Date: February 05, 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 and nine months ended December 31, 2025

Dear Sir,

This is in continuation to our earlier letter dated January 31, 2026, regarding audio recording of the Earnings Conference Call held on January 31, 2026, at 06:00 P.M. (IST) on the performance of the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and nine months ended December 31, 2025.

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
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Date: 2026.02.05 17:56:25 +05'30'

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

Encl: As above

Delhivery Limited - Q3FY26 Earnings Conference Call

January 31, 2026

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

Yash Jain

Hi, good evening everyone. Welcome to the Q3FY26 earnings call of Delhivery Limited hosted by Ambit Capital. Before we start, Delhivery would like to point out that some of the statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

To discuss the results, I am pleased to welcome Mr. Sahil Barua, MD and Chief Executive Officer, Mr. Vivek Pabari, Chief Financial Officer, Ms. Vani Venkatesh, Chief Business Officer, Mr. Varun Bakshi, SVP and Head of Part Truck Load, Mr. Navneet Kumar, SVP and Head of Supply Chain Solutions, Mr. Naman Jain, Head Investor Relations and Corporate Development. As a reminder, all participant lines will be in listen-only mode and participants can use the raise hand feature to ask any questions post the opening remarks. Now, I invite Mr. Sahil Barua to take us through the key highlights of the quarter post which we will open up for Q&A. Thank you and over to you, Sahil.

Sahil Barua

Thank you, Yash. Thank you, Ambit, for hosting us this evening. Welcome to all of you and thank you for joining us on a Saturday evening.

Before we begin, as you are aware, we have been in the process of reconstituting our Board of Directors for the last year and I would like to place on record on behalf of Delhivery's Management Team, Board and shareholders, our deepest gratitude to Mr. Deepak Kapoor and Mr. Saugata Gupta, who will be stepping away from their roles on the Board of Delhivery. Deepak joined us as Chairman of our Board in 2018 and has been on the Delhivery Board for 8 years and his contribution through these 8 years has been instrumental towards shaping our governance, setting in place internal financial controls and also taking the company public. And Saugata's experience with running a public company has been instrumental to building Delhivery from a startup to an institution, which is where we are today.

So, thank you to both of them. Moving on to Quarter 3, I will start with a quick summary and then hand it over to my colleague, Vani. Quarter 3 has been an excellent quarter overall.

The quick summary of it is that we saw record volumes across our transportation businesses and significant improvements in profitability. Overall revenue from services grew 18% YoY to nearly 2,800 crores. Quarter 3 profits, which Vani will talk about in more detail, came in at nearly as much as we did in the entire FY25.

And I'm very pleased to note that in the 9 months of FY26 so far, we've reached a milestone of crossing over 1,000 crores in service EBITDA profits. So, Vani will begin with the presentation and then once we're done, I'll come back and take questions. Vani, over to you.

Vani Venkatesh

Thank you, Sahil. Thank you, Yash. I appreciate all of you joining us on a Saturday evening.

I'll start off with the highlights in Q3. Overall, it's been a very satisfying, strong quarter. All around profitable growth.

If you look at the business highlights, it's been a record festive season with about 295 million express parcel shipments. Driven by strong share-of-wallet gains across clients. PTL has also crossed 500k metric tons, another record. Consistent sales efforts and service levels have been seamless this time. So, that's been fantastic for PTL.

SCS, we've got some key contract wins in SCS. SCS, as you know, is a long sales cycle and we are seeing traction on that now. We are very happy about it. We are starting off with one of India's largest engineering companies and a flagship luxury home and lifestyle brand in SCS.

So, overall, all our core businesses are doing very, very well. Coming to margins, again, all around improvement. As Sahil just mentioned, it culminated in a 1,000 crore Service EBITDA. It's a first ever for us.

The Adjusted EBITDA came in at about 147 crores. It's been a very efficient quarter. We've clogged in this much EBITDA all of last year. And in this quarter alone, we've gotten about 147 crores. PAT profitability is at 110 crores before Ecom integration costs. And even after the integration costs, it's about 40 crores. So, overall, our focus on margin and the improvement initiatives have started to yield very good results for us.

On new launches, we are very much on track. Delhivery Direct, we've extended our on-demand intra-city service to two new cities, Mumbai and Hyderabad. And we've launched an air economy product, which our SME customers can benefit from, which is Delhivery International. So, some of our growth engines are also starting to give benefits.

Tech, data and engineering side, we've scaled our SaaS footprint with TransportOne. We've launched Freight Index One, which is an industry first for us. And we've successfully completed our first field mission with autonomous VTOL drones. We performed a 12-kilometer test medical Delhivery in UP in about 12 minutes.

So, all in all, great top line. We are very happy with the margins. New launches are on track. Tech data product firing well.

If you come down one page. Translating all of this to numbers, volumes, both the transportation businesses, which are Express and PTL, have clocked their highest ever. So, 295 million Express parcel shipments and 507k metric tons of PTL, both are their highest ever. Express is a whopping 43% almost YoY growth. PTL is also a handsome 23% YoY growth. So, both of these have really fired in volumes. All of this translates to 2,798 crores revenue for us.

And this is about 18% higher than the same time last year. It's about 10% of sequential growth. And this growth has come in with significant margin expansion. So, we are happy about the profitable growth.

Service EBITDA is at about 421 crores. EBITDA has come in at 233 crores. That's about 8.4%. That's more than 2x of what we got in the same quarter last year. PAT is at 110 crores or 3.8%.

Again, more than 4x of what we got in the same quarter last year. So, all the numbers that you look on the left-hand side, the Q3 numbers, all of this are the highest ever. So, both in terms of volumes, revenue, margin, it's been a very, very good quarter for us. If you look to the right side, as we add all of these numbers and the first half results, it comes to 748 million express parcel shipments in 9 months to date. And about 1,442,000 metric tons of PTL freight. All of this is adding to more than 7,600 crores of service revenue. And the highest ever Service EBITDA we've seen of 1,053 crores and a PAT of about 260 crores. So, again, a good quarter and culminating into a good 9 months.

Moving to the operational metrics, here's a quick snapshot of the operational metrics. From a coverage point of view, we continue to cover the length and breadth of India's 18,838 pincodes.

We serve the world through our existing partnerships as also our new air economy product that we are launching. We have more than 51,000 customers. We've crossed the 50,000 mark here. All of whom we serve through our 21.9 million square feet of infrastructure. Our 123 hubs and gateways that keep ticking around the clock to keep our shipments moving. 49 automated sort centers and 74 sorters.

We serve our freight business through our 140 freight service centers. We have 163 processing centers now. And we've been serving our express business through 4,730 centers between our own and partner-led centers.

Again, all of this massive operation runs with our 71,000 strong team with 67,000 partner agents and 21,000 strong fleet. So that's on the operations metrics.

Just double-clicking onto the revenue and the performance by business line, we start with Express.

So overall revenue from services is about 2,798 crores. That's 18% YoY growth and a 10% sequential quarter growth. Two-thirds of this is from express as you can see. And that's about 1,839 crores of revenue from Express. It's been a very good quarter, 24% YoY growth and 14% sequential revenue growth on Express. In volume terms, that translates to a 43% YoY volume growth and a 20% sequential quarter growth.

The great part of Express is while October's been the festive peak, we've actually sustained the high volumes well beyond. So November and December have also been very good months for us. And all segments have fired.

So D2C, SME, the channel partners across the board, all segments have fired extremely well. And they've fired in a very profitable way. So Express seems to be going good and is very, very well set for the coming quarters.

Coming to PTL, again, 21% of revenue from PTL. Revenue growth is at 25% YoY. Volume growth is at 23% YoY.

So revenue growth surpasses volume growth, which is indicative of the continued yield improvement efforts of the team. The PTL team has also invested in the salesforce and continues to invest in sales personnel to reach cities that we were not directly reaching earlier. So in the last quarter, as well as in the upcoming quarter, we see a fair amount of potential in terms of continuing the growth trajectory and the profitable growth trajectory on PTL.

I'll move to supply chain services next. Revenue has been maintained at 171 crores in supply chain services. As we had shared last time, related to last year, we took an informed call to exit some of the unprofitable portfolios here. So, we exited a mother warehouse for quick commerce. There was some seasonality in electronics and durables and so on. But as we enter this quarter, the good news is that with all the profit actions in place, we now have new mandates as well that we are starting to implement this quarter. And we have a very healthy pipeline to convert. So SCS business also is looking good. Margins are set and we have a healthy pipeline and a clear plan of action to get the top line firing as well, just like the other businesses in the past.

Coming to cross-border services revenue, we clocked in about 33 crores of cross-border services revenue.

On the profitability side, I'll call your attention to the highlighted box. Total service EBITDA is at about 421 crores, which translates to about 15.1%. In transportation, we've maintained that we want to get to a 16% to 18% goal. You'll see that in Express, we've gotten to 18.1%. And in PTL, we've expanded our margins to about 11%. So all in all, the transport margin overall crossed the 16% mark, at about 16.4%. This is a good 3.6% over the same time last year. Again, if you look at SCS, it's been a massive improvement. Same time last year was 2.1% and we've moved it to about 13% now. So a bunch of disciplined measures, foundation very well set to scale now. When we pull all of this together, it's a 1,000 crore service EBITDA for the first time.

Express is comfortably at the range of 16% to 18%. PTL is in good double digits and diligently marching to the 16+% goal that we spoke about. Overall corporate overheads came in at about 9.1% and we invested 20 crores in our new businesses. Notably Delhi, Hyderabad for our intra-city services and expansion of rapid stores. And all of this led to an Adjusted EBITDA of about 147 crores this quarter. As I mentioned earlier, this is almost the same amount as all of last year in just this quarter.

And PAT comes in at about 110 crores. So all in all, it's been a very, very profitable growth quarter. If we move down one page.

In summary, we've prudently focused on profitable growth. PAT and PAT expansion speak the story. If you look at the trend for the last three years from about negative 3%, negative 2.9% two years back, we've moved to 1.7% and now in the nine months ending, we are at about 3.3%.

All in all, it's been a quarter of several firsts for us. We are very satisfied with the volumes, with the revenue, with the margins on transportation. Well set for profitable growth in SCS. We are very well geared for the future, both in terms of the plans that we have on salesforce expansion and the other investments to grow both the core businesses as well as new businesses.

We've been disciplined in investments in new businesses and comfortable on working capital and cash reserves. So, with this, we are looking forward to growing on this momentum and taking this forward. So, this is a brief overview we wanted to share before opening it up for any questions.

Sahil, if you would like to round up, you could.

Sahil Barua

Yeah. So thanks, Vani. So as summarized, everyone, I think a very satisfactory quarter overall.

I think ahead of even our expectations to some extent. Largely driven by sort of extremely high quality service throughout this period. You know, as you've seen in quarters in the past, in the peak period, sometimes when the express volumes and the heavy volumes are significantly higher, we have previously tended to have, you know, somewhat shaky service levels on the truckload freight side.

So a lot of work has gone in from a technology and product standpoint, which we've spoken about in the shareholder letter as well. Sort of revamping our systems, bringing in more automation. And a lot of this is really cutting edge technology for logistics globally and certainly in India. And I think what you're seeing is really the results of that.

The second, you know, I've been speaking about on multiple analyst calls, of course, is also the expansion of our sales teams to new geographies. And I think what we're seeing in terms of growth in PTL specifically is also, you know, sort of early signs of that strategy paying off.

And the sales team is still being built up. And I think we'll sort of be, you know, fully built out by the time we're hitting quarter one of the next FY. So, you know, a very exciting quarter, great base for quarter four.

Bear in mind, quarter four is the high watermark quarter usually for PTL. So it's another busy quarter for us. And, you know, it's an excellent base for Fiscal 27.

So, you know, very proud of our results, very proud of the team. And, you know, happy to take questions.

Yash Jain

Sahil, we'll open the session for Q&A. Anyone who wishes to ask a question can raise their hand. The first question is from the line of Sachin. Sachin, if you could just also speak about your organization name. Thanks.

Sachin Salgaonkar

Can you hear me?

Sahil Barua

Yeah, Sachin, go ahead.

Sachin Salgaonkar

Hi, this is Sachin Salgaonkar from Bank of America. Sahil and team, congrats on a great set of numbers. I have three questions.

The first question is on your margins for Express parcel. Clearly, it's already at 18%. And, you know, your outlook suggests volumes are expected to increase.

There's a lot of investment going into technology. And I understand the total transport margin guidance of 16% to 18%. But specifically from an express point of view, any color you could go in terms of how high this margin could go from a steady state point of view.

And let me know if I should say the other two questions.

Sahil Barua

Why don't you go ahead with all three and then I'll answer them together.

Sachin Salgaonkar

Got it. The second question is on the pricing power in the Express industry. Clearly, Express consolidation is done.

We do understand some of the smaller players appear to be struggling in the market. So do want to understand, you know, where we are from a pricing point of view. And should we continue to see a yield increase in the market going ahead?

And a related question is also the outlook for 2026. Yesterday, an e-commerce entity in their con call did mention that their outsourcing mix is changing. Clearly, you guys are one of the bigger beneficiaries of it.

So, I would love to understand, you know, how that adds into the industry outlook for 3PL industry and specifically for your market share going ahead. And the last question is, how long should we see investments into new services like rapid commerce? And any number you could give in terms of the kind of investments you guys are looking to make out here?

Thank you.

Sahil Barua

Thanks, Sachin. Let me try and get to all of them one by one. In terms of margins for the Express business, I think we're at about 18.1% for Q3. Now, this has come without actually any increases in any significant or meaningful increases in yield. So a lot of this has just come from as volumes have gone up, you know, sort of higher utilization of the network. I know somebody on this call will eventually ask me what the utilization of the network is.

And I'll just pre-empt that by saying that I couldn't put an exact number to it. But it is overall higher utilization, higher productivity across all facilities, you know, higher haulage on the trucks, which has expanded margins. And the second thing, of course, is a lot of cost discipline from our operations teams, which have been driven by a lot of the improvements we've made on the technology side.

To give you one example of how technology makes a difference. You know, one of the features that one of our senior product leaders had released earlier before we hit quarter three was something that seems quite innocuous. It's as simple as sort of figuring out how to auto dock, you know, trucks at all of our facilities. It's a complex mathematical problem, but the impact it has is, you know, something like 20 minutes to 30 minutes per truck that shows up. But when you're transacting, you know, thousands of trucks across the entire network, you're saving several man hours of time. And a lot of this has sort of translated into real savings on the ground.

So how far can margins expand? You know, I've said this before. The network has stably operated up to, you know, 22-23% margins as well in the past.

Beyond that, of course, we can expand margins, but that usually comes at the cost of some service quality in some locations. So I don't see any reason as long as pricing remains where it is for us to not be able to raise margins.

Now, that brings me to the second question that you asked, which was around pricing power in Express. You know, I have stated this before. Pricing power comes from two different sorts - there are two different streams of thought here. One is the ability to take pricing up.

The second is the ability to make money at a price where no other competitors can make money at all. And we believe that it's the second pricing power that is more important than the first, especially in industries which are commodity industries, which we are. Logistics is a commodity industry, you know, unlike, you know, where you choose which phone you want to buy.

I don't really want any of our clients to sort of think about differentiated logistics. They need to move things from point A to point B. They need the highest reliability. They need the widest reach. They need the fastest speed and they need the lowest cost. And this is one of the few industries in the world where it is possible to deliver all of these.

So we are the pricing pressure in this market and we will continue to maintain pricing pressure on competition in this market, as we've said in the past. You know, we will retain yields where they are. Specific yield mix in any given quarter, of course, is dependent on the weights that we haul and the distances that we haul.

Typically, in the peak period, prior to the Ecom Express acquisition, we would haul a larger proportion of heavy weights through the network during the festive period. This year, obviously, because of the consolidation, we've hauled a larger proportion of smaller parcels, which is why our yield may optically look a little compressed compared to where it's been. But there's no fundamental difference in pricing.

As we've mentioned before, our competitors do not make money at this price. You know, all of our competitors, there are two ways to look at this. One, of course, is that we acquired Ecom.

The other private and public competitors in this space have no incremental margins. And that itself, I think, is testament to the comparative position that we've established. So, from a pricing standpoint, I think Delhivery will continue to maintain, you know, a strategic course as we have.

Will you see deep cuts in yield? No, not necessarily. One of the areas that we're, of course, working on, and it is a complex problem again, is thinking about dynamic pricing or yield indexed pricing.

When we have the ability to do, sorry, when we do utilization indexed pricing, we have the ability to provide discounts to customers on very specific lanes while actually improving profitability of Delhivery. And that is going to be one of the major areas that we will pick up. So it could be utilization based on route.

It could be utilization based on time. It could be utilization based on weight or client category. This is a hugely complex technical problem, of course, but one that we fully anticipate we will be able to solve over the next couple of quarters.

In terms of outlook for 2026, I think, yes, you're right. I think, you know, it's good to see that e-commerce companies have gone public in India. I think what that does is it sort of brings a certain transparency to, you know, strategic choices.

As we mentioned in the past, Delhivery's cost structure is not achievable by standalone parcel networks. And so we are not just likely to be the largest beneficiary whenever there is a sort of cost pressure. We are, in fact, the only beneficiary because, as you've seen in the past, volumes from large e-commerce marketplaces when outsourced to third party players who are parcel only players actually don't improve their profitability meaningfully at all.

In fact, in the case of Ecom Express, prior to our acquisition, the more volumes they did, the more money they burned. And, you know, that continues to be the case for several private players already. And incremental margins are really what you need to look at in logistics.

So, I think our outlook remains as confident as it was. You know, we've always said that our cost structure is what gives us the unique advantage. Our model is what gives us the unique advantage.

It's perhaps taken three years for that to really sort of for the penny to drop and for people to be able to see those numbers in action. But that's effectively what you're seeing. And so as long as cost pressures continue, you know, I'm fairly confident that we will continue to gain share.

As you can see, our margins remain unaffected by these cost pressures. And do bear in mind that this is in the face of inflating costs. You know, labor costs inflate fairly reliably, real estate costs inflate fairly reliably.

And despite that, Delhivery's margins have actually been increasing, whereas you can't see the same for either captive players of any form. It doesn't matter what model they use or, you know, third-party standalone players.

Your last question in terms of how long will investments in rapid commerce and other areas continue?

It's quite interesting, actually, rapid commerce. You know, at the start when we did the planning, you know, I came on a call and I said, look, I think this is probably a 100crore kind of opportunity for Delhivery and it's a good capability for us to have. Now, what's interesting is the B2B opportunity in rapid commerce actually also turns out to be quite significant.

It's a pleasant surprise. And so, you know, the build-out, while we haven't accelerated the build-out of our dark store or dark fulfillment network yet, you know, I think you'll see some expansion over quarter one and quarter two of the next fiscal. But the important thing to note and what we track internally is we look at the gross margins of this business.

In quarter three, which was the previous quarter, actually, this business was also a gross margin positive business. So, again, like all of our other businesses, you know, and the kinds of businesses we like running, these are utilization indexed businesses. And so as our volumes grow, once again, this business sort of just accretes cash to the Delhivery bottom line.

So some of the investments in rapid commerce, for example, will depend on how fast our business development scales up. It's a team that was quite small until we began Q3, but now we have more aggressive designs on the space. And what we're also doing, again, a fairly complicated technical challenge, is really figuring out how to merge our non-express and express networks, in the sense of non-rapid and rapid networks. I'm sorry. And when we have the ability to do that, we have the ability to sort of have this fuzzy serviceability, which allows us to improve the profitability of rapid commerce by moving regular orders through the rapid network and taking advantage of the underutilization of the rapid network. So you will sort of start seeing that also play out by, let's call it Q1 of next FY.

So at least as far as rapid goes, I think, you know, the investments are neither very large nor will they, you know, continue for a very long period of time. It's a business that accretes money. It's the same clients. It's a faster service and it'll get integrated with a larger network over time.

Delhivery Direct is an area, of course, where we continue to invest in the intracity on demand space. When looked at as a combination of intercity and intracity, of course, this business makes money.

But on the intracity on demand space, we continue to invest. My sense is that at this stage, our annual investments will be in the range of 60, 70 crores a year or so. But that really depends on what our expansion plan is going to be.

So far, we are in Delhi and Ahmedabad and in Bangalore, where we've launched and we've recently launched Hyderabad and Mumbai as well. So, our plan is to obviously expand this. You know, one is obviously for our own users internally, but also for external SME customers and then to integrate this with Delhivery One.

So I think that will take us at least the next FY in terms of our other businesses. Just to be clear, Delhivery International is a profitable business from the get go. So, there's no investment required in that business. It's an add-on service to the express service we already provided through FedEx and Aramex.

So net net in terms of new businesses, I think it's safe to assume somewhere in our sort of 60 to 80 crore kind of range that we will invest next fiscal.

Sachin Salgaonkar

Thanks for the detailed answers, just one follow up. This is on express margins where you did mention a 24-25% was the peak margin in the past. But this was before we saw acquisition of Ecom Express. Now, even the volumes are incrementally increasing. So should we see the crossing of that peak at some point and room to increase beyond 24-25% as well?

Sahil Barua

See, as long as we can continue to drive up utilization, what you're saying is, of course, accurate. And when I said that 24-25% is where I have seen the network stably perform, you know, that's the important indicator. Just to be clear, you know, in 15 years, I've seen the network also perform at 30% plus EBITDA margins at various points.

But those have usually come at the cost of some instability in service level somewhere. You know, a rapid surge of utilization in some part of the network may be profitable in the short term. We might make, you know, a quarter of very heavy profits out of it.

But usually, in my experience, we've ended up paying, you know, a service cost as a result. Given the fact that our network is much larger than it was in those days, our operational capabilities are significantly more sophisticated. You know, and the competitive environment, of course, is increasingly becoming more benign.

It's a very difficult question for me to answer. Could the network operate stably at sort of margins above that range? Yes, it could actually.

But at what point exactly will service taxes sort of, you know, come in? It's hard to predict because it depends on where the volume comes in specifically and how demand shifts around. So, I'd suggest let's just play it by the ear.

Can the network perform at 22%, 23%, 24% margins? Absolutely. We don't intend to drop the price.

Utilization should go up. Dynamic pricing may bring our yields down optically, but our profitability will remain intact. You know, outside of that, you know, can we go beyond that?

I think let's see. We're already, as Express networks go, you know, are a fairly profitable Express Network. So maybe we'll see a couple of quarters down the line.

Sachin Salgaonkar

Thanks, Sahil and all the best.

Sahil Barua

Thank you.

Yash Jain

Thanks, Sachin. I'll again request participants to limit their questions to two. And in case of any follow-ups, please rejoin the queue.

The next question is from the line of Sachin Dixit. Sachin, please, could you also mention the organization name?

Sahil Barua

Hey, Sachin, if you're speaking, we can't hear you. I think you're on mute.

Sachin Dixit

Yeah, I think you should be able to hear me.

Sahil Barua

Yeah, we can, we can. Sachin, you'll have to unmute yourself again.

Sachin Dixit

Oh, I hope you can hear me again.

Sahil Barua

Yes, now I can.

Sachin Dixit

Yeah, sure. So my first question is on basically some of the sustainability of numbers delivered this quarter, right? So because one of the largest customers did allude that they had some issues with their own captive logistics arm and they expect recovery there.

So do you see some of the retracing of the outperformance we saw this quarter? I mean, obviously, we expected good numbers, but some extra outperformance you would have seen, could we see is recovering some retracing of that happening?

Sahil Barua

Do you have more questions? You want to ask all of them first?

Sachin Dixit

Sure, sure. My second question is on the Ecom integration side, right? Obviously, we did highlight 300 crore of potential cost on that side.

Looks like now we are going to wind up at roughly half of that number. If you can also highlight where all were you positively surprised in terms of seeing the lower integration cost? The third question is on supply chain services.

Now, this business, we have seen you onboarding clients. Some of them are marquee clients as well. But if you look at growth for this business, it's mostly flat, even if you look at Q3FY26 numbers.

So do we finally see that the bottoming out has happened and we have a sustainable path to growth in this business? I do understand a bit the margins have been improved. But on the top line side as well, if you can give some strength to whether the sustenance is there.

Sahil Barua

Absolutely. Great questions. Let me start with the sustainability of numbers of this quarter.

Look, I have said this many, many, many times over the years. Our margins are sustainable. They do not depend on variations in volume.

You can go back from the day that we went public to today. We have maintained that express margins will remain in the 16-18% range. We've been at the lower ends of that range when we were doing 57 million packages a month.

We are at the upper end of that range or beyond it a little bit when we are doing nearly 100 million shipments a month. And yields, of course, over a three year period have compressed a little bit. So I think what we are always concerned about, and this is linked also to the third question on SCS. And my primary focus has always been, and we have stated this, has been that we have to generate profits. At the end of the day, discounting led growth in logistics or low cost growth in logistics is suicidal, as you've seen by the industry getting consolidated towards us and by other players struggling in terms of whether it's incremental margins or being able to raise capital. So I think that's the more important question around sustainability, if you ask me.

Now, let's come to the matter of growth. As I mentioned in the past, Delhivery's advantage is in its cost structure and its model. It is not in a tactical decision to price lower for any given quarter.

Now, individual companies may change their outsourcing strategies in any given quarter. Sometimes they do more, sometimes they do less. But if you look at the long arc of time, you know, and here I mean long arc as even maybe three years, you know, we've had captives declaring publicly that they are profitable only to post 2,000 crore losses when they file their results.

So there's no truth to any of this. And so the question is merely how long will people continue to sustain losses in the logistics entities? You know, and I don't believe that there's an infinite lifetime for that.

The good news is for us, there is an infinite lifetime for a profitable logistics company, which we are. And so I'm not very worried about things from a sustainability standpoint. The other question worth asking actually is not to Delhivery, but to the e-commerce companies themselves, right?

Which is if your own logistics fail to perform at the time when you needed it the most, why do you run it? You know, you might as well work with third party partners who've been stable. So I actually think Delhivery's responsibility is to provide a large stable base for e-commerce companies of all shapes and sizes to ship reliably, pan India at the lowest possible cost, the highest possible speed.

Now, outside of that, if they should choose to run experiments on their own in specific geographies or for specific kinds of products, you know, that's up to them. But our advantage is our cost structure Is our margin structure sustainable? 100%. And it doesn't depend on any individual changes made by anybody.

The other thing to remember is that compared to everybody else in this industry, we have an extraordinarily low client concentration of any kind. Most logistics companies in India will have, you know, sort of a 60-70% concentration towards a single customer. We, first of all, by virtue of not having just an Express business, are hugely protected.

And within our Express business, actually, we have a very sort of spread out set of volumes. And so our ability to grow, our ability to perform as a business is not dependent on any customer's individual strategy.

Now, coming to the second question on Ecom Express integration, you know, you asked me a question, where are we positively surprised?

You know, I'd have to say when you estimated 300 crores and are likely to end up at 150, you've been positively surprised all along the way. So, I suppose we are positively surprised by everything. You know, we did say when we started out that we took a conservative view.

Which is our approach. Fortunately, we have been able to shut down facilities earlier than originally thought. We have been able to also because we've sustained volumes, be able to integrate some facilities into our network, you know, more quickly than we'd originally anticipated.

And as a consequence of that, the integration costs have been much lower. I think we learned from our Spoton integration, which wasn't something that went to plan. And this time, you know, we had a very, very sharp integration plan and a full integration team working on this.

And, you know, they've done a fantastic job and it reflects that. So it's not a question of being a positive surprise alone. I think it is down to extremely disciplined execution.

The third question on supply chain services, you know, you're right. While we have been onboarding clients, growth has been flat. Again, as I mentioned, there's no point driving fast if you don't know where you're going.

You know, and in our case, the clear steer to the team was that earnings over growth. And as you can see, we've gone from 2.1% margin to 13% in this quarter. And that was something that was strategically very important to us.

There's no point to us, you know, sort of accelerating warehousing space and accelerating, you know, client onboarding while not making enough money to justify being in the business. I think where we are today is, again, with a far more secure base than we had at the same time last year. There are some industries that we've learned, you know, perhaps the hard way that we shouldn't be participants in. Quick Commerce obviously being one of them, doing mother warehousing for Quick Commerce is unfortunately for logistics companies seems to be a loss making proposition. It took us some time to exit that. And there's some natural seasonality as well.

But the question is, is this sort of the bottom of the SCS business from a growth standpoint? I'd like to think so. As you heard from Vani earlier, you know, we have a couple of big mandates coming up.

One, obviously, is a Pan India redesign for a large engineering goods company. And the other one is a supply chain redesign for a leading home and fashion player. Outside of this, we continue to gain share with existing accounts as well in auto, consumer durables, you know, consumer electronics.

And interestingly, one of the big growth drivers here has also been e-commerce, where, again, our sort of big network advantages and ability to cut down cost have been moving, you know, more and more e-commerce companies are moving fulfillment towards us as well. So, yes, I do think this is perhaps sort of the low end of supply chain services from a growth standpoint. But again, more importantly, I think the focus has to be on the margins.

Sachin Dixit

All right. Thanks for the detailed answers, Sahil and all the best.

Yash Jain

Thank you. Thank you, Sachin. The next question is from the line of Vijit Jain.

Vijit, could you please unmute yourself and also mention the organization name?

Vijit Jain

Yeah. Hi. Can you hear me?

Sahil Barua

Absolutely, Vijit. Please go ahead.

Vijit Jain

Yeah. Hi, Sahil. Congratulations on a great set of numbers. This is Vijit Jain from Citi. My first question is, you know, now you are in a high.

Sahil Barua

Vijit, sorry, I lost you just as you started your question. If you don't mind, could you please repeat?

Vijit Jain

Yeah, sure. So what I was saying is you said in the letter that you're currently in a high growth operating environment and you've kind of raised guidance on Capex in the near term. So my question is, is a comment on Capex also towards mid-mile infrastructure, specifically in e-commerce?

And my second question is, you know, related to the PTL business where there's a comment inside which says you're integrating capacity management with key clients and there are other comments on capability improvements there. Should we expect meaningful wallet share gains with existing customers here as well? And in general, how would you split your revenue growth in PTL between new and existing customers?

Sahil Barua

Sure. Great questions again. Thanks.

Just before I answer both questions, that integration of capacity management actually was on the e-commerce side, not so much on the PTL side, because e-commerce is where you have significantly higher volatility in daily demand. So that's sort of where the technical systems play a fairly large role. But anyway, coming back to questions.

High growth operating environment. We haven't raised our guidance on Capex in the sense that we expect to spend more as a % of revenue than we have in the past, just to be very clear. We continue to expect that Capex will decline down to the sort of, you know, 4% to 4.3%, 4.4% of revenue over the not so medium term. Perhaps maybe even seven, eight quarters out, ten quarters out, we should be starting to hit those kinds of ranges. All we're saying is that there may be certain Capex investments that depending on volume growth, where we had anticipated that we might do them, for example, in Q2 of FY27, we might end up doing some in Q1 and some from Q1 may get pulled in, you know, a little bit into Q4. Just to be clear, this will not be related largely to, for example, sortation equipment capex and so on.

There will be obviously some sorters which will need to be added. Those, fortunately, were part of the acquisition of Ecom Express. So if there's a certain amount of opex involved, we're just moving them to a new location and installing them, but it's not very significant.

And in the mid-mile facilities, e-commerce growth doesn't really compute, you know, in terms of tonnage handled. So if you think about it, let's say we handle, you know, call it 3 million shipments a day. An average shipment weight is whatever, you know, let's call it 700 grams.

So effectively, you're hauling 21,000 tons of freight. Sorry, 2,100 tons of freight, which in the large scheme of things is not very significant. You know, when you look at it, we're doing, call it 6,000 tons of freight on PTL.

So really, the mid-mile Capex gets determined by PTL as opposed to, you know, anything to do with e-commerce. There'll be some minor sortation Capex here and there, but nothing very much large overall. In terms of PTL and heavies, there will be some amount of Capex.

Again, this will not be in terms of sortation infrastructure that you're thinking. So this is not necessarily in terms of sort of more, you know, large scale mega gateways. We already have five mega gateways which are live.

There may be a sixth in Noida, which we're evaluating, but it's not any time soon at this point in time. So nothing to sort of, you know, guide towards on that front. Where it will be is we are, there are two big changes happening that we're seeing from a mid-mile standpoint.

One is that our truck form factors are changing again. Two things are happening. One is the fuel form is changing.

So we have had experiments with LNG and that's done very well for us. So we, in fact, it's sort of in our network, what we've seen is that it tends to be at par or slightly cheaper than diesel vehicles. So we continue to induct LNG vehicles into our fleet, especially as we're retiring some of the older vehicles.

And the second thing is that we will continue to add tractor trains in certain parts of our network, which essentially allow us to haul, you know, an additional container compared to the single container that we're hauling. We are live on a couple of routes already and, you know, we continue to get approval from time to time. So it's largely vehicle related capex that will come in.

But again, it's not significant enough that it will alter our capex trajectory as a % of revenue at all.

Now, in terms of the PTL business, the significant capability improvements are overall. One is the PTL business has benefited hugely from the capacity management being integrated with e-commerce customers.

You know, it's a very - I'm going to be a little geeky over here -a very complex network problem to be able to identify, you know, what the capacity of a node is, what expected load patterns of that node are going to look like over, you know, sort of a short period of time. And then basis what you're seeing getting manifested in real time, diverting that load into different parts of the network.

So it's quite interesting in a way where today you might deliver, you know, a refrigerator from location A. And because you anticipate that three days from now, location A is not going to have the capacity that it had today. You kind of divert that load away to an underutilized node, which is node B.

Now, where this becomes complex is optimizing the network in real time is very hard. But the advantage of this, when you optimize loads away from, you know, sort of heavily utilized locations, is that PTL service levels go up as a consequence and become more reliable. And so that's the biggest capability that we're building.

It's a non-trivial sort of, you know, it's a very, very difficult problem to solve and one that we're starting to see huge benefits of. There are certain investments we're making on the agentic side, for example, to improve, you know, performance and document management, which is important in PTL. The second is around appointment management and delivery on time.

These are all pretty new capabilities that we're also experimenting with. The early results are good. So, you know, PTL volumes, therefore, I think will improve as service quality gets better.

Now, just quickly, in terms of new client growth versus existing client growth. See, we've grown revenue by whatever, 25% a year. And volume, I think, is whatever, 23% a year or something like that.

Now, that kind of growth only comes when you have very significant growth, both from a new client standpoint and from an existing client standpoint. See, the economy is not growing at 23%. So obviously our existing client base has not grown, not contributed all of the 23%.

My sense is share of wallet gain plus, you know, sort of to some extent, you know, organic client growth would have contributed a little over half of the total growth that we've seen. And the rest of it would have come from new client acquisition. But do anticipate, we anticipate the new client acquisition actually is going to accelerate in this quarter and beyond because our sales teams that we have been building for the last four or five months are now on the ground, fully trained, you know, and we are now in, I think, whatever, about 60 odd locations compared to, you know, maybe six big locations that we were in two quarters ago.

Vijit Jain

So just to follow up on that capacity management comment with e-commerce. So does that mean that you have better predictability into loads that you're going to see, much better than what you would have seen before? And that informs what you said about the PTL business?

Sahil Barua

It does not improve forecasting. It improves our ability to deal with volatility in forecasts. So just to be clear, it does not in any way enable us to forecast what our volumes will look like.

Long ago, we gave up the ghost of trying to forecast any better. In any case, forecast accuracy in all industries is terrible. Logistics is really no different.

And in fact, if anything, you know, by sheer law of numbers, the problem is the smaller the node, the higher the volatility, right? The volatility at a city level is higher than the volatility at a district level is sort of higher than the volatility at a state level is higher than the volatility at a national level. I can pretty confidently tell you that, you know, we'll do (making this up), whatever, you know, 95 million shipments in January.

But if you ask me to tell you exactly how many shipments I was going to do in sector 44, that would be a significantly harder problem. So forecast accuracy obviously is not something that improves with this system. What improves is the ability of the systems in real time, which is the hard part to understand where our capacities are and to divert loads away or to block loads from coming in at bad times.

So that's sort of what the system is doing.

Vijit Jain

Thank you so much. Those are the questions.

Yash Jain

Thank you, Vijit. Requesting participants to limit to two questions and rejoin the queue in case of follow-ups. The next question is from the line of Gaurav Rateria.

Gaurav, will you unmute yourself and mention the organization name?

Gaurav Rateria

Hi. Am I audible?

Yash Jain

Yes, Gaurav, please go ahead.

Gaurav Rateria

Yeah, I have a couple of questions. I'll list them down all. The first is on express parcel.

Would it be possible to segregate your volume growth into organic, inorganic and within organic, how much is because of market growth and how much is because of market share gain? My second question is on the bridge for PTL margins from 11% to 16-18% range.

I know you have been talking about network utilization and incremental gross margins of 30%, 40%. But if you look at incremental gross margins have now been coming off from very, very high levels in FY24 to FY25 and FY25 to nine months of FY26. So just trying to list down the levers that will take you there with the network reaching closer towards optimal utilization.

And the last question is at what Adjusted EBITDA margins you turn into free cash flow from operations at the consolidated company level in the medium term? Thank you.

Sahil Barua

Thanks, Gaurav. In terms of parcel growth, segregating between organic and inorganic, etc. You know, to be perfectly honest, this is something we stopped bothering about in Q3.

It's safe enough to assume that at this point in time, all of that growth in some senses is organic to Delhivery. It is, you know, sure. Did we gain share at the instant that we acquired Ecom Express? The answer is yes. But the hard part is in retaining it because, in some senses, inorganic volumes acquired can also deplete, which hasn't happened. So, you know, I don't think it's very material to think of it as either organic or inorganic.

I think the significant fact is that our volumes are up 43% a year. Now, has the market grown 43%? Certainly not.

You know, the e-commerce market, I think now there's a listed e-commerce company, plus there are other players whose numbers are out there. Best estimates are that e-commerce volume growth, you know, GMV growth obviously may have been slightly higher if Flipkart sold more mobile phones. But other than that, you know, broadly speaking, volume growth would have been in that 15-18% kind of range.

And so when we've grown volumes 43%, 15-18% has come from organic growth in the market. You know, all the rest of it has obviously come from share gain. Over a period of time, as long as Delhivery continues to grow at sort of 15-18% plus in terms of volumes in e-commerce, it's safe to assume that a large portion of that is coming from share of wallet gains.

And as I mentioned in the previous three questions or two, three questions, whatever it is, the share of wallet gains are because fundamentally Delhivery is the highest quality network, which gets to 18,800 odd pin codes at the lowest possible cost. And more specifically is the most reliable when things are spiky and difficult, which in India increasingly is all of the time. So, you know, not very instructive.

And we don't particularly bother about whether, you know, growth is organic or inorganic or anything else.

In terms of the bridge of PTL margins from 11% to 16% will continue to go up as utilization of the network goes up. Service centers sort of will fill up, trucks will fill up increasingly and margins will continue to go up.

The second piece, of course, is that we do continue to reprice certain accounts. As we've mentioned, since we started the analyst calls in PTL, you review your contracts every year. You look at which lanes, which contracts don't make you enough money and sort of renegotiate that pricing.

There's a certain cadence to the renegotiations. You know, some contracts come up once a year. Some contracts come up, once a quarter.

So I think yield will also continue to get better. And by yield getting better, I don't necessarily mean that yield will take, you know, the kind of trajectory where it keeps going up. What I mean is that it will keep getting more profitable because as we may also, for example, do more reverse lanes or we may do more short haul lanes where the yield will optically look lower but will be more profitable.

So we're a long way from the point where, you know, PTL margins will not improve with increasing loads. I think that will continue to happen. And you should see that.

Some of the sort of, you know, the expansion in the margins in Q3 in PTL actually could have been even larger. But the reality is that in this quarter, as we'd mentioned, we did carry extra infrastructure because it was an e-commerce peak. I'd mentioned this in the call that we'd done at the end of Q2, that by virtue of the GST sort of, you know, shock, the e-commerce peak got pushed out a little bit.

But we had built capacity a little earlier than originally planned. So in some senses, PTL margin could actually have been slightly higher in this quarter, you know, if it had been timed to perfection, which it wasn't. But nothing changes, you know, as we've said in the past, more volumes equals more profitability.

We track the gross margins, you know, and the EBITDA margins at a client level. And that's how we make our decisions on pricing.

In terms of Adjusted EBITDA and when we turn FCF positive, I think, Vivek, do you want to come in?

You'd be best placed to answer this question.

Vivek Pabari

Yeah, Gaurav, at about 6% we will be free cash flow breakeven. The math is simple. The CapEx will be in the 5% zip code area.

So maybe 4.5% is what we have said in the steady state. Our working capital is already down to 15 days. So that would roughly mean that about 1% of working capital increase for the 15 to 20% kind of revenue growth rate.

So that 5 plus 1 is broadly the 6% and at 6% Adjusted EBITDA, we will be free cash flow breakeven. That's the pre-tax free cash flow is what I'm referring to.

Yash Jain

OK, I think the next question is from the line of Krupa Shankar. Krupa Shankar, could you please unmute yourself?

Krupa Shankar

Hey, hi. Good evening and thank you for the opportunity. Great set of numbers. So my first question would be on the PTL part. Just wanted to get a sense that while I do appreciate that you're adding a lot of sales team to drive volume growth, I just wanted to get a sense if you are adding any ancillary services in the PTL network, which can further improve the network utilization and employment?

Basically, in CY26, are you looking to add more services to the existing network? And the second question would be on the supply chain piece. Now, historically, we have observed that the supply chain segment has a cap on the margins.

And typically, because of the nature of contracts, you are not able to go beyond that threshold. So is there any number like what you mentioned on the transportation business of 16-18% service EBITDA? Is there such a number for supply chain business as well?

Sahil Barua

Sorry, before I answer question number one, when you say that historically you have seen that supply chain services contracts have a cap, are you referring to Delhivery or is this experience based on some other company?

Krupa Shankar

Based on industry.

Sahil Barua

Who do you define as the industry?

Krupa Shankar

The existing contract logistics companies in the ecosystem, we have typically seen that their reported EBITDA margins range between 5-10%. And typically, it is quite difficult to break that threshold given the fact that the mix of transportation is also quite high and the contracts are negotiated quite stringently. So something on those lines probably was what I was referring to.

Sahil Barua

Understood. Well, I think you have a definitional problem. There's a reason we don't call our business contract logistics and we call it supply chain services because they're fundamentally different.

We are not a manpower outsourcing vendor where a client comes to us and says, here's a piece of land that we have a warehouse on. We'll put our supervisor here and our warehouse management system and our racks. You provide us the manpower who does the picking and packing operation and we'll pay you 4% for that.

So we're not in that business. Overall, I know there are other players who are in that business and obviously some of them come from legacy operations where they have a parent which required that service. So whether it's Mahindra Logistics or TVS or whoever it is, ultimately remember that their supply chain services businesses come out of having a captive which provides a large amount of business to them and has no incentive to pay them full margins.

Delhivery does not provide that service in any part to any client. We only take on mandates where it is a fundamental supply chain redesign. And in fact, it is now proven and we've shown this to our clients that by not doing contract logistics and by allowing us to determine the infrastructure and transportation mix requirements that they have for their specific problems, we save them money compared to a contract logistics player.

We service the auto industry including players who, for example, have previously been serviced by the 4% margin players that you're talking about and Delhivery has come out cheaper and more profitable. So our approach to SCS is going to be no different. I don't know what the cap on SCS margins is.

We have accounts which, for example, deliver 30% plus EBITDA as well. Obviously, our dog accounts were things like Quick Commerce where we lost money rather than making any. And we occasionally run into clients where service quality is not a priority for them and they're effectively looking for a contract logistics solution in the guise of a supply chain services discussion largely because they want to seem like they're having a forward-looking discussion while sort of sticking to the past.

But we don't participate in those kinds of RFQs any longer and that's sort of what we've been shedding. So is there a cap? No, I don't think so.

Will margins continue to improve? We're already at 13%. We are nowhere near the full potential margins of this business.

What will they be exactly? I'm not really sure. It depends on how much inefficiency we can strip out of various people's supply chains.

So far the benefits that we have been bringing to our customers are the benefits of scale, obviously. There are the inherent benefits of our warehouse management system which allow us to run more productive under-the-roof operations. The integration with our transportation network which allows us to deliver a faster service and also to take certain advantage of underutilization in some parts of our network, specifically with respect to time.

But outside of that, we haven't even gotten to the more exciting parts of delivering value to industry, which is really, for example, cutting inventory holding. Only some of our most long-term customers have started engaging in that discussion, which is where we start saving them not just operating expenses but also taking inventory off their balance sheets and saying you can run a much leaner operation. So we will get there.

But please don't confuse us with a contract logistics business. It's sort of like apples and oranges.

Now, coming back to your question on PTL, are we adding ancillary services to the PTL network?

I'll just start and maybe my colleague Varun is on the call. Maybe he can step in for a couple of minutes. But I think, first of all, just the pure express PTL business.

One of the things that's happening in the industry is clients want as fast as possible part-truck freight delivery services as they can get. There's no customer who says, yes, I'd like slower freight. So there's a general move towards express.

The second is there's a general move towards organized players where, and we've discussed this in the past, for a variety of different reasons related to quality, related to the ability to serve pan-India, the ability to serve on a direct network, and so on. And there are really, strictly speaking, only two very large high-quality PTL players in India, which are Safexpress and Delhivery. And so in some senses, we don't really need to offer ancillary services to continue to grow or to improve network utilization.

That said, I think I know what direction you're going in, which is are we also going to do non-express part-truck, which does continue to exist as a service at this point in time. There are certain services, for example, like hub-to-hub delivery, which we already do a fairly large amount of, as opposed to sort of door-to-door. Are we going to do some of those?

Maybe Varun is the right person to come in and sort of briefly talk about this.

Varun Bakshi

Thanks, Sahil. So, yeah, so a couple of things. So first of all, the additional services could be, as Sahil said, it could be hub-to-hub.

It could actually be, air PTL as well. There is something which goes by air PTL, which do we have capability? Yes, to start immediately.

But will we be starting? Yes, sometime in the near future. Again, yes.

So that's a short answer. Hub-to-hub, again, we know the industry, we know the customers. Can we start?

We can start almost immediately. But again, there is so much to do with the current setup, with the current set of people in the express PTL industry where we are seeing a lot of traction going to every customer we approach that we will take this up, but at the right time. So in the near future, yes, but probably not. It's not tomorrow morning.

Krupa Shankar

Got it. Thanks for answering the questions.

Yash Jain

Thank you, Krupa Shankar. The next question is from the line of Aditya Bhartia. Aditya, could you please unmute yourself? Hi, Aditya.

Sahil Barua

I think, yes, you want to move on to whoever's next?

Yash Jain

Yeah, we'll move on to the next participant. The next question is from the line of Alok Deora. Alok, could you please unmute yourself?

Alok Deora

Yeah, hi. Good evening and congratulations on the really good numbers. So most of the questions were answered.

Just one question I had. If you look at the last three, four quarters, the PTL margin has been in the 10% to 11% range, even despite the increase in the volumes. So when we were doing around 450KT, the margins had reached around 11%, and even at 500KT, we are at around that number.

So just going by the trend, is it like a hurdle to generate incremental margins now, or would it be increasingly difficult to generate more margins now? I just wanted some color on that.

Sahil Barua

Yeah, that's a good question, Alok. So a quick answer is no, it will not be hard to generate incremental margins. I'll take a slightly circuitous route to answer this question.

One is we look at the EBITDA margins of clients at an account level, and then sort of take appropriate either pricing actions or decide what to do from a contracting standpoint. Now, therefore, because a larger proportion of our clients increasingly are at gross margins, which will eventually lead to a much higher than 11% service EBITDA margin, I'm pretty confident that overall EBITDA margins will continue to rise. One of the reasons why margins have been choppy in this sort of, let's call it, last year Q4 to this year Q3 kind of period is because of a couple of things.

One is because the express network suddenly sort of exploded with Ecom Express and so on. So what's happened is that express capacities have increased in the last two quarters to some extent, and as a consequence of that, and also heavies typically increase in Q3. As I'd mentioned on the previous question, also the one before that, in Q3 were we not carrying excess infrastructure to some extent for the express business, some of which was just timed earlier than it should have been as a consequence of sort of GST and sales getting pushed out and so on, PTL margins normatively actually would have been a little higher than the 11% that you're seeing over here. So there's no particular reason that I can see for us to worry about whether PTL margins can expand past 11%. Of course, there are still some accounts where we need to redo pricing.

That % obviously today is much smaller than it was when the PTL business was, you know, breakeven or loss-making. But there are still a few accounts where we do need to renegotiate and we need to sort of expand, you know, pricing. And the other is obviously there continue to still be some underutilized lanes that we have across the country.

So I'll give you just one example because of the way our routing works. You know, one example is that loads from Kanpur going back into North India, typically those trucks tend to be emptier than trucks going the other way. So, we need to generate more loads coming out of UP as a consequence of that, you know, we've expanded teams in UP.

Our sales team has been significantly expanded. So as that kicks in, you know, you should sort of see margins going up. But again, you know, just to top this up, I'm sure Varun will have a perspective.

Varun, do you want to come in for a couple of minutes?

Varun Bakshi

Yeah, sure, Sahil. So just to add to this, let's say, let's take an example. Once we set up a sales team, let's say in a new retail market, which is slightly off from where we already do pickups, where we already do business.

We need to set up a facility. We need to set up a truck that goes, picks up from there and comes back. And when we start on day zero, a new market or a new place, then let's say in a longer run, in six months time, we think on a daily basis we'll be picking 20 tons from that place.

But on day one, we don't get 20 tons. We probably get one ton. We probably get two tons.

We can't plan a facility for one ton or two tons. We need to think six months forward and plan a facility for probably 20 tons or 30 tons to account for that growth. So when you go to new places, when you go deeper into the country, you plan for capacities, which are slightly forward in nature, rather than just suiting that one ton on that day.

So as these things get better utilized, again, profitability would go up. I think that was one point which I wanted to add.

Alok Deora

Thank you so much. Just one follow-up question on PTL only. So, we have seen quite phenomenal growth, especially in 3Q.

Also, we saw pretty robust volumes, which was, I believe, much better than your expectation as well. So was it also related to some sort of increase because of the GST rate cut where we saw some kind of volume getting shifted from 2Q to 3Q? And now the run rate would kind of stabilize at around 17% to 18%.

That would be my last question. Thanks.

Varun Bakshi

I'll take that Sahil. So, was there some extra tailwind because of the GST action by the government?

Probably yes. But having said that, I think we'll continue to stick to our guidance wherein in a longer run, you can expect a ballpark 20% growth to play out. Now, for a few quarters, it might go down to 17%, 18%, 19%.

For a few quarters, you'll see 21%, 22%, 23%. Last quarter, it was lower because there was a GST impact. This quarter, probably we have covered up for that.

The revenue growth is 25%. So again, it's not going to be linear, but it's ballpark going to average out probably at this level in a longer term.

Alok Deora

Thank you so much for that answer. Thank you. All the best.

Sahil Barua

Thanks. Yash, I think we have Aditya back.

Yash Jain

Hi, Aditya, are you... Aditya, go ahead with your question. Yeah, okay.

Aditya Bhartia

Am I audible? Yes, you are. Please go ahead.

Okay, perfect. So, my first question was on corporate overheads, wherein if we look at corporate overheads as a % of revenues, they are pretty sticky at around 9%. So with increasing volumes, we are also seeing corporate overheads, especially on the wages side, increasing.

So how should we think about it going forward? That's my first question. My second question is that one of your customers who kind of held the conference call yesterday spoke about increasing capacity and better utilizing the capacity that they have expanded in the last quarter going forward.

So in that scenario, how are the conversations that you've been having with them? What is really the roadmap? How should we think about that customer scaling up or down in the next year?

And my last question is, anything that you want to be commenting on the health of your competitors? Is there something that looks a little kind of scary?

Sahil Barua

You mean for us or for them?

Aditya Bhartia

For them.

Sahil Barua

Okay, got it. All right. Naman, can you just pull up the slide which has corporate overheads as a % of revenue, please?

Naman Jain

Sure, Sahil.

Sahil Barua

It's a margin slide. Yeah, so you can see it here. I mean, to be perfectly honest, it's come down from 11.4% in Q1 FY24 to 9.1% in Q3FY26, which is a fairly significant reduction. So I appreciate that you're looking at this YoY and it's 9% last year and 9.1% at this point in time. But I don't think business tends to behave in a way where every single quarter you see a unidirectional movement of anything. Broadly speaking, corporate overheads have come down from 11.5%. They were actually 12% or so in FY 23. We are sitting here in FY26 and we're at 9%, which is a % of revenue, you know, in reduction terms, 25% reduction as a % of revenue over a three-year period. And we expect that to continue. We have said we expect this to settle in the 6, 6.5%, you know, maybe up to in the sort of more short term, 6-7% kind of range. And I see no reason for that to change. One of the reasons why the wages are higher, as you can see over here, is obviously because of the sales team build-out that we had, you know, which we alluded to in the previous quarter. And some of this is also provisioning at this point in time.

And I think some of this is also, Vivek, just correct me if I'm wrong. Some of this is also because of the implementation of the new labor code, right?

Vivek Pabari

Yes, the recurring impact has been taken here.

Sahil Barua

The recurring impact also has been taken. So I think let's not give it an adjective as sticky just yet. You know, maybe if we're at 9% or higher than 9% next year, calling it sticky would be fair.

Now, coming to our customers expanding capacity, you know, I guess if the question is they had underutilized capacity, why did the network fail? You know, I think that question is better directed at the people who establish capacity than the people who provide reliable service. But that said, you know, again, I've answered this question a couple of different ways on this call already.

I will repeat it. Putting a couple of people on a bike and having a distribution center does not make a logistics company. Buying a sorter does not make a logistics company.

You know, there is a non-trivial difficulty to building, setting up, and maintaining a large-scale logistics company as is evident. It's taken us 15 years, you know, and I don't think you can kind of MacGyver your way to a logistics company and say, okay, you know, we had underutilization in one quarter and two quarters from now, magically everything's going to be awesome. That's just not how things work in this industry.

Delhivery's competitive position has been established through 15 years of investments in deep engineering and technology capabilities, a vast amount of training. You know, a real team size of 110,000 people, many of whom are not independent contractors who show up on any given day and then don't show up for six days. These are ingrained behaviors supported by, you know, very, very deep investments in capabilities that are hugely important to deliver cost, service, and reliability.

Now, the only world in which Delhivery loses, there is a world where Delhivery loses, that is if somehow tomorrow all of Indian e-commerce becomes, you know, sort of low-quality e-commerce where nobody cares about delivery times and nobody cares about, you know, whether the products reach them on time or not. But if that is to come to pass, then Delhivery is not going to be the only company which has a problem. Failing that, in every other state of the world I don't think you should worry about Delhivery's competitive positioning.

In any given quarter, any customer can change their strategy if they need to. You know, it depends on what they think at that point in time is best for them. We appreciate that.

Our relationship with our customers is always very simple. It's the easiest possible relationship. We show up to customers. We say, you spend too much on logistics. We are more reliable. We are lower cost. Please use us.

And in general, outside of, you know, people who make extremely sort of, you know, silly decisions, the answer is yes. Now, whether we get a 40% share of wallet to begin with or a 10% share of wallet to begin with or a 90% share of wallet to begin with depends on what the client's individual strategy is.

As Delhivery, the steps that we have taken are very simple. We are not dependent on any single customer. We do not have a 60%, 70%, 80% client concentration with one or two customers.

And so in some senses, what they do individually in any quarter is irrelevant to us. So we actually don't listen into the earnings calls, you know, unless we need to for any of our clients. It's just not germane to what we decide to do.

To your third question, anything we want to comment about the health of our competitors, you know, I don't really, I don't run, you know, our competitors. And so for me to comment would not be fair. But I will sort of make a generic statement which I've made in the past and which has borne out, you know, three years ago when we went public.

Now, I said, look, express only models and models which have high client concentration and models which are not built the way ours are, which have the wrong network structure, will never achieve network efficiencies, will never have operating leverage and will never be able to generate incremental margin no matter how much revenue they grow. Now, you can deliver 40% revenue growth, but if you generate nothing in the way of earnings, that revenue growth is meaningless. It's sort of empty calories for a business as far as it goes.

So I guess I would not, like, let me put it this way. If I was running a business which had no fundamental underlying network advantages, whose advantages were built largely on having people, you know, which is essentially, everybody seems to in India for some reason talk about how last mile capacity is very important and how they all have riders at the last mile. That's the easiest, you know, problem in the world.

In India, hiring people with bikes is not a particularly difficult challenge. So would I be nervous if I was running those kinds of businesses? 100%.

I also think capital is increasingly going to become difficult if you're a private company. You know, why should you get any more capital? After 10, 15 years of running a business, if at the end of the day, you've got nothing to show for it, there's no reason for the business to persist.

And I think the public markets will also ask tough questions of all logistics companies, including Delhivery, like you're doing right now, asking me, you know, how our profitability is going to persist and expand and sustain. So I think capital is going to be difficult to come by. I think service levels are going to get increasingly difficult to manage because the environment we operate in has become more challenging.

There's more volatility in volumes. The climate is more difficult to deal with. Regulations are changing across the country.

You know, and outside of that, costs are also escalating. You know, we're very glad to hear that the Indian government has decided to have a labor code for gig workforce, which places certain compliance burdens on everybody in this industry that for the longest time, Delhivery was one of the few players bearing it. So I think from here on, the logistics world gets even more complex.

I think the space for error has shrunk dramatically. I think the private equity strategy of sort of saying we don't mind funding the number four player in this space because somebody has got to be number four is also going to eventually die. You know, once upon a time, there were 10 telecom companies in India and there aren't anymore.

And I think the same thing's going to play out in logistics.

Aditya Bhartia

Sure, that's very helpful.

Yash Jain

Thanks, Aditya. The next question is from Ankita Shah.

Ankita, could you please unmute yourself? Ankita? Okay, I think we can move to the next participant.

The next question is from Aditya Mongia. Aditya, could you please unmute yourself? Okay, next participant.

The next question is from Abhishek Banerjee. Abhishek, could you please unmute yourself?

Sahil Barua

Yes, I have a feeling I answered most of the questions already. So maybe that's what's happening.

Yash Jain

Maybe I'll just take the last participant in the queue before I ask a question from my side. The next question is from Achal Lohade. Achal, do you have any questions?

Okay, I think most of the questions are answered. So I'll just... One question from my side, Sahil.

Achal is here, okay. Yes, Achal.

Achal Lohade

Yeah, thank you for the opportunity. Sorry, I think you answered quite a bit. Just a couple of bookkeeping questions.

You know, the first is, you know, if I just look at the realization and the EBITDA per shipment for express parcel business, you know, we see that with the Ecom Express consolidation, the realization and the cost has also come off, right? So I just wanted to check, you know, in terms of the yield, as in the realization and the cost per shipment, is the 3Q number the new normal or is there a very large seasonality at play? You know, because if I look at the realization, the QOQ as well, it has dropped about 5%.

And so is the cost. So if you could just give us some sense about, you know, the new normal in terms of realized yield and the EBITDA per shipment.

Sahil Barua

Sure. Do you have any other questions? You want to ask them all?

Achal Lohade

Yeah, I do. I do. I do.

The second is, you know, you did mention a couple of times about the extra cost, you know, in the entire network buildup, which impacted PTL margins. Is it possible to quantify? Was that a 40-50 basis point or was that 100 basis point plus kind of impact?

And the third is the corporate overheads. While broadly you had answered, but just a specific, if I look at the technology, you know, line, you know, in the corporate overheads, the earlier run rate used to be 43-45 crores on a quarterly basis. That has become 59-60 for the last two quarters.

Is this the new normal or is this largely driven by the consolidation? Yeah, those are my three quick questions, please. Thank you.

Sahil Barua

Got it. On yield, just very quickly, there is no new normal or old normal. The yield in any given quarter is dependent on the mix of volumes that we carry, which is dependent on the client mix, which is dependent on the weights of packages that we are hauling, the distances that we are hauling them, whether they are COD or prepaid consignments, what their return rate is and what category they belong to.

Now, in the Diwali peak quarter, actually over the last two quarters, obviously since our acquisition of Ecom Express, our relative share of small parcels as opposed to heavy parcels has gone up, which is why optically it looks like the yield has come down. But again, as I had mentioned, the margin % that we expect and effectively, I mean, if you could boil down the return on capital on every shipment that we expect, therefore is constant, or rather, let me put it that way, has a minimum floor that we have to cross. And so in some senses, the normality that we look for is in the margin and not the yield.

In any given quarter, anything could happen. As an example, let's say, for whatever reason, there's a bumper sale of juicer-mixer grinders in this quarter or whatever, some ACs or something, yield might go up. But is that going to be a new normal in Express? It's very hard to say. So, you know, I can't really answer that question any which way. Yields normally in the peak period, when we had not acquired Ecom, would go up in Q3.

This year, as a consequence of hauling a large, you know, much, much larger volume of small parcel, yields actually came down optically. So really nothing very, you know, important to read into it. In terms of the extra cost, whether it's, you know, sort of leading to 50 basis point or 100 basis point increases, etc, you know, unfortunately for me, that's sort of, that's almost, you know, a philosophical question because at the end of the day, we're sort of, you know, allocating costs to some extent between the parcel and the PTL businesses.

Now, realistically, what we could have done but didn't do because we follow a consistent accounting methodology is to preempt these questions by saying, okay, let's take the express margin down to 17.7% and PTL up to 11.9 and make, you know, life easier for ourselves. But basis, the consistent, you know, mechanism of cost accounting that we have followed for many years, it appears that the PTL margins are about 11%. Now, would the margins, had we not carried some of the excess capacity been, 11.5 or 11.7 or 12?

It's very hard for me to say. Could we break it down? Yes, of course.

But, you know, you sort of, for me to answer that question on this call would be impossible. You'd sort of have to come over to our office and then we'd have to spend a whole day going through all kinds of numbers, which I'm happy to do. But, you know, let me just say that it's not a very important activity.

I think what's more important is as our volumes grow, do our margins continue to grow? I think somebody's asked that question. That's a good and fair question to ask.

I think, you know, let's go another one or two quarters and see what happens to margins as loads go up. And the last one is on corporate overheads on tech costs. Vivek, do you want to just come in quickly over here?

I think some of this has to do, obviously, with higher volume.

Vivek Pabari

Yeah, there is a, given the sharp increase in the network volumes, we have added server capacity. So that's playing a role. But the point to note is that from second quarter to third quarter, despite the 20% increase in volumes, the cost has actually not gone up.

The rest of the cost has moved up because we have actually meaningfully stepped up our investments related to AI in our network. We are actually, in a very interesting way, deploying agentic AI across different components of our network. But that does come at some sort of an increase in our tech cost.

Both of these factors have played a role.

Sahil Barua

I've got Aditya's questions, Yash. So let me just take them up. The first question is, what is required for the margins in the express parcel business to go towards 20% and beyond pricing?

What other levers are there to flex? It's a good question. So Aditya, one of them, let me try and stack up a couple of them in terms of how we're thinking about this.

One, obviously, will come from just higher volumes and higher scale. When you look at it, let's say we do 95 million shipments a month, call it 3 million shipments or 3.2 million shipments a day or something like that. That spread, give or take, across about 4,000-odd distribution centers, which is giving you sort of average volume per distribution center of 800 packages, 780 to 800 packages per DC per day.

Now, our DCs theoretically have a capacity to go a little beyond that. They can probably get to about 1,100 or so. We used to be in sort of the 550-600 kind of range. Now we're at about 800. We can get to about 1,100. So there's a certain amount of goodness that will come from there.

There's a certain amount of goodness that will come from capacity utilization or sorters, etc. That'll add, call it, some amount of margin to this whole thing.

The second is there are places where we do need to consolidate infrastructure. I brought this up in the past. For example, we don't run an efficient operation in Pune, and we know it because we were locked into two different facilities. We need to move to one. That will bring down our costs. We need to reorganize Delhi NCR where we need to get out of the city limits essentially to avoid the no-entry problem to essentially reduce our costs at the Delhi Gateway that we have. That'll, I think, happen through the years.

So there are some of these sort of organic infrastructure changes which also should lead to a certain amount of goodness. The reason I bring up cities like Delhi and Pune is that these are big centers, so they do have a material impact on cost.

The other interesting one that doesn't get asked a lot because in general our claim rates are very low is actually reducing claim rates even more. Our claim rates are whatever, in the range of maybe 120, 130 basis points. That claim rate is the % of revenue. I think we can go much lower.

Very often disputes and claims in logistics come out because the customer thought he was going to get a pink T-shirt and then he got a black T-shirt and he tried to return it and then the seller said, no, no, no, I shipped a pink T-shirt and eventually the logistics company foots the bill. You'll see this on the P&Ls of every logistics company. Typical claim rates in the industry can be pretty high.

Ours are generally quite low to begin with because sort of our data products enable us to keep them low, but I think we can get lower. I do think there's probably 30, 40 basis points that we can eke out of claims as well. As a consequence, bring down our losses and that goes straight to the margin.

There are these maybe three, four different steps that inch the margin up from wherever with 18.2, 18.3% that we're at towards the 20%. The other, of course, is not pricing related per se, but I feel like when you look at the heavy market, while we have a large share from the large organized marketplaces in some senses, I still feel there's a pretty large market out there that is shipping heavy in various sort of unstructured ways and that's a market that I think we need to grow our share in. I don't have a number for what our share is, but what I can tell you as an example is when I look at our D2C business and the heavy volumes, we've grown, I think, something like 40, 50% a year, which is much faster than anywhere else. It's not a pricing change, but it's a step change in terms of yield for the network, step change in terms of profitability.

And then, of course, there's pricing, but on pricing, as I mentioned, dynamic pricing is what we're really going to try and shoot for, but outside of the cost side, I'm fairly certain about. I do think we can grow the % of our business from D2C heavies and so on. I'm not so sure on pricing that we will take any sort of steps in the immediate near term.

To your next question, is there an opportunity for pricing more specific routes? Yes, there is. There, of course, is.

That's a good question, and that is what I was alluding to when I was talking about dynamic pricing, which is not just route-based, but which is one way of doing it, which is utilization indexed pricing, but you can also do time indexed pricing and so on. You can do destination indexed pricing. There's a whole bunch of weight indexed pricing that you can do, and we are starting to develop those systems.

Why they are not live as yet is because these systems are fairly complicated to run in almost real time, and if you don't do it in real time, then it has no meaning. You sort of have to be able to ping back what the price of every single package is going to be. Otherwise, utilizations swing around too much.

So we're in the process of developing that. I think there is an opportunity, and what that will allow us to do is to really expose very, very high-quality pricing information to customers at a lane, parcel level and eventually increase our margins as well.

The next question is from Shriram.

Any thoughts on entering the cold chain market? The short answer is no. I think if you look at everything that we do right now, this is sort of what we are capable of doing.

Cold chain is a step perhaps too far for us, and the second problem, of course, in cold chain is my understanding could be dated, but from what I remember, the storage market in cold chain is significantly larger than the transportation market. It's not a market where people are looking for an optimized solution. So there's very real, there's very, very limited value that we can add to that industry right now.

So no immediate thoughts of entering the cold chain at all. Thanks. Sorry, the last question.

Oh, sorry. I believe Naman's just pinged me on the side saying Abhishek from ICICI has a question.

Yash Jain

Yes. Abhishek, could you please unmute yourself?

Abhishek Banerjee

Yeah. Hi. Can you hear me now?

Sahil Barua

Yes. Please go ahead.

Abhishek Banerjee

So, Sahil, first of all, congratulations to the team for hitting the ball out of the park.

Extremely, extremely, you know, happy to see this kind of performance. A few questions from me. So given we are now delivering in margins, right now would be a good time to kind of start thinking about what kind of an ROIC profile do we envisage for ourselves at a steady state?

Any thoughts about that?

Sahil Barua

Sure. Do you have any more questions that you want to just sort of front-load?

Abhishek Banerjee

Yes. Yes. So then one more thing is you've spoken about 15 to 20% volume growth for Express parcel.

Now, does that basically assume that insourcing remains at current levels or do you think it can go up again? Also, what is now the outlook on the overall integration costs? Also, I saw some of the assets that were acquired from Ecom Express, which would help in lowering capex outflow.

So why are we in the letter guiding that it could go up a little bit from here. So if you could give some color around that.

And finally, any concrete plans on acquiring XpressBees?

Sahil Barua

I don't know. Let's leave that one aside for the moment.

Some of the assets acquired from Ecom Express would help in lowering capex outflow. Just to be very clear, as I'd spoken about the Express capex, we do not anticipate it is going to be significant at all.

The Ecom Express sorters will get deployed across our network. In fact, some of them are already deployed across our network and some others will also go live over the course of the next couple of quarters. So Express capex will not be significant.

In fact, even for PTL, we don't really anticipate a very large amount of facility capex. There are some facilities that we need to relocate. Those will happen.

But nothing that's sort of wildly out of course for the business. The only reason we've raised our capex sort of, and just again to be very, very specific and clear, we have not raised capex guidance as a % of revenue. We continue to believe that capex will get down to the levels that we'd spoken about.

We're not saying that we're going to go from, you know, 5% of revenue to 6% of revenue next year. That's not going to happen. All that we're saying is that the decline that you might expect to see may be sort of a little slower than you might expect otherwise, largely because we might have to build out some vehicular capex a little earlier than we would have done otherwise in anticipation of higher volumes.

And that will largely be linked to LNG trucks or tractor trains. That's about it. But there is no sharp deviation that you should expect from a capex standpoint at all.

Capex as a % of revenue is not going to go up. So just be very, very clear about capex. So that's one.

I think I did the best I could with your XpressBees question as well. I think the other question is what is the, does the 15 to 20% volume growth call out for Express parcel insourcing stabilizing at current levels? Yes.

So in the sense that, let me put it this way. If insourcing goes up, you know, as you've seen insourcing went down in the last two quarters. Now, as we have been saying, that makes sense.

You know, networks are becoming more complex. They're becoming more difficult to run. They do not have cost advantages.

So continuing to insource, whoever does it doesn't matter. You know, whichever e-commerce company does it. I've said this many, many times.

I'm happy to say it, as many times as needed, is a fool's errand. It's losing money and it adds no value. Our view is that even if people continue to insource more and some of the clients cannot insource anymore, they've already insourced as much as they could, you know, we'd still be able to grow at 15 to 20%.

As far as Delhivery is concerned, that shouldn't be a problem. And like I said, you know, in cases where customers decide to insource more, they are insourcing to a higher cost option. And when they're doing that, that's going to show up in their P&Ls and eventually they're going to have to account for it.

You know, that's visible in the P&Ls of companies which have gone public. And in companies which are private, that's visible in the filings that they've made to the ROC, you know, as in the registrar of companies. So eventually I think you have to direct the questions to them saying, hey, why do you lose 2,500 crores a year on logistics when you don't need to?

So I guess, let me put it this way. Worst case, hopefully we continue to grow at this 15, 17%, which is a lower end of the scale. If people continue to make bad decisions on insourcing.

And if people make good decisions on insourcing and outsource to the largest and highest quality and cheapest logistics company in India, our growth should be 20% or higher. And in any case, the reality is that competitive intensity in this industry is reducing. The other thing also, I think after the Ecom Express acquisition, and I know, you know, one of our competitors has gone public.

I'm sure the question that everybody's asking them is why does one client make up 70% of your revenues? And so everybody at the end of the day also does want to reduce dependence. And that's going to create an interesting environment.

Either way, I think, you know, we have to maintain our course, which we have always maintained. So 15-20% seems perfectly okay. You know, to us.

To your question on the outlook on integration costs? Like I mentioned, you know, we expect them to be significantly lower than the 300 crores we'd originally forecast. I think we had 90 crores in integration costs last quarter.

We are at 35 in this quarter. And I think the guidance that Vivek has put out for the next quarter, maybe about 25 to 30 crores of residual costs. So net net looks like it'll end up at that sort of 150, 160 kind of range, which is significantly lower than we'd originally forecast.

So yeah, you know, that's where we are. In terms of the ROIC profile, Vivek, do you want to take that?

Vivek Pabari

Sure, Sahil. Abhishek, the short answer, we think our business can generate 25 to 30% kind of ROICs.

First, one important clarification. When I talk about ROICs, I talk about ROICs on our tangible assets. This does not include cash or ROU assets. The point on ROU assets is quite important to bear because ROU assets is an accounting entry or our long-term leases, we actually do not have any capital tied up on our ROU assets. We can exit any of those leases anytime. So for ROICs, using ROU assets in the denominator for calculating our ROICs would not be very accurate.

The 25 to 30% is on our tangible assets. The drivers of that are both the expansion of our profitability, as well as improvement of our asset turns and the tightening of our working capital. We have always maintained that our business can generate about 16 to 18% kind of service EBITDA margin over the next three years. Alongside that, our corporate costs are expected to also come down to about 7% kind of levels. So that gives us about 10 to 11% types of overall Adjusted EBITDA margins.

As our capex intensity in the business is coming down and our business scale is increasing, our asset turns are also improving. We think we can generate about 3x asset turns in the steady state. This coupled with further tightening of our working capital, it's already down to 15 days, will likely give us about 33% of revenue as our gross block and about 6-7% as our working capital. So about 40% of revenue as capital employed in our business.

That with a 10 to 11% type of Adjusted EBITDA margin gives us about 25 to 30% kind of ROIC.

So those are the levers which we are solving for. We are fairly confident that we can achieve these levers.

But again, emphasizing that this 25 to 30% is on our tangible assets. It excludes cash and it excludes ROU assets.

Abhishek Banerjee

All right. Super. Thank you so much, Vivek.

Yash Jain

Thanks, Sahil and Vivek. I'll squeeze in one last question from my end. On international business, how will the economics and operations work here and how should we think about the scalability and profitability in this business?

Sahil Barua

This is profitable from day one. We've already been carrying packages in December. All of the packages that we've carried are profitable.

So this, as I'd mentioned earlier, there's no, you know, capital earmarked towards investing in this business. It's an add on sort of to what we were already doing, you know, in terms of express air parcel. So in express air parcel, we have a partnership with FedEx and with Aramex.

In the economy product, we have stitched together a network which includes carriers. So for example, we fly Air India. And then we also, and then we inject into the US and then hand off to partners in the US.

It's a sort of, it's a light technology integration as opposed to sort of a formal partnership, like what we have with FedEx or UPS. And the rates that we have for each of these legs are added to Delhivery's cost and Delhivery's margin expectations, and then presented to clients. And it's obviously, it's still a compelling proposition

The reason it's a compelling proposition, obviously one is the reach of Delhivery's network in India. So let's say you're an SME who wants to export out of Moradabad, you know, Delhivery has the best service from Moradabad to Delhi. And so as a consequence, your goods are hitting the airport, you know, earlier than they would with any other network.

And obviously from an integration standpoint, you get a single airway bill you can track. Well, you know, there's a bunch of features that are still under development as well because cross-border shipping is a complex process and it's sort of a nerve wracking process for SMEs. And so, you know, our tools will help you with that process.

And that's how we end up gaining share. So it will be profitable from day one. It will not require any further capital investments.

It's a process of just stitching together a bunch of networks around the world.

Yash Jain

Got it. Thanks. We take that as the last question.

Participants, in case of any questions, please reach out to the IR team. Sahil, any closing remarks from your end?

Sahil Barua

You know, first of all, just thank you, Yash. Thank you Ambit for hosting us this evening. Thank you to all of you who've joined and, you know, stayed with us all the way through.

There were about 180-odd participants. I know it's 7.30 in India on a Saturday. So I really appreciate you staying with us.

I think, broad summary, it's a very satisfactory quarter. I think what you're seeing over the last couple of quarters is really the culmination of, you know, steps that have been taken over many, many years. You know, there have been times when obviously there have been questions about Delhivery's long-term strategy and what we're sticking to.

I will reiterate that our strategy is to be the lowest cost, highest reliability, highest quality logistics company with the widest range of services across the widest network in India. And as long as we continue to do that, I think Delhivery's competitive positioning is secure, irrespective of what happens to the market in the short term or the medium term. And that's sort of what you're seeing play out.

We will continue to invest in these areas. We will continue to invest in reducing the cost of logistics. We will continue to invest in improving service quality and, you know, maintaining and recruiting a high-quality team.

You know, that's the cornerstone of what we do. And, you know, hopefully like you've seen in the last couple of quarters, you'll see this continue to play out. So a very satisfactory quarter.

I think it sets us up well for Q4, but more importantly for FY27. And, you know, look forward to seeing you all at our next earnings call. So, thank you very much.

Yash Jain

Thanks, Sahil. Thanks, everyone. All of you may log off now.

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