DELHIVERY

Date: August 16, 2022

BSE Limited **Floor 25, P J Towers,** **Dalal Street,** **Mumbai – 400 001** **India**	**National Stock Exchange of India Limited** **Exchange Plaza, C-1, Block G,** **Bandra Kurla Complex,** **Bandra (E), Mumbai – 400 051** **India**
Scrip Code: 543529	**Symbol: DELHIVERY**

Sub: Transcript of Earnings Call pertaining to the Unaudited Financial Results for the quarter ended June 30, 2022

Dear Sir,

This is in continuation to our earlier letter dated August 09, 2022 regarding audio recording of the analysts/investors Earnings Conference Call held on August 09, 2022 at 04:00 P.M. (IST) on the performance of the Unaudited Financial Results of the Company for the quarter ended on June 30, 2022.

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

The same is also available on the website of the Company at https://www.delhivery.com/investor-relations/.

You are requested to take the same on your record.

Thanking you,

Yours faithfully,

For Delhivery Limited

DELHIVERY LIMITED

Sunil Kumar Bansal
Company Secretary & Compliance Officer
Membership No: F4810

Place: Gurugram

Encl: As above

"Delhivery Limited Q1 FY23 Earnings Conference Call"

August 09, 2022

MANAGEMENT: **MR. SAHIL BARUA – MD & CHIEF EXECUTIVE OFFICER**
MR. SANDEEP BARASIA – ED & CHIEF BUSINESS OFFICER
MR. AMIT AGARWAL - CHIEF FINANCIAL OFFICER
MR. VARUN BAKSHI - HEAD, INVESTOR RELATIONS

MODERATORS: **MR. GAURAV RATERIA – MORGAN STANLEY**

Moderator: Ladies and gentlemen, good day and welcome to Q1 FY23 Earnings Conference Call of Delhivery Limited hosted by Morgan Stanley India Company Private Limited.

Before we start, we would like to point out that some of the statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. Kindly note that this call is meant for investors and analysts only. If there are any representatives from the media, they are requested to drop off this call immediately.

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

I now hand the conference over to Mr. Gaurav Retaria from Morgan Stanley. Thank you and over to you, sir.

Gaurav Rateria: Thank you Neerav. Hello, everyone. This is Gaurav Retaria from Morgan Stanley. Thank you all for joining us for Delhivery's Earnings Call to discuss Fiscal 23 First Quarter Results.

To discuss the results, I am pleased to welcome, Mr. Sahil Barua – the MD & CEO; Mr. Sandeep Barasia – ED & Chief Business Officer; Mr. Amit Agarwal - CFO and Mr. Varun Bakshi - the Head of Investor Relations.

I thank the management team for providing us the opportunity to host this call. I now invite Mr. Sahil Barua to take us through key financial highlights for the quarter post which we will open the floor for Q&A. With that, over to you, Sahil.

Sahil Barua: Thank you, Gaurav and thank you all for joining. A very good evening to you and welcome to our Second Earnings Call. So, the agenda for this call is to walk through our earnings presentation in about 20 minutes and then we will open up to questions. For those of you who are joining for the first time, a brief background on Delhivery. The objective behind Delhivery is to build the operating system for commerce in India which means we essentially provide the infrastructure, the services and the technology that allow buyers and sellers to transact with each other in the real world. These buyers and sellers maybe businesses transacting with businesses, businesses transacting with consumers or consumers transacting with consumers, both within the borders of India or from India to abroad or abroad to India.

A quick snapshot of our performance in Q1 FY23:

We continue to be India's largest integrated logistics platform. In Q1 FY23, we registered Rs. 1,746 crores of revenue from services which represents a 30% growth over our revenues for the same quarter in the previous financial year. Q1 FY23 adjusted EBITDA margin stands at negative 12.5%. We delivered 152 million parcels in our Express business in Q1 FY23 and have delivered close to about 1.6 billion packages since our inspection in 2011.

In Q1 FY23, in our part-truckload business, we delivered close to 240,000 tons of freight and have shipped close to 2.5 million tons of freight since FY19. We run one of the largest networks in the country and operate close to about 18.9 million square feet of logistics infrastructure across the country. This includes automated sortation centers, trucking terminals, air terminals and fulfillment centers across India. We have about 29,000 active customers who work with us across multiple business lines which include express parcel shipping, part-truckload shipping, full-truckload shipping, supply chain services and warehousing and cross border logistics. 54% of our revenue comes from customers who used two to more of our services and we cover 18,435 pin codes across the length and breadth of the country as defined by the Indian post.

A quick snapshot of our key operating metrics:

For Q1 FY23, which is the column on the extreme right, between the end of FY22, since our last Earnings Call and the end of Q1 FY23, we have expanded our pin code reach from 18,074 pin codes to 18,435 pin codes. Our overall customer base has expanded from 23,600 customers to over 29,000 customers as of the end of Q1 FY23. As discussed earlier, we have expanded our overall logistics infrastructure from 18.15 million square feet to 18.9 million square feet as of the end of Q1 FY23. We continue to have the largest number of gateways, automated sort centers and processing centers among logistics companies in India. We operate 96 gateways across the country, 21 automated sortation centers, 189 processing centers, nearly 3,000 express delivery centers, about 240 freight services centers and we have an overall team size of close to about 60,000 people across the country.

Moving to the next slide, key milestone for Q1 FY23:

The first is one that we had referred to in our communication with shareholders earlier in this quarter which is the completion of the operational integration of SpotOn. To refresh everyone's memories, SpotOn was a part-truck load freight business that we acquired earlier in FY22. The integration was planned in 3 phases which I will talk about in more detail through the call which began in quarter 3 of the last financial year and the final phase of the integration was scheduled for Quarter 1 of this year. We have expanded total infrastructure to nearly 18.9 million square feet and commissioned and taken live our automated mega facility at Tauru Bilaspur in Haryana which is now fully operational. We also launched guaranteed same day delivery service aimed at direct-to-consumer e-commerce customers across the country. We have also launched our consumer-to-consumer shipping application, the Delhivery App for consumers to book and track consignments in real time. Our client roster has grown in Quarter 1 as well. We have on-boarded over 500 new customers in our Express Parcel business and our Supply Chain Services business continues to see robust demand for our integrated services. We have onboarded two of the world's largest auto manufacturers, a major multi-brand retailer, a global electronics major and one of India's largest paint companies in our Supply Chain Services business and on the technology front, we have been awarded two US patents for our Data Sciences work for Addfix and UAID which are our proprietary systems. That is the quick snapshot of Quarter 1.

I will begin with the quick update on the SpotOn integration:

The integration of Delhivery and SpotOn as I had pointed out was carried out in three phases. It required us to assimilate over 2000 members of the SpotOn team. About 5,500 customers were serviced by SpotOn prior to the integration. An infrastructure of about 2.5 million square feet which was spread across 350 operating facilities was to be brought into the combined Delhivery and SpotOn network. As part of Phase-1 which was in quarter 3 of the last financial year and completed successfully in December 2021, our first aim was to integrate clients and team, restructuring customer contracts for all of the 5,500 SpotOn customers ensuring parity with Delhivery and integrating the SpotOn team of over 2000 people into our organization. As part of Phase-2 which was completed during Quarter 4 of the last financial year in March 2022, we completed integration of client-facing and operation system, which was a full integration of our technology system, essentially setting us up for moving all operations to a single integrated network in Phase-3. Phase-3 was begun in Quarter 1 which was the final integration of operations which included both the infrastructure and the network operations of both companies. The decision to complete the integration in Quarter 1 was based on certain factors in our business. First of all, on business cyclicality, where Quarter 1 volumes in the financial year are typically lower than quarter 2 to quarter 4. The second was in line with our annual CAPEX cycle. Delhivery typically commissions new infrastructure which goes live in quarter 2 and quarter 3 of the financial year and so integrating prior to the commissioning of new infrastructure would allow us to bet in this infrastructure with the combined volumes. The third factor was avoiding the monsoon and making sure that we were essentially not disrupted by the rains across different parts of the country and the fourth was the avoidance of the e-commerce peak season which typically hits us in quarter 3 of the financial year.

In Quarter 1 while we started the operational integration, the overall process of integrating the infrastructure and the network took longer than we originally expected. This was due to a couple of reasons, first was higher than forecasted volumes which created bottlenecks for some of our key facilities as the automated gateways in both Tauru and Bhiwandi, but also add some of the facilities where both Delhivery and SpotOn had not established sufficient infrastructure to service incremental customer demand which included locations like Chennai and Pune. As a consequence, we made the choice to pause volumes from a selection of key accounts and some accounts who had either specific business processes or specific requirements for freight handling until operational parameters were conclusively stabilized. Operational service levels have returned to pre-integration levels within a few weeks of beginning the integration and have remained stable since.

Moving to the next slide, the impact of the integration which I will talk about in more detail as we go through the financials, first of all has risen from service stability. Service stabilization took us 4 weeks longer than originally expected at the start of the quarter, largely due to the automated gateways at Gurgaon and Bhiwandi having a temporary effect on service procession. There were higher than normal service-related claims from customers that has to be settled during Quarter 1 which have cost higher revenue provisions during the quarter and the temporary period of disruption for our pickup in Delhivery business partners due to a change in the serviceability as they moved from the SpotOn network to the combined Delhivery and SpotOn network. The proactive reduction in volumes along with the reduction from select clients also affected us overall in Q1 FY23 and we made the decision to maintain capacity across our three key resources which are staffing, fleet and infrastructure to ensure service stability through the period and as a consequence, we see slightly higher unit costs which were elevated during Q1 FY23 compared to Q4 FY22. In addition, there are one-time transition costs of the integration which we expect will normalize over FY23 for instance due to commercial or contractual reasons, we have had to run a certain amount of redundant infrastructure and certain software licenses and there are certain administrative costs from the SpotOn entity that has continued in Quarter 1. We also paid one-time compensation to key business partners and channel partners in Quarter 1 to support them through our integration period outside of which there has been substantial technology and development costs both in Q4 FY22 and Q1 FY23 as we have integrated Delhivery and SpotOn systems. The overall impact is what you see in slides to follow.

As you can see on the left-hand side, overall revenue between Q1 FY22 and Q1 FY23 has grown by about 30% year-on-year from Rs. 1,344 crores to about Rs. 1,746 crores. The composition of the business has changed slightly owing to the integration effect or the PTL business. PTL which was 23% of the business in Q1 FY22 is 15% of the business in Q1 FY23.

Express Parcel revenues have grown by 34% from Rs. 785 crores in Q1 FY22 to Rs. 1,051 crores as of Q1 FY23. This is despite seasonality in the express business where Quarter 1 of the financial year is typically depressed and the exit of Shopee from the Indian market in Q4 FY22. Express parcel shipments grew strongly through this period. We have seen 50% growth year-on-year with Q1 FY22 volumes of 102 million growing to 152 million for Q1 FY23. Part-truck load freight revenues have de-grown by 16% between Q1 FY22 and Q1 FY23 owing to the reasons I spoke about earlier where we proactively shut down some client volumes for a period of time and some clients chose to proactively cut volumes as well through this period. Overall freight tonnage de-grew from 279,000 tons of freight to about 234,000 tons of freight in Q1 FY23.

Moving to the next slide, our other business lines, which are the Truck-load business, the Supply Chain Services business and the Cross Border Services business continued to show robust growth in line with our original plant. The FTL business has grown from Rs. 55 crores of revenues in Q1 FY22 to over double that in Q1 FY23 registering nearly Rs. 122 crores of freight value transacted. In the Supply Chain Services business as well, we have seen about 120% growth year-on-year with Q1 FY22 having Rs. 106 crores of revenue which has grown to nearly Rs. 240 crores of revenue for Q1 FY23 and revenue from Cross Border Services excluding traded goods has grown from Rs. 51 crores of revenue in Q1 FY22 to Rs. 78 crores in Q1 FY23 as our integration with FedEx has stabilized.

In terms of adjusted EBITDA, Q1 FY23 which is the third column in the table, our revenue from customers as discussed stands at Rs. 1,746 crores. We are broadly neutral at the service EBITDA level. We pay final adjusted EBITDA of negative Rs. 217 crores or -12.5%. Compared to Q1 FY22, where we had an adjusted EBITDA margin of negative 4%, so a decline in the adjusted EBITDA by about negative 8.5% and compared to quarter 4 where we made an adjusted EBITDA of Rs. 81 crores, a change of about Rs. 300 crores.

Moving to the next slide, this is a quick bridge on the change in adjusted EBITDA from Q4 FY22 to Q1 FY23:

At the top of the table is the Q4 FY22 adjusted EBITDA of Rs. 81 crores. In Quarter 1 of the year, we typically add, as I had discussed manpower fleet and infrastructure capacity in anticipation of higher volumes between quarter 2 and quarter 4, we added close to Rs. 21 crores of cost (B1) in this period which is 2,500 additional staff, 30 trucks and 85 trailers which is in line with our sort of larger objective of movement of trailers and about 740,000 square feet of transportation infrastructure. As I had discussed, we chose to continue and retain existing capacity of fleet, of manpower and of infrastructure in anticipation of service recovery to ensure that service levels stayed stable and to make sure that as volumes went up, client experience was not affected. The overall cost of the underutilization of this existing capacity is to the extent of Rs. 150 crores (B2) in Q1 FY23 and in addition, our annual inflation cycle which comes from wage hikes and rent escalations has added up to Rs. 17 crores (B3). So, the net impact of B1, B2, B3 is Rs. 188 crores. In addition, the exit of Shopee which gave us 22 million parcels in Q4 FY22 has an impact along with reduced revenues in the part-truck load business of close to about Rs. 60 crores, leading to a total reduction in service EBITDA of Rs. 188 plus 60 which is Rs. 248 crores and a minor increase in corporate cost leading to a total impact of Rs. 252 crores. Excluding one-time integration costs which include one-time provisions for heightened claims from customers and Rs. 6 crores in payments to vendors as support for Quarter 1, the adjusted EBITDA prior to the integration cost stands at negative Rs. 171 crores and including one-time integration cost which we do not expect will continue into quarter 2 and beyond at negative Rs. 217 crores.

The next slide shows a comparison versus prior periods. In steady state, in Q3 FY22 and Q4 FY22, the business had achieved adjusted EBITDA margins of close to 4% which in Q1 FY23 affected by the SpotOn integration stand at negative 12.5%. The next slide is the detailed breakup of the adjusted EBITDA. Total revenue from customers for Q1 FY23 was Rs. 1,746 crores, total expenses stood at Rs. 2,206 crores. After adjusting for noncash expenses and adjusting for lease adjustments due to AS 116 and one-time operating expenses such as our IPO expenses and a noncash nonoperating cost, the adjusted EBITDA stands at negative Rs. 217 crores as discussed as compared to Rs. 81 crores for Q4 FY22 and negative Rs. 58 crores for Q1 FY22. The adjusted cash PAT for the same period stands at negative Rs. 187 crores, or negative 10% compared to 5% in Q3 FY22 and 6.6% in Q4 FY22. The adjusted cash PAT bridge is the same as the adjusted EBITDA bridge with more or less the same adjustment.

Finally, in the previous Earnings Call, there were a number of initiatives that we had outlined for FY23, this is the quick update on where we stand on each of those. The first was the integration of the Delhivery and SpotOn network, so all three phases of the integration between Delhivery and SpotOn have now been completed. Customers and teams have been integrated, technology systems have been integrated and operationally from an infrastructure and network operations standpoint, both networks stand fully integrated and as discussed service level are stabilized as of the end of Q1 FY23 and remained robust. We continue to integrate the networks and grow volume and so we continue to realize network synergies and we will launch our economy PTL service through FY'23. We are in the process of expanding our overall infrastructure by about 4 million square feet, about 740,000 square feet has been commissioned and delivered.

We continue to expand our tractor-trailer fleet to its full size of 150 TTs and have expanded our automated sortation capacity by 35% in this period in advance of peak season volumes. We continue to introduce new automation across our major sort center and our hub have moved fully to system directed mid mile operations as expected with the integration of Delhivery and SpotOn. We continue to expand usage of electric vehicles across our entire network and continue to pilot LNG and EVs in our mid mile operations. Our cross border express products now stand fully integrated with Delhivery and FedEx now code sharing airway bills seamlessly. Our Supply Chain Services business as discussed continues to show robust growth, we have grown by nearly 120% between Quarter 1 of last year and Quarter 1 of this year with the focus on key industry verticals like auto, chemicals, consumer durables and retail. We have launched the Delhivery Direct to Consumer Academy and are in the process of launching our unified client portal and our merchant panel for small and medium businesses to access all of our products. We launched the Delhivery Direct consumer-to-consumer shipping app and are in the process of launching our Orion truckload price discovery and booking application and are in the process of launching our platform service for global third-party developers along with SaaS offering in select international markets.

So, that is the brief summary of financial performance of FY23. With that, I will pause and we are happy to take questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abhishek Parekh from HSBC. Please go ahead.

Abhishek Parekh: I had a couple of questions, the first one was, we are seeing some sequential pressure in global e-commerce volumes, do you see something similar or at least a deceleration happening in the Indian e-com space over the short term and the next 2 to 3 years? That is the first one and number two, there have been some questions around the viability of the social commerce model and the category we have significant dependence on social commerce platform's volume, is this something that the company sort of worried about over the short to medium term?

Sahil Barua: Good questions, let me begin with the first one which is are we seeing a slowdown in e-commerce generally in India, the short answer to that is not yet, if you look at our volumes, they have grown 50% a year between Quarter 1 of last year and Quarter 1 of this year from 100 million shipments to 150 million shipments, even adjusting for share gain that we have had in this period. I think that does represent growth in the market overall. If you remember in our previous earnings call, one of the things that we had pointed out is that while individual players were likely to see turbulence in e-commerce through this financial year, we are pretty confident that the broad trend for e-commerce continues to be positive and when you look at the underlying reason, it is simply the fact that e-commerce in India is heavily underpenetrated. Penetration in India is less than 7% whereas comparable penetration for example in a place like China would be north of 20%, so we expect that there will continue to be a secular shift towards e-commerce going forward. Individual players may certainly continue to face turbulence and from a Delhivery standpoint, as we discussed we don't have a significant dependence on any single client and so in that sense, there is no impact on our overall volumes as you can see. Outside of that, I think your second question was around social commerce. I think the way we look at it is that a variety of players will experiment with different models in e-commerce; however, the broad trend towards buying online will continue. Even players who sort of have been bracketed under social commerce have sort of pivoted to being a mix of social commerce and more traditional big-box commerce and I think irrespective of the model that different players will follow, the demand from consumers will continue and given that we are the largest player and the most efficient player in the country, our volumes will continue to remain stable. So, we don't see a large risk going forward.

Moderator: Thank you. The next question is from the line of Hitesh from CLSA India. Please go ahead.

Hitesh: My first question is on, due to the fact that you have gained some market share in the e-commerce space, can you talk about how much the industry has grown during this quarter? And my second question is on profitability, right, I understand this is a weak quarter because of integration issues and also your volumes, but how should we look at profitability over next 2 quarters when the integration benefit starts coming and volumes scaleup, so if you can give us some guidance on how margins could scaleup from here?

Sahil Barua: Let me begin with market share and e-commerce, I think again, I will direct you first to the overall growth and volumes from Quarter 1 of last year to Quarter 1 of this year which is from a 100 million shipments that we did last year to 150 million shipment this year, so I think we certainly have gained market share in this period because the industry has not grown by 50% in a year. Between quarter 4 of last year and Quarter 1 of this year, it is a little difficult to say because of the outside impact that Shopee's exit had on the market overall. I think when you include Shopee, it is safe to say that the market has not grown between Q4 FY22 and Q1 FY23 whereas when you look at our volume, adjusted for Shopee we have remained broadly at the same 152 million mark. So, when you adjust for that I think we have gained some share in the market between quarter 4 and Quarter 1. To your second question in terms of profitability, I think while we are still in the process of regaining volumes and our service levels have remained stable, we have seen recovery of volumes from all of our major customers. The overall recovery will play out to quarter 2 as well and so we remained optimistic about this, but the way to think about our business is pretty simple, as I had mentioned in the slide that we presented earlier, the biggest impact really on profitability has been B2 which is underutilization of existing capacity which is Rs. 150 crores and the revenue led reduction in service EBITDA which is Rs. 60 crores, so first of all and obviously the Rs. 46 crores of one-time integration cost. So first half obviously we do not expect the one-time integration costs to persist through the year. The second is, as volumes come back, the underutilization of existing capacity should disappear and the network should automatically become more efficient. One thing that I should point out is that this existing capacity itself will shrink a little bit going forward because we do continue to carry infrastructure, we do continue to carry certain contracts from SpotOn's sort of previous days which we haven't yet fully deprecated. If you can go to the KPI slide, one of the things that you will see here is that the number of gateways have declined from 123 as of the FY22 to 96 as of Q1 FY23 and similarly the number of freight service centers have declined from 267 as of the end of financial 22 to 237 as of Q1 FY23 and so as these contracts become available for renewal or for termination, we will continue to sort of consolidate the combined Delhivery and SpotOn network and continue to sort of realize synergy going forward, so that sort of how the excess capacity will get observed.

Hitesh: On the pricing front, we are seeing some stability on the e-commerce pricing where it is kind of not gone down much, right, so should we expect the pricing to remain now stable or you will still because you have the lowest price in the industry or you will continue to prioritize market share over pricing in the e-commerce segment?

Sahil Barua: Pricing is the strategic decision that we take at an account level. The difference in pricing that exist between any two quarters could also be because of the change of mix, for instance for the change of the distance that parcels travel. In this case, there is obviously a big difference because of the disappearance of Shopee between quarter 4 and Quarter 1. We evaluate pricing at every customer level and depending on the customer's ambition for growth going forward and what our market projections for each individual customer are but suffice to say I don't think we will be taking any significant pricing actions during the rest of the year.

Moderator: Thank you. The next question is from Mukesh Saraf from Spark Capital from Webcast. Slide 12 inflation impact of 17 Cr, could you let us know which segment this impact has primarily been felt in as there would usually be passed through fuel hikes to customers? Would this cost be subsequently passed through with a lag? Supply chain revenue has grown to Rs. 236 Cr in the quarter, what is the total warehouse space square feet for this segment as of June end, what is the target for space addition in FY23 and FY24? Is there a split between transportation and warehousing for this Rs. 236 Cr or is this entirely warehousing?

Sahil Barua: Let me start with the question on inflation, the overall inflation of Rs. 17 crores includes inflation due to wage hikes, inflation due to renegotiation of rental contracts and inflation due to fuel. In the part-truck load business, you are right, the hike in fuel is essentially passthrough to customers entirely and so to that effect, it doesn't have any impact on profitability directly, so majority of this comes from wage hikes and rent escalation. Given that we run an integrated network, it affects all of our businesses sort of in a conjoint fashion because our part-truck load business and our express business share the same people, they share the same fleet and they share the same infrastructure. There was a question on would these costs be passthrough with the lag, we discussed this earlier. Fuel inflation is typically passthrough with the max lag of 15 days to customers which is in line with sort of regular industry norms. Your question on supply chain, the revenue of Rs. 236 crores is a combination of transportation and warehousing revenues. The target for space addition in FY23 is likely to be close to about 1.67 million square feet, however, I should point out that this is a projection at this point in time based on the pipeline that we have and the contract that we have agreed and sort of as we get closer to real time commissioning of these and availability of space, this number may change a little bit, but I would invite Amit, who is our CFO to comment on question two as well. Amit, if you are on the line.

Amit Agarwal: So, our Supply Chain Services business did Rs. 236 crores of revenue in Quarter 1 of FY23. Out of this, nearly 40% of revenue was attributable to the warehousing services and remaining was attributable to transportation, but I want to point out that nearly 90-95% of revenue in segment is combined on track of warehousing and transportation, it is not a separate service contract, they are integrated contracts. Sahil pointed out that we intent to add about 1.7 million square feet this fiscal year based on our pipeline. Out of this, we have added about 0.5 million square feet of space in Quarter 1 based on the contracts that we have converted and expansion with the existing customers and the remaining capacity will be added as and when we get very close to the finalization of the contracts with the customers.

Moderator: Thank you. The next question is from the line of Lokesh Garg from Credit Suisse. Please go ahead.

Lokesh Garg: Just wanted to have your perspective on the competitive scenario that you have faced in the industry, obviously there are express parcel companies which are competing which you know, but there are traditional courier companies also which you said have not pivoted to the e-commerce business. Over a period of time, is it possible that they combined with shipment marketplaces type companies can actually for a combined together can pivot to provide e-commerce parcel services that you do and thus could ride up the ladder and be more competitive with you and is that already happening and your perspective around that?

Sahil Barua: Yes, our perspective on this is pretty simple which is that shipment marketplaces have a limited strategic value to the market as a whole. Any player who is the significant shipper is better served by having direct relationships with logistics companies, however, many they choose to have because the shipment volumes are large enough to ensure both appropriate price discovery as well as appropriate service discovery and they don't really need the services of an intermediary. This has been something that is specific to India by the way. This is something that has been across the world, whether you look at the US where customers continue to have direct relationships with companies like FedEx or UPS or the United States Postal Services or in China or elsewhere. The other piece is, I don't think that the reason why traditional courier companies have been unable to penetrate the market is the absence of shipment marketplaces. I think the reality is that they have not been able to address this market because the underlying models that they have are not robust enough to service the needs of e-commerce, whether it is picking up from a widely distributed set of merchants of variety of different sizes, whether it is investing in infrastructure to go out and build automated sortation centers or running line haul, these are not sort of physical capabilities that are dependent on shipment marketplaces in any way. So, if the question is- can sort of traditional players work with aggregators and gain market share, I say that opportunity is probably extremely limited because that is an opportunity that has presented itself to traditional courier companies from before the time that Delhivery began as a company and they failed to capitalize on it and the existence of our marketplace doesn't make it more viable.

Lokesh Garg: I had the second question which is related to the three new businesses or segments or services that you have started, one is basically same day delivery, other is C2C and third is Economy PTL, now what is the relevant size that we have either in terms of total parcel opportunity or percentage growth opportunity that you can highlight to us or some of services and in Economy PTL, I have an additional question as to Economy PTL essentially is a slower PTL service, today Delhivery network runs all express, right, it is a single speed network, by integrating our slow service, are we bit of confusing the network?

Sahil Barua: That is a very good question and let me answer the later question quickly on Economy PTL, so the way to think about how Delhivery is constructed and why we run an integrated network, is think of us is essentially building a pipe and then figuring out the optimal combination of boards that need to go through that pipe and so in some senses for us, it is a question of being able to identify what is the appropriate truck, on which to place a part-truck load shipment that belongs to the Economy PTL segment. So, we actually see the Economy PTL as the way for us to take up utilization of the express network. To give you an example, let us say, we have a truck which is ready to depart from Delhi to Bombay which is 80% full. If we happen to have Economy PTL loads which are available and can ride on that truck, then they essentially get to ride for free. As long as Economy PTL is not set up as a completely standalone capability, but is set up subservient into the integrated network which is the express network as you pointed out, is actually a margin accretive business which delivered the better quality of service to those customers. The second thing is that the Economy PTL business typically tends to have larger LR sizes or larger weight per LR that is tendered to logistics companies and so in that senses the handling costs are significantly lower for us and so again it becomes margin accretive. The size of the Economy PTL business is, the easiest way to think about it is about two thirds to three quarters of the overall part-truck load freight market in India because traditionally the Indian PTL market has been an economy out of slow PTL market, increasingly go with an improvement in highways with an increase in truck sizes with the presence of players like us, the market is shifting from Economy PTL towards an Express PTL, so for us Economy PTL is an interesting capability that we will offer to certain kinds of shippers, we will use to drive up utilization of our network, especially in key geographies, but it is not really a standalone capability. In terms of consumer-to-consumer at this point in time, it is hard to judge exactly how large that market is because this is the market that again historically is one that has been starved of supply. There aren't too many options for consumers to really ship intercity from the comfort of their home, they still traditionally have to walk up to a traditional retail outlet and ship whereas now they have the ability to do that from their home. Our volume growth has been pretty robust, in peak I think including both our direct consumer-to-consumer network as well as our franchise network, we hit close to about a million and a half orders in a month and that continues to grow, however, I don't have an exact market size for how big it will be. It is an interesting capability for us to add and rides on our existing business and has high margins. And your last question was on the same day delivery that again is the capability that we have added for specific customers. We already provided same day delivery services, so intracity shipping is already same day delivery. In this case, all that we have done is to open up some of our Delhivery centers or some of our intermediate processing centers as micro fulfillment locations where it is possible for certain directive consumer brands to stock fast moving inventory with us and for us to deliver within 4 to 6 hours in a tight catchment area, but again it is a service that we already provide.

Lokesh Garg: Sir, if I am allowed I have one more question which is basically, the total parcel that you are carrying obviously originate from, bulk of them originate from obviously e-commerce platform, the two large ones in terms of the new upcoming ones such as social commerce and all that, I wanted to just check in yourself this number, are there meaningful number of parcels now originating from omnichannel merchants, meaning these merchants are not traditionally online, but are now becoming online because the lead avatar and you are enabling them to do so, you took one example in the last quarter called probably Tupperware, so are there a significant proportion of parcels which are originating from these, and the question is important because these are not affected by e-commerce funding situation, these are sort of running on its own scheme as you said online buying scheme?

Sahil Barua: I will ask Sandeep to answer this question.

Sandeep Barasia: So, when we look at bucket D2C and SME segment together that actually includes mostly companies that are not necessarily just e-commerce, but also traditional brand that are now starting to actually go online, so again most likely to be unaffected by any funding issues plus people who actually are asking us to pick up from store rather than pick up from warehouse, I cannot tell you exactly what number, what is the volume of shipments that we pick up from store versus pick up from warehouse, but is there an increasing salience of shipments coming from nontraditional e-commerce- absolutely and just odd thing to say nontraditional e-commerce, but that is definitely growing and even on e-commerce bulk of our shipments do not come from the two large platforms. We don't actually have a degree of concentration in our business, because we work across all the large platforms including some of the vertical players who are actually quite scaled up as well and quite well funded. So, yes, but to your base question, absolutely D2C and SME and omnichannel are clearly becoming a greater salience in overall business.

Moderator: Thank you. The next question is from the line of Vijit Jain from Citi. Please go ahead.

Vijit Jain: Sir, I have two questions on the e-commerce business, one, in the same day delivery offering, is there a significant pricing differential for parcels that exists between that in conventional offering? And the second question is related to the price hike that you took with the aggregators earlier this quarter, I am just wondering to address the aggregators, do you need to do more than that over the next year, does it include ramping up same presence to onboard the long tail or do you need to build or offer channel integrations, just your thoughts on how you are addressing aggregators?

Sahil Barua: On same day delivery pricing, yes, same day delivery is charged at a premium to regular delivery and especially same day delivery originating out of micro-fulfillment centers is charged at a premium to regular delivery. The premium varies depending on the volume and depending on the specific city in which we are operating because costs for this are different across for instance metros versus non-metro cities and we have 15 cities that we are currently operational. To your second question, I will go back to my earlier answer which is that we don't particularly see anything that we have to do differently for clients above a certain size. Customers above a certain size are better served working directly with not just Delhivery, but other logistics companies as well and typically the systems that they have will be capable of allowing them to manage more than one logistics partner. It also is more effective because logistics partners whether Delhivery or others have the ability to provide greater customization of services when working directly with these customers, so we don't think that we have to add any capabilities. Those are capabilities that logistics companies have. As far as the aggregators go, there are good sales channel, not just for us, but for all other logistics companies in the market or merchants who are below a certain size, but after merchants cross a certain size threshold, Delhivery and other logistics companies across the country typically will see customers approaching us directly and to integrate directly.

Vijit Jain: And my second question is, just a bit comment about the impact of Shopee in 1Q, I think you mentioned 22 million parcels and about Rs. 60 crores impacted service EBITDA, did I understand that right, so it basically translates to Rs. 27 per parcel of service EBITDA impact from Shopee?

Sahil Barua: The overall impact that you saw on the slide on Rs. 60 crores also includes some impact due to revenue loss in the part-truck load business at constant service EBITDA margin, but broadly for Shopee, I think the numbers will be closer to about Rs. 40 to Rs. 50 crores in terms of revenue led reduction.

Vijit Jain: And one final question, just a housekeeping question from my side, could you give the number for the CAPEX for the quarter and FCF for the quarter?

Sahil Barua: Amit, can you take that please?

Amit Agarwal: So, the total use of cash in this quarter was about Rs. 215 crores, out of this about Rs. 75 crores was attributable to cash flow from operations. About Rs. 225 crores was CAPEX and excluding the IPO proceeds there was about net draw down and some receipt of money from a particular investor related to tax indemnity was about Rs. 85 crores. So, adjusting all these things, total use of cash in the quarter was Rs. 215 crores.

Moderator: Thank you. The next question is from the line of Ankit Jain from Mirae Assets from Webcast. Couple of questions, any sense on possible loss of revenue in PTL business for the quarter due to integration? Two, reason behind yield power parcel further coming off in express parcel business to around 69 versus 72 in FY22, any impact on service EBITDA in core express business as the result of the same? And third, nature of one-time provision cost of 40 Cr?

Sahil Barua: Ankit, just on the first question, when you are talking about possible loss of revenue, do you mean permanent loss of revenue or only in the quarter?

Moderator: No sir, for that quarter.

Sahil Barua: For the quarter, if you can go to slide number 3, so if you look at the graph at the bottom right, what you will see is that part-truck load freight revenues have dropped from Rs. 482 crores in Q4 FY22 to Rs. 260 crores in Q1 FY23, so the net impact has been close to about Rs. 223 crores between quarter 4 and Quarter 1. A bulk of this was related to the integration related issues earlier in the quarter and we are seeing volume recovery and we are seeing revenue recovery and expect this to continue through this quarter and forward. The second question, in terms of yield per parcel, the yield per parcel is driven by a mix of clients, it is driven by a mix of distances that packages are traveling and so as that shifts the yield naturally shifts across quarters, for example, we are likely to see an increase in yield again in quarter 3 during the Diwali period, but that is just the natural cyclicality in the business. In terms of impact on service EBITDA in the core express business, again if I can direct you to the table that we had put up on the adjusted EBITDA, so our express and our part-truck load businesses that mentioned share the same resources, whether it is infrastructure, whether it is staffing or whether it is fleet. So, our mid mile stability is for example, are our trucks are running at combination of express as well as PTL and so it decline in the PTL volumes that are flowing through the network will have a natural impact on overall transportation EBITDA and therefore if you would do an allocation would also affect express service EBITDA in that period. So, the impact from the core express business has come from the integration rather than a change in yield. The express business is designed, so that the margins are constant irrespective of the change in mix of the network. So, had our bigger volumes remained at the quarter 4 levels even with the decline in the express yield because of the change in mix, the margins would have remained constant or would have grown with time. In terms of the nature of one-time provisions of Rs. 40 crores, these are largely claims which are related to two specific outcomes; one is, through this period there were express damages that were created in our network as the Delhivery and the SpotOn network were combined and the second was extraordinary package losses or package delays owing to integration issues coming out of the Tauru and Bhiwandi where we have essentially provided these as discounts that to our customers which are one-time integration expense.

Moderator: Thank you. The next question is from the line of Saurabh Thakkar from Motilal Oswal. Please go ahead.

Saurabh Duggal: Congratulations on integration of SpotOn, sir, my questions have been answered previously, just wanted to clarify on Q-on-Q and Y-o-Y basis, if we remove the SpotOn integration, what would be the EBITDA and margin? And the second question would be what would be the contribution of SpotOn on the overall FY23 revenues and FY24 revenues and margins?

Sahil Barua: So broadly to your question, if you remove the integration impact on this slide, the costs that disappear are the Rs. 150 crores cost which is underutilization of existing capacity. Obviously, the Rs. 46 crores which are the one-time integration costs and a portion of the revenue led reduction in service EBITDA which we expect will be likely in the range of about Rs. 20 to Rs. 25 crores, so 150 plus 46 is 196 plus about 25, so essentially we would have been at an adjusted EBITDA breakeven had we shown 0 growth between quarter 4 and Quarter 1, so if our Quarter 1 volumes in TPL had remained exactly the same as quarter 4 and we take into account the disappearance of Shopee with overall express parcel volume being at 150 million, we should have been had broadly a breakeven in Q1 FY23. The other way to think about it is that the cost which would have persisted would have been the Rs. 21 crores capacity addition during Quarter 1, the inflation impact of Rs. 17 crores and a part of the revenue led reduction in service EBITDA to the extent of Shopee's disappearance which would have been close to about Rs. 40-Rs. 45 crores. To your second question in terms of how much the SpotOn from, what I can tell you is that overall part-truck load business if you go back 2 slides back please, the overall part-truck load business was at about a quarter of our revenues in Q1 FY22 and Q4 FY22 as you can see which has declined to 15% as of Q1 FY23 owing to the integration and so our expectation would be that as volumes recover, first of all it would form similar percentage of our overall revenues as it has in FY22.

Moderator: Thank you. The next question is from the line of Shashank Savla from Somerset Capital. Please go ahead.

Shashank Savla: My question was more on the breakdown of the margins between the different segments, I know you don't provide an exact number, but given that a lot of the extra cost have been related to the part-truck load business, I wanted to understand if the margin trend in the other businesses is improving over time as your business is getting bigger and bigger?

Sahil Barua: Shashank, broadly the answer is yes, as you can see and as I pointed out earlier, we run an integrated network where the substantially the biggest cost that I have shared between the two networks are the mid mile costs which are the trucking terminals and the hub and outside of that line haul or the trucking network itself, we don't break that down between express and part-truck load and so obviously when there is a decline in the part-truck load volumes, we decided to continue running the trucking network with the same capacities to ensure fast service recovery and to ensure express was not affected and so there would have been a margin impact on both express as well as PTL. As PTL volumes have recovered, margins have also recovered across both the express as well as the PTL service lines and they will continue to improve as PTL volumes continue to grow.

Shashank Savla: And the bottlenecks and the one-off costs which you mentioned, is there any impact in the second quarter as well from that?

Sahil Barua: In terms of the service level, service levels have remained stable more or less since the end of Q1 FY23 and have remained robust. We had not seen any sort of bottlenecks across the network. I think there continue to be one or two smaller locations where the Delhivery and the SpotOn networks have not been fully integrated and because of the least terms, we continue to carry redundant facilities which will be integrated, so one location for example, specifically will be Chennai where both Delhivery and SpotOn operate, subscale facilities and therefore substandard to the size of the business that we intent to run and that integration will take a period of time, but outside of that we don't see these bottlenecks continuing across the network and other than that I think your question was do we expect the one-time expenses from Quarter 1 to continue through the rest of the year.

Shashank Savla: I was just trying to understand is there any ongoing impact in the second quarter as well from the one-offs or the issues you mentioned in the first quarter?

Sahil Barua: I think a large percentage of the claims have been settled with customers in quarter 1, some of them will be settled in quarter 2 and post that we don't expect there to be significant sort of persistence of the one-time integration cost. Those will not continue. As volumes recover they will be impacting utilization….

Amit Agarwal: The provisions for them have been made in the quarter one itself.

Sahil Barua: Yes.

Shashank Savla: And finally, is there any guidance which you are willing to provide in terms of any targets for what your revenue growth or profit EBITDA margin targets would be for this year or next year?

Sahil Barua: I think it is still too early for us to provide annual guidance at this point. It is important for us to see how the next quarter plays out as well and then obviously we are entering the peak season, so we will have a much better sense of how the year will play out. In terms of what the economics of the business will generally look like, I think you can look at our quarter 3 and our quarter 4 results and our financials for the previous financial year. In that sense, our business is not very difficult to model. We have retained the same capacity and thus volumes go up,that is what our margin trend should look like.

Moderator: Thank you. The next question is from the line of Alok Deshpande from Edelweiss Securities. Please go ahead.

Alok Deshpande: Couple of questions from my side, first, I know that you have quantified the Shopee impact, but generally speaking over the last 2 or 3 years, what is the typical trend of shipment volumes from quarter 4 to Quarter 1, so like you mentioned it is just for the Shopee volumes could have been the similar number of 150 million shipments, but historically, how does this trend move from quarter 4 to Quarter 1? That is question number one.

Sahil Barua: Broadly flat, Alok in line with the schemes where the 150 million odd that we did excluding Shopee for quarter 4 has remained flat and Quarter 1, what is different this time I should point out though is that the industry has de-grown between quarter 4 and Quarter 1 because of the Shopee impact.

Alok Deshpande: And even historically would these flat volumes be more because of Delhivery getting more market share because from an industry perspective, I would think that Q1 would be lower than Q4, is that a fair assumption?

Sandeep Barasiad: No, there is no reason to assume that because Q1 actually tends to be fairly not consequential quarter in January, right because there is no sale, no festive reasons; April, May, June is actually quite drag in India in all sense, right because if you have your year end sales that happens in March, your next round of sales start with end of season sale for fashion which is in July followed by Republic Day. Even your Prime Day happens in July, Flipkart Founder's Day happens in Q2; April, May, June tends to be very soft as cool down days in India, there is not much going on in April, May, June, so there is not really that much activating April, May, June. So, it tends to be more or less flat here. Last couple of years, not a good example simply because 2 years ago it would have been impacted by COVID, but in general, it is flat or slightly below Q4.

Alok Deshpande: And the second question is on, there is a statement in your filing which says that some part of this impact on margins and volumes will continue in the next quarter also that is quarter 2, now are we looking at very small part of this integration process carrying on in Q2 or are we looking at our impact which is sort of similar to Q1?

Sahil Barua: I think we have seen recovery of volumes in Q2 overall as two things have happened, one is that our claims were settled with more customers and started trading; b) I think our service levels have stabilized and as our confidence in the automated facility has increased towards the end of Quarter 1, we also have started admitting larger volumes into the network and so volume recovery has continued through July and into August so far. That said, like I said it is still early, the volume recovery is continuing, we are satisfied with where we are at. It is still a little early to predict exactly what will happen in Q2 because we will have to see how volumes grow in August and sort of the later part of September when we are approaching the festive season. It is also quarter-end in September. So, we will see what the impact of that will be. So, there will be some impact, which will continue from underutilization, but we expect Q2 to be better than Q1, yes.

Alok Deshpande: Any sense on whether we are guiding on FY23 overall, no margin number, but are we confident of having adjusted EBITDA positive FY23, any sense on that?

Sahil Barua: It is too early to say right now Alok. We have to look at how the rest of the year will play out and we have to see sort of how volumes play out with the rest of the year. As long as there are no further systemic shocks, I think we should be doing fine, but it is still early.

Moderator: Thank you. The next question is from the line of Abhishek from DSP Investment Managers. Please go ahead.

Abhishek: Sir, I had just one question, just referring to the bridge that you all have given and for the PTL segment what revenues we have seen almost about Rs. 223 crores decline on a sequential basis, corresponding impact of that of almost Rs. 150 crores except provision it include Rs. 140 crores of provision, it is almost about Rs. 190 crores is that a high number because just for a corresponding revenue decline Rs. 223 crores sequentially, seeing an EBITDA impact of almost about Rs. 150 crores expect provision and with provision 190, is that a high number or is there something else that we have to look at, just your thoughts?

Sahil Barua: I think the way you have to look at our business and we had pointed this out last time as well is that we are an extremely high incremental margin business and therefore when volumes drop sharply, it is not unusual to actually see that the drop in the PTL revenues is causing that extent of capacity underutilization. The other thing to point out is that the capacity underutilization cost that you are seeing Rs. 150 crores also as I had pointed out include certain facilities that are redundant and some contracts on the SpotOn side which will sunset through this year. So, to some extent, that Rs. 150 crores is also impacted by that and you have seen we have already started the process of deprecating certain facilities, consolidating facilities between Delhivery and SpotOn, we made progress on that in Q1 that will continue through Q2 and our hope is that a bulk of that will get consummated through Q2 and early part of Q3.

Abhishek: So, to that extent we should also see a very sharp recovery when these revenues come back to may be 4Q levels or a little higher than that, that was my point I was making?

Sahil Barua: Sure.

Abhishek: Other thing is also, obviously, we have seen increasing corporate overheads as a percentage of revenue is a little higher because of the underutilization, but should this normalize to your earlier numbers of less than 7-8% as things normalize over the course of the year, is that a fair assumption to know?

Sahil Barua: Yes.

Abhishek: So, there is no change in that kind of the overhead absorption, is that your confident that you are going to maintain those 6% to 7% kind of a number?

Sahil Barua: Yes, absolutely.

Abhishek: Just the other thing in terms of starting the same day delivery service, I just wanted to get an understanding, will that also mean that at some point in time we will also have to kind of get into own freighters or anything on that sort, if you could be able to provide daily service on a…

Sahil Barua: Not at all, as we discussed in the last call as well, I think we are one of the largest shippers of airways, domestically on passenger belly. I think as passenger traffic has recovered and freight sizes are increasing, the capacity that is available to shippers like us will be increasing as well and we are a priority partner for all of the airlines in India, so we don't see the need for us to go out and invest in freighters. Certain segments of the market may remain un-addressable for us by virtue of not having freighters, but those are segments of the market that we don't feel are large enough or attractive enough for us to be really be in.

Abhishek: And just one last question, in terms of you have mentioned about some of the customer you had mentioned couple of names I guess those are referring to the third-party part of the business, right?

Sahil Barua: Yes, that is right, that is the supply chain services business, that is correct.

Abhishek: And how has been the pricing and your expected yield in that because since now you are a much formidable player in gaining in terms of revenues, how has been the yield experience as far as new wins are concerned from the earlier one?

Sandeep Barasia: Supply chain services yield one client versus another client and not really comparable because the kind of movements and the kind of work we do for the client might be very different from the client and also the requirements from warehousing and what are the requirement from warehousing, actually there is a lot, the degree of primary and secondary movement there is a lot, so they are not strictly comparable, but as I think earlier question was asked and Sahil pointed to that the other business is actually moving in overall margin performance, Supply chain is experiencing the same thing at an overall level, so we are being able to price better, we are able to get a better margin out of that business, but you can't really, it is not like a parcel where you can actually compare one parcel versus another parcel, but the quality of the contract is definitely improving as we get more and more contracts.

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

Abhijit Mitra: Sahil, just go back to that bridge between Rs. 21 crores and negative Rs. 217 crores just to sort of check my understanding, so the negative Rs. 150 crores of underutilization of the existing capacity essentially has four components, right, so you have capacity creation in such a future demand in the typical of Q1 looking into Q2, Q3, Q4, so that would be probably recurring every Q1; second is your redundant capacities of SpotOn, what you will sort of gradually taper down inclusive of employees, I guess, I think employees also I can see a flow in trend, third is normalcy of volumes in PTL, this looks like a one month impact, you are expecting normalcy in June, but the customer volume has slowed to sort of resume and then fourth, impact on account of sudden drop in Shopee volumes, so these are the four impacts and depending on normalization of each of those four things you will sort of see this Rs. 150 crores play out over the rest of the year?

Sahil Barua: That is correct. The incremental capacity additions that you are referred to as the first of the four is the Rs. 21 crores that we have pointed out here, that is the typical sort of normal capacity addition that will happen in Quarter 1, so underutilization of existing capacity which is the Rs. 150 crores is as you had pointed out the excess capacity that was created for two reasons, one is continuing to have redundant infrastructure between Delhivery and SpotOn and the second is that as volumes dropped sharply, we decided to continue to keep that capacity to stabilize service levels faster and which has sort of played out because service levels have been stable since the end of Quarter 1 and remained robust throughout, so that will normalize through this year. The third of this is the inflation impact which is again an annual cost that we have taken and the final one which is the revenue led reduction is because of Shopee that is correct.

Abhijit Mitra: And just to sort of focus would be it on the KPI, I think there is a slide where you have beautifully depicted the KPIs, so there is one item which is revenue per square feet, so here my sense is you have taken only the warehousing revenue, is it true, is my understanding right? You have not taken the transportation part within the supply chain?

Amit Agarwal: Yes, you are right. This is only the warehousing revenue.

Abhijit Mitra: Here you are actually breaking it up into warehousing and transportation, right?

Amit Agarwal: So, the transportation revenue per square feet corresponds to the revenue divided by the square feet of the transportation infrastructure we operate and warehousing revenue attributes to the warehousing revenue divided by the warehousing square feet we have.

Abhijit Mitra: So, warehousing component within the supply chain business?

Amit Agarwal: Yes.

Moderator: Thank you. The next question is from the line of Aditya Mongia from Kotak Securities from Webcast. Given the majority market share and express parcel the Delhivery has, what is the end game for Delhivery's market share within 3PL players over the next 2 years and what 3PL market share does it make sense for Delhivery start going pricing, any sense of timelines for the same to start reflecting in the financials? What is your stand on prospects of utilizing your PTL infrastructure capacity towards growing slow PTL business? Would that not be returned or margin dilutive versus deploying such capacity to grow express PTL business faster?

Sandeep Barasia: Let me answer the first question and then Sahil may come back with the further detailed portion. On express parcel, we are the largest player in the market, we have been the largest market share and we have been gaining share in the market, I think it is hard to say about the logical end point of market share is for us because while customers need a redundant partner, it is not clear whether there is any three partners and four partners and whether at some point we thought customers will have 20% shares or 25% shares each partner, but we are breaking that and we have customers who actually give us 70, 80, 90% share of volume and we have customers who give us 35-40% share of volume. So, I think our objective is going to be continue driving down cost and improving service level and then tactically pricing into the market to see how much of that we want to gain from a share perspective and how much of that we want to invest towards and how much we want to keep as margin and we will continue doing that over the next few years and, I don't think we have in mind a logical point that 30% share we will start pricing up or 35% share we will start pricing up. I think it is clear opportunity for us to gain share, we will continue to gain share. We clearly see opportunity to further rationalize cost and bring efficiency into the system and as long as we see that there is no reason for us to not gain share. At one point we start pricing up, I don't know whether it is a question of whether we need to price our parcel to actually make money or make margins, it is actually how much more efficiency we can push into the systems so there is still more we can push through the pipe efficiently before we have to start actually pricing up. I think the benefit of this is there is going to be a point at which our pricing ability versus competitors will actually be very differentiated and then you see that your share gain for us and there is no limit how high that can be. At least we are not setting a limit for ourselves. I think that way we have to focus on. I don't think in the short term, the game is of having to increase prices. We can get margin through reducing cost and putting more through the pipe and that is what we will do. How and when we will start reflecting in the financial, I think as Sahil mentioned couple of times today already we are an integrated network with high incremental margins, I think both PTL, Express PTL and Express Parcel have to play in tandem for that to start reflecting effectively in our margins. Sahil, you want to talk about part-truck load and how we want to….

Sahil Barua: Yes it is a good question on utilizing the PTL infrastructure capacity, I think I would just point out one thing which is there is not the PTL infrastructure capacity, it is the combined capacity that we have created in mid mile operations which is the hubs as well as the trucking network and the way to think about how we will grow the Economy PTL business is the way we think about it is that it is not I will repeat, double bold and underline that it is not a standalone capability that we intent to build, so the objective is not to go out and compete with the traditional Economy PTL players where there is a sort of fairly fragmented and large space and to build an independent Economy PTL business. There are certain locations which our express network services where it is possible for us to drive up utilization of the vehicles by developing an Economy PTL business because in those locations an express PTL business may not exist at all and some locations where for example, the average utilization provides us enough space to go and develop specific accounts in specific verticals which we are aware of and sometimes the same shippers end up having a combination of Express PTL and Economy PTL requirements which our intention is to serve.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir, my first question is, if you just take a step back and look at on the PTL side in Q1 FY22 we did 2,79,000 tons that number after SpotOn is now 2,39,000 tons, so while I understand there is an integration issue, but how come the volumes are even below what we used to do pre-SpotOn, sir if you could just help understand that better because and without SpotOn we could have done similar number if not more, that would be my first question?

Sahil Barua: Just to be clear that 2,79,000 tons for FY22 will be proforma, so that will also include SpotOn, the Delhivery standalone volumes are now 279,000 tons, so in that sense when you compare the Delhivery job business to Q1 FY23, the business has grown in the same period. The reason for the decline is essentially us cutting out volumes in specific locations, the few highest volume locations from which we cut out volumes for where we have the largest automated gateways to allow the network to stabilize which were out of our gateway in Tauru and out of our gateway in Bhiwandi and therefore also cutting out certain locations which connect into these major location, so for example, Pune connects via Bhiwandi and so making sure that we provide a standard service quality and cut volume, so that is why you see the cut in volumes in Q1 FY23.

Pulkit Patni: And related question on realization, once the integration of SpotOn is fully complete, is there a possibility we could have higher realization given that some of this also is realignment of clients, etc., or do we expect realizations to be?

Sahil Barua: I think his question was do we expect realizations in the part-truck load business to remain broadly constant. I think again realization in the part-truck load business and I am answering this for the benefit of everybody else on the call is again a mix of all of the different clients who form the part-truck load business. It is a combination of a mix of our corporate, our retail and our small and medium businesses and as those percentages change, the realization of the part-truck load business changes as well. That said, pricing in the part-truck load business is something that is sort of well discovered, it is a market that has existed for a long period of time and so to that extent what we do is to follow market pricing. Our approach will be similar to what we did in Express, which is to be the most efficient player and therefore over a period of time, either have margins which are supernormal compared to other competitors in this space or to pass on pricing benefits to customers.

Moderator: Thank you. I now hand the conference over to Mr. Gaurav Retaria from Morgan Stanley.

Gaurav Rateria: May be I can just chip in one question here, on the PTL volumes, where are we now versus the normalized volumes, by when we expect to get back to the 4Q levels and the related question is that for fiscal 23, would PTL volume would remain constant or it has still potential to grow because we have lost out some time now?

Sahil Barua: I think Gaurav, it is still early to say, we have as I mentioned since progress levels have been completely stable since the end of Q1 FY23 and the operational issues at Tauru and Bhiwandi have been sort of conclusively resolved, so that remains stable into quarter 2 so far. We don’t anticipate any disruption coming from this. The reason I am not yet going to provide a forecast on what our volumes will be for the year or what our recovery will be is that one of the hypothesis we had is that as the Delhivery and SpotOn network combined and as we discovered efficiency by combining the two networks and additional capacity, we might be able to grow faster than we had originally planned as well, but at this point in time, let me put it this way, the operational issues are behind us, we settled claims with our key customers in Quarter 1. Whatever few claims were left will be settled through quarter 2. We are seeing volume recovery through quarter 2 and we are quite satisfied with where we are at and we will see sort of at the end of this quarter how the rest of the financial year will play out.

Gaurav Rateria: Second question was on the synergy benefit on integration and upgradation of the network on trailers, when does that really start to flow into the margin, any quantification of integration related benefit that we can say?

Sahil Barua: As I pointed out in our previous earnings call also Gaurav, our aim was by the end of this financial year to first of all to take the combined PTL business post-integration to the pre-integration margins that SpotOn had, so that continues to remain our target. There is no change in that target, the integration issues of Quarter 1 notwithstanding and then to start discovering synergies because I think that is the period that it will take for us to eliminate all redundant infrastructure to ensure that there is complete consolidation of facilities and teams, so that process is underway. That continues to remain our target which is to get the business to pre-integration SpotOn standalone margins in this financial year and then to start discovering synergies. In terms of tractor trailers, we continue to enter tractor trailers across our network. As you have seen, we have inducted close to about 30 tractors and 85 trailers in Quarter 1. We will continue to do that and as volumes are going up, those tractor trailers are utilizing relatively less efficient 32-foot single axle and 32-foot multi axle vehicles and so that movement will continue through the year and the difference in costing for example, in line haul between the tractor trailer operations and the 32-foot single and multi-axle trucks can be as high as 25%, so we expect to continue to see those efficiencies as tractor trailers come in.

Gaurav Rateria: Those are all the questions I had, so on behalf of Morgan Stanley, I thank the management team of Delhivery for the detailed insights and their time. Thanks everyone else for joining the call. Over to you, Neerav.

Moderator: Thank you very much. On behalf of Morgan Stanley, that concludes this conference. Thank you for joining us. You may now disconnect your lines.