loads back into the gateway, so for example, loads that weigh over 200 kgs have now been withdrawn wherever possible into gateways as opposed to being delivered from forward service stations. So what that means, for example, in Chennai is that our gateway will deliver all LRs which are above 200 kgs as opposed to our service centers.

When you do that, the average size of the service centers also starts reducing. So, in that sense, yes, there is a structural change that happens to the network. What happens is that you try to deliver in a more consolidated fashion, the heavy goods from a centralized point, points further down in the network reduce in average size.

And when there is a reduction in average size, two things happen. One is obviously your rental costs come down, your supervisory costs tend to change, your storage costs tend to change, and your delivery architecture changes a little bit. So yes as I think of it, there will be some changes as small parcels go up and as the freight architecture changes.

Aditya Mongia: Thanks. So great to see the company is on top of this. The second question is a little bit philosophical.

The way I understand and the way things are going, obviously, we are going to focus more on certain specific aspects going forward. It seems the journey of Delhivery has been a clear focus on the hardware operation, the mid-mile network. There are other elements which peers may be doing, and I'm focussing more on Delhivery and what they can do from here. Let's say, doing more services for taking care of more pain points for the same customer, the logistics, whatever that may be called. On the flip side, there is this delivery partner of yours. So let's say he's given more jobs in hyper-local, he's happier working for you. Some of these you are doing, you're doing the financial service part, but I'm trying to say if there is a stage where the company thinks that there is a lot more to be done on the software side of things, the customer, the vendor, the delivery partner involved, and just trying to get a sense of whether that's the right way of thinking through. The hardware may have its own limitations that may get hit somewhere and thus this question.

Sahil Barua: Yeah, I know what you're getting at, Aditya, and it's a good question. Yes, our focus, so let me try and give a short answer to what is a pretty interesting question again. Look, our focus on the mid-mile and what we're referring to here on the mid-mile and the automation has largely been because a significant portion, the most important portion of a problem in logistics rarely boils down to how do you navigate the last mile. The last mile is expensive.

Yes, it is one of the most expensive parts of the entire delivery process, but it's not the hardest or the most challenging part and it's not the part where optimization either in terms of, the simplest one is route optimization, which delivers a certain amount of benefit, but it's not as significant as people typically tend to imagine or, time optimization of a rider who needs to work a certain number of hours and so on. Yes, those have certain advantages, but they typically cap out very fast.

The hard part in logistics has always been how do you get goods to the last mile with a very high reliability and how do you select where they go to and how do you select once they get there, what is the form factor that you are going to use to deliver. So, while a lot of our focus may have appeared to be purely just on the automation side alone, from a software standpoint, one of the areas, and we've spoken about this in the last couple of earnings calls, two or three earnings calls, because these systems are starting to mature, is how you shape your demand and how you shape your serviceability. I'd spent just 30 seconds on that.

On serviceability, one of the more interesting choices you make as a network is what is the last mile node that is most appropriate to deliver a certain kind of load. Because as an example, a 300 kg LR in freight and a 50 kg LR in freight are not the same. 50 kg is made up of five boxes of 10 kilos each and a single refrigerator is not the same.

A parcel going into a delivery center which is 98% utilized versus a delivery center which is slightly further away but is 72% utilized are different. A 140 g parcel which yields, let's call it 21% gross margin versus a 370 g parcel which yields a 27% gross margin are not the same. A lot of the focus of the company therefore has, even from a software standpoint, has been on establishing these kinds of serviceability rules and making them more intelligent over time, determining what node is the right point from which to deliver a specific form factor.

Now, our belief is that these deliver value which is very difficult to replicate. These are very difficult decisions to make, not even non-real time. In real time they become particularly complex and I think over time we've been able to mature our systems to a point where now we are making a lot of these decisions in real time, which packages do we accept, which packages do we not accept, which packages go to what kind of location, what is the right architecture.

Like I said, we've been withdrawing freight backwards into the network. You asked the question earlier saying, how does it change when small parcels become a larger percentage of our business? Clearly the architecture of the network itself will change.

So, from a software standpoint, the focus has not just been on the mid-mile and the automation, but also on what we call orchestration, which is a very difficult problem. In terms of the capabilities that other players in this space are building, do we have the capability to do all of these and do we provide them already? Yes.

Where we have lower relative scale compared to some of our competitors in certain segments within, reverse logistics is a good example. Our relative share in reverse logistics is certainly lower than our relative share in forward logistics. But the reason it is lower is fundamentally because we have the ability to examine the profitability of every parcel that we are taking.

And so, because of that, when we see bad reverse logistics volumes, which ultimately result in claims, and claims are a particularly complex thing because claims are not a cost which manifests instantly, right? You go and do the reverse pickup today, you bring it back, it takes 20 days to mature at the end of the seller who you go and report it to, then there's an entire process where that guy raises a claim to the platform, the platform then comes to you and then you have to bear that cost further in the future. We've tried to stay away where we have these kinds of uncertain SOPs and where it's not always very, let me put it this way, where we don't feel comfortable carrying the kind of volume.

So, typically in some of these capabilities, we've been more conservative with how we build them out. And we tend to stay with high quality volume because that allows us to deliver a high quality service. And on the multiplexing of time of the riders, we already do provide that.

Of course, our desired goal is that riders spend a defined workday working for Delhivery with a defined load level. And the reason for that is I think the directionality of the conversation, when you look at the changes to statutory wages, or when you look at things that are coming into effect on the gig worker laws, as well as regulators are looking at this and saying if somebody ultimately, and look at how gig worker contracts are really structured, right? At the end of the day, while everybody theoretically talks about how, somebody is working for a food delivery company on Monday, and then an e-commerce delivery company on Tuesday, and then delivering quick commerce on Wednesday and flowers on Thursday, or whatever it is, the fact of the matter is the incentive sheets of each of these companies are designed in a way that you only stack up the incentives when you really work for them all day and work for them all week. You get bonuses for working whatever eight or nine hours a day, it may not say nine hours a day, I think there are bonuses based on login hours.

But outside of that, there are bonuses based on a minimum number of tasks that you complete, which cannot be completed in anything less than those eight or nine or 10 hours in any case. And then there are additional bonuses, which are based on how many you complete in a week, which you might as well tell the guy, dude, you work for me all day, and you work for me all week. So we've philosophically not really tended to go towards this idea of how we multiplex everybody's time.

The other reason why we don't want to do it is that in this situation, we've seen that the delivery metrics of people who stay with us and deliver for us regularly, unsurprisingly, are superior to ones who are both newer, and people who tend to drop in and out of the system very frequently. And so there's a lot of benefit to designing systems where people work for you, for five days a week, carrying a defined number of packages in a defined timeframe. And our job from a software standpoint, therefore, is not so much to take advantage of whatever little free time this person may have, but to figure out how to make that person as efficient as they can possibly be within the hours that they're already dedicating to Delhivery.

So it's a slightly different approach to how we think about what kind of tools our riders should have, for example, for us, a hugely complex problem is how do we make sure that the rider can precisely get to a customer and make sure that the delivery is done perfectly. This means both being able to identify the location, but equivalently being able to identify the preferred time at which the customer may want the delivery on a preferred day. And the more data we collect, obviously, the better we get at this, which is also, of course, the genesis, for instance, for delivery maps.

But does it mean that from a user design standpoint, it's slightly less important for us to be able to flash, saying, we have three jobs for you, could you come and work for us for the next two hours? Yes, in an order of priorities, problem number one, to our mind over the medium and long term is a significantly more important problem than problem number two. So you're right, we have stayed away from or rather we have, relatively speaking, less focus on certain kinds of problems.

But that is driven by our viewpoint of the world.

Aditya Mongia: Just maybe on this question, ask you a second part, as in, just forget I said software, let's say softer aspects of business, okay? I'm doing the same question again with you. There's one way of increasing margins, which is the way we have gone about things.

The other way is to solve pain points, and that leads to leverage, which leads to margins. Reverse logistics may not work for you as a claim, or a business by itself, but it gives you leverage when you're negotiating contracts, maybe on the forward side of things.

Similarly, with a delivery partner, who's getting some extra income, having the flexibility of not working nine hours a day in one go, but four hours in the morning doing job A, and job A can't happen in the night, so you do something else.

It does give, let's say, you, if you start doing it, all your peers, if they're doing it, some leverage, and that leads to margin expansion. You can have a very short answer to this question, say this is all rubbish, or you can say, it makes sense. I'm just trying to get things out.

Sahil Barua: It's not rubbish at all, and it's an absolutely valid point, and I have no truck or argument against what you're saying whatsoever. Yes, solving specific pain points for specific customers, of course, leads to margins. It, of course, gives you the ability, theoretically, at least to be able to expand and go beyond whatever you're doing.

But at the end of the day, as a business, we have a responsibility to look at the field of opportunities that we see ahead of us and see which ones make the most sense. I'll give you an example of the pain point problem and why we stay away from certain kinds of things. And look, more often than not, we do tend to get it right, but have we always got it right?

The answer is not really, right. But long back, there was this whole, and it comes up even now, every now and then, people still come every now and then and say this, we want to have “try and buy” delivery where we want to ship 10 products to some customer, and you want to bring back nine of them. And this has been there now for the longest time.

In fact, if you go back to press releases from whatever, six, seven years ago, everybody was talking about how this was the best thing since sliced bread. Jabong launched this back in the day when they were relevant. And the whole view was that the e-commerce industry is going to change forever because everybody's going to do “try and buy” services.

And as Delhivery, we just said, look, we're going to stay away from this because yes, is it a pain point? Certainly. If you define your problem as requiring 10 products to be sent to a consumer and nine to be brought back, is it a pain point?

Yeah, of course it is. It's a pain point because you've defined it as such. Is it something that is going to endure for a long period of time?

It's very hard to say. So it's something that we have to keep judging. Now, do we always get it right?

The answer is no, we don't always get it right. Are there certain things that we continue to monitor, we watch and we say, okay, we need to respond to this and we need to build up a network? Yes.

And we're very happy to be second movers in some of these cases, because our execution capabilities allow us to scale up and our customer relationships allow us to scale up. So there's a little bit of a, we don't always have to be the first movers into everything. But that said, suffice to say, there's nothing within logistics that we've seen that any of our competitors is doing that, we've looked at and we either don't do at all, or that we've looked at and said, oh my God, this is something that, we absolutely never thought of so far.

And everything's in the future. So it's a choice. It's a question of where we put our attention.

And our view is that our fundamental responsibility at the moment is to continue to make forward delivery as efficient as it can possibly be, as fast as it can possibly be, and hook it up to a fulfillment network. Of course, we do reverse logistics. We do a very large, absolute volume of reverse logistics.

It's just as a percentage of our total volumes, it's lower. And with one specific client, we have a different approach as opposed to other players in this industry.

So it's a complicated answer to your question. Is it a bad question or are you incorrect? No, I don't think so.

And on the riders, again, I don't disagree with you. If there are people who would like to work in the morning for four hours as a newspaper delivery agent or whatever it is, or somebody's finishing a shift as a security guard and then wants to come in and work for six hours, delivering food or quick commerce or whatever it is, certainly there's, who's Delhivery to cast any judgement on that. But our point of view is we have found more than enough people who actually are looking for a stable job with a stable employer.

And they want to work a defined number of hours in the day and they want their employer to expend as much effort as possible towards making their job easy. When I look at our retention rates of field staff across the country, it's actually something that's really worth seeing. And also, the other reason why we do it is that in a network which is as operationally intense as ours, a large portion of our supervisory layer over a period of time has come from people who have started out in the field.

And this is important to us as a company. This is hugely important to us as a company. Ultimately, we have a supervisory span in the distribution centres of maybe, 1:15, 1:20.

So, if you join us as a field executive, 6-8% of those people are going to make it to a supervisory level within, call it a year or a year and a half or two. And to a significant percentage of the population of India, the idea of being able to build a long term career where they have the ability to see a company invest in them to develop their skills and not remain a delivery agent till the end of time is significant. And given that it is significant, we have made a choice as an employer, that's the kind of opportunity that we wish to provide.

Do we also provide the ability to do what you're talking about? Yes, we do. We obviously have the ability for you to sign up and to come and work for us for a short period of time.

Do we expend every possible effort when you do so to explain to you why you should work for us full time? Absolutely.

Aditya Mongia: There's one more question, Sahil.

Dhruv Jain, Ambit: No, Aditya. I request you to move back to the queue.

Aditya Mongia: Sure

Dhruv Jain, Ambit: The next question is from Jainam Shah.

Jainam Shah: Yeah, hi, hope I am audible.

Dhruv Jain, Ambit: Yes, you are.

Jainam Shah: So, the first question is, if we see during the last quarter commentary, one of the key margin positive that we were thinking was the corporate overheads to go to the towards the 7% range, which will be eventually around 2-2.5% increase from the existing level in a way the margin part. What we see is that in FY25, in FY26 and even in 1QFY27, the corporate overheads as a percentage of sales has been stable at around 9.3, 9.4%. So, when we can see some operating leverage playing out from the revenue and corporate overhead percentage to take our EBITDA higher. Shall I go ahead with all the questions or shall I go one by one?

Sahil Barua: Yeah, go ahead. Go ahead.

Jainam Shah: Yeah. Second, the integration part says it has been highlighted that the difference between 17 Cr of the EBITDA versus 30 Cr at the PAT, the 13 Cr has been largely attributable to the, let's say, ROU or the depreciation or the other intangible costs as well. What I see is that during last quarter, the similar number was around 6 crore difference between this EBITDA and PAT, excluding the other income.

So, is it going to be a normal kind of an depreciation and ROU run rate? And it is not a one-time cost that we can think of? Or are we thinking something on this particular integration cost part?

Third one would be on the new services part. So, if we see for any additional single rupee of revenue, we are still spending 1.5 rupees and we are still at a negative contribution of around 50 percent. What kind of run rate that we expect from the newer services, maybe let's say after 3 years' time, 5 years' time, and what kind of contribution margin that it can take up to and how it will be done?

Like, is it on a volume-based thing or how we should be eventually approaching this segment? Because the loss combined overall till date is more than 100 Cr, whereas still we are doing for any additional revenue, the cost is 1.5x. So, how do we see this segment contributing to the financial point of view?

Of course, we are solving a problem, and the thing has been there, which is good overall from the customer's point of view. But from a financial point of view, how do we see this segment probably for the next 3 to 5 years' time? And the last one would be the contract labor part.

So, can we get the number that we used to have as a line haul expense and all those things? There was a one-line item, which was contractual manpower expenses. Can we get that number for this 1QFY27 to better understand the margin from, let's say, the labour cost, which has increased?

Sahil Barua: Sure. Let me take questions 1 and 3 and Vivek can come in on questions 2 and 4. On the first one, very quickly on corporate costs, there are two components to this. One part is something that we have been talking about. I spoke about this in my analyst calls on quarter 3 and in quarter 4, which is the expansion of our business development teams specifically for our part truck and full truck freight businesses. Essentially, moving to a different, much wider cross-sale structure, which would allow us to penetrate, I think we now have 100 cities all over India, much more deeply compared to where we were earlier, which was really, the top 3 cities plus some.

And the reason that investment was necessary is that we looked at our relative geographic market share and realized that, actually another interesting statistic is that we believe that we service such a small percentage of the total number of shippers in India that in some senses, the market opportunity for us is practically infinite. I think we looked at on a penetration basis, our overall list of customers, some 3%. This is despite being the largest logistics company in India.

So, a large portion of this was towards building out our business development teams, which is what we had started doing, November, December last year, it slowly started gathering pace in Jan, Feb. And the large part of that built out happened through the March and April period in preparation for the new financial year. So, one of the reasons why you see increased wage costs in Q1, outside of the fact that this is our increment cycle, a lot of this normalizes through the year, as well as a certain amount of attrition, but a large portion of this, of course, is because the business development team has been built up.

And the good thing is that the cross-sales team is fully active now. And we're already seeing strong traction on cross-sales in terms of generating volumes for the express business, generating volumes for the PTL business, and generating volumes for the cross-border business as well. The other, of course, is that technology costs have gone up year-on-year.

Some of these are directly volume linked. AWS costs, for example, go up in proportion to the increase in volumes. Of course, we have certain scale benefits, but broadly speaking, the absolute costs go up.

And there's also a currency issue that happens. So there's about a 5 or 6 Cr, I think, impact which comes from that. Vivek can share more details.

Now, in terms of the new services, when will we break even? It's different for different cities. So the first city that we launched in Delhivery Local, for example, which was Ahmedabad, in fact, looks set to break even most likely at some point within quarter three.

Unless, of course, something completely untoward happens. But so far, the trajectory is that that city will break even. Now, this point is, of course, different for different cities because given that it's an intra-city logistics problem, the sizes of different cities are completely different.

So the break-even point for Delhi and Bangalore will be perhaps slightly pushed out compared to the break-even point that we had for Ahmedabad. But the break-even point for Jaipur is going to look more like the break-even point for Ahmedabad or perhaps even sooner. So it really depends.

The composition, the relative composition of these different cities and how they grow will determine where the break-even point for the business overall will be. That said, like I'd mentioned, both our growth trajectory on new initiatives on Delhivery Local as well as our contribution margin trajectory at the moment continue to be ahead of planned. We had anticipated that we would do 250 Cr in this financial year.

It does look like we will exit with a higher ARR than that given where we are today. And contribution margin also actually significantly ahead of where we anticipated we would be in Q1 itself. And we continue to see some improvement in Q2 and anticipate that that will improve further in Q3.

Because again, similar to the rest of the business, the end of Q2 and early Q3 tend to be much busier quarters as compared to Q1 and Q4. But anyhow, Vivek, do you want to take questions two and four, please?

Vivek Pabari: Yeah. Jaiman. There's nothing. It's the same, the depreciation on ROU and depreciation on tangible assets and amortization of intangible assets. The numbers were different because the last quarter was a fiscal year end quarter.

So, there may have been some specific adjustments, but otherwise, no, there is nothing different in those depreciation items. And your other question was the contractual manpower. That number would be 371 Cr for this quarter, this first quarter of FY27.

Jainman Shah: Got it. So, on the depreciation, but the question was more on that. Is it a recurring thing of 12-13 Cr , which eventually led to the difference between EBITDA and PAT of the integration? Or is it something that we should take as one time?

Vivek Pabari: It's recurring. It's recurring because see, one is that we spent on, say, people as they either got absorbed in Delhivery or say they left.

Then we spent on some of the client contracts, which eventually we did not intend to retain. But till those contracts couldn't be exited, we had to continue. And we spent it on facilities which were under lock-in and we couldn't exit.

So, all of those were just cash costs. And so they are part of the cash integration cost, which is 17 Cr. But there are certain unused assets which are awaiting disposal, and they are also being depreciated.

So that's while we are not really incurring any cash cost on it, but the depreciation for that is part of our statutory P&L. So that's the item here. The more relevant number is the 17 Cr, because our initial guidance of 300 Cr was a cash integration cost guidance.

But here, because of the statutory P&L, the depreciation on unused assets also impacts the PAT. We are separating it out and kind of showing you the true business PAT, which is comparable to the quarters in which there was no Ecom Express-related integration cost.

Jainam Shah: So just one clarification part on this contractual manpower. Is it safe to assume that all the labour costs would be parked into this expense largely, this expense head?

Vivek Pabari: Yes, largely, yes.

Jainam Shah: So, sir, the question would be on that, that last year, in a similar quarter, we were having 12.2%, the contractual manpower expense as a percentage of revenue. This quarter, with all this wage raising across the states, this is at 12.8%. So the EBITDA margin impact at the service EBITDA would be at around 0.6%. The other cost that has been talked about is the fuel cost. And what I generally believe is that it would be in the range of around 30%, which we used to report as a linehaul expense.

And this 30% cost for one month increased at around, let's say 7-8% would have been around, let's say 0.6-0.7%. So around 1-1.5% impact of these two things, the diesel cost as well as the manpower cost, would have impacted the EBITDA margin overall. But when we see sequentially, or let's say on a year-on-year basis, the impact has been large. So if you can clarify, is there any other cost structure item that would have changed during the quarter, which would have impacted us and might be recurring in nature going forward? Of course, I believe that 1Q has been a seasonally weak quarter from the margin perspective, but has there been anything that has changed the cost structure materially? Because this is just maybe a maximum 1.5% impact of these two things on the contractual manpower and linehaul expenses.

Vivek Pabari: Now, the linehaul impact would be larger than 30%.

Now, that's all just fuel, but linked to oil price, you also have the cost of consumables going up. You also have the cost of air movement of parcels going up. In a way, you'll also have the cost of your last mile partners going up, because while you don't pay them fuel separately for your gig workforce, but their expectations on what they need to earn on a daily basis goes up when the fuel component goes up, because for them, the petrol is a large cost on a daily basis.

So it will show up in your last mile cost increase as well. Now all of that is linked to the minimum wages and the fuel price increases. But apart from that, even in a more normalised environment, the first quarter would have had the annual increments coming in.

So your employee benefits costs would have gone up. And your first quarter onwards, we would also have our network expansions coming in, because the first half is where the capacity is added, because the third and fourth quarters are respectively the peak quarter for our express and PTL businesses. And so your overall fixed cost base would also go up during the first half of any financial year.

So there are increments and network expansion costs, which would be true for any financial year. And on top of that, there are fuel cost increases and minimum wage increases and the oil price linked items cost increases, which was more specific to this financial year.

Jainam Shah: Got it. So that was very helpful. Just one suggestion, if you can just start providing this expense line item, which we used to provide two, three quarters back, that would be helpful. Of course, our data has always been up to the mark. So if you can just start providing those details as well. Thank you so much.

Vivek Pabari: Sure

Dhruv Jain: Thanks Jainam. Thanks everyone. That was the last question. Sahil, over to you for any closing remarks.

Sahil Barua: Thank you, everyone for joining. I know it's a Saturday evening, and later on Saturday evening. And Dhruv and the Ambit team, as always, thank you for hosting us. Hopefully from here on, as we look forward, this decent start to Q1 with record volumes on express and high volumes on PTL continues. The external environment, of course, the reality is it's been a challenging start to the year.

Our view, at least now, is that things seem to be easing up a little bit. Now, hopefully, we're right. And as that continues, we'll keep you posted.

But structurally, a good start to the year. And look forward to seeing you in Q2.

Dhruv Jain, Ambit: Thanks Sahil. Thanks everyone. You may now log out. Have a nice weekend.

Disclaimer: This transcript has been edited to remove any grammatical inaccuracies or other inconsistencies that might have occurred inadvertently while speaking.