Operator: Good evening, ladies and gentlemen. Welcome to the Q2 and H1 FY27 earnings conference call of Delhivery Ltd. hosted by {? Radhey ?} Capital.

As a reminder, all attendees will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. If you have any questions, please feel free to press the raise hand button. We will call you in turn and unmute your line so you can speak.

Important note: if you need to ask a question, please ensure Microsoft Teams has permission to access your microphone when you log in; otherwise, you will not be able to unmute.

Please note that this conference is being recorded. Kindly also note that the audio of the earnings call is corporate material of Delhivery Ltd. and cannot be copied, rebroadcast, or attributed in the print media without the specific written consent of the company.

Please note that anything said on this call that reflects the outlook toward the future, which can be construed as a forward-looking statement, must be reviewed in conjunction with the risks that the company faces. A copy of the disclosure is available in the Investor Relations section of the website, as well as on the stock exchanges.

To give you an in-depth understanding of the company and answer all your queries, we have with us from the management side today Mr. Rajesh Kumar Naidu Yabaji, Chairman, Managing Director and CEO, and Mr. Satyakam, Chief Financial Officer.

I now hand over the conference to Rajesh for his opening remarks. Thank you, and over to you, Rajesh.

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director and CEO: Thank you, Vineetha, for the introduction. Are you able to hear me clearly?

Operator: Yes, loud and clear.

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director and CEO: Good. Ladies and gentlemen, welcome to our Q2 FY27 earnings presentation. It has been a good start to the year. I think last quarter we had presented good results to you. As we enter the second half of the year, I think Q2 FY27 also worked out really well for the company, largely because of the fundamentals and the quality of the business we have built. This basically rides on larger industry tailwinds, high quality of product, and very strong distribution. That has been the result of the compounding nature of the results you are seeing with us.

Starting with the snapshot numbers, on an overall basis, the company generated about 253 crores of total income, which is a growth of about 51% year-on-year. EBITDA was close to 51 crores, which is a 40% growth year-on-year. Profit after tax was 41.4 crores, which is a 42% growth year-on-year.

Coming to the functional metrics, or the platform KPIs, these are the metrics that we report under the hood and which help us achieve our revenue goals. For the outcome metrics, transacting customers were close to 9 lakh, growing at about 13% year-on-year. This covers a large part of the medium and heavy commercial vehicle customers who are relevant for the intercity trucking

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audience.

Users who are power users, meaning users who use more than or equal to two services, are growing at about 20%. Roughly more than half of these users are power users, which is close to 4,80,000.

GTV of tolling, which constitutes a large part of the payments business we conduct, grew healthily at about 17% year-on-year. It was broadly about 7,070 crores this quarter.

So, as I mentioned, overall, it was a strong quarter. The results were largely delivered in the usual course of business, with a lot of exciting things happening in new initiatives, while continuing to preserve the nature and quality of profitability of the core business.

I will again highlight the crux of the strategy, as I mentioned earlier. The quality of the results is based on a strong business model. The business model is about solving truck operators' problems. We exist to solve their problems, help them become operationally better, and help them generate more revenue. These are a plethora of offerings that we keep building and launching. The launch of a newer offering adds strength to the older offerings, cementing the user's engagement with the platform and encouraging greater usage.

On the platform side, transacting customers continue to grow. Overall app usage, a very, very, very good number, continues to hold. On the distribution front, our 10,000-touchpoint network continues to scale in the relevant areas, and we continue to be present in 80% of districts.

Again, reiterating the strategy, we build offerings that are launched on our platform. Every new offering creates and strengthens its own demand while strengthening the older offerings at the same time. We sell, service, and distribute these offerings to our customers through a physical touchpoint network, which is very, very, very essential for the nature of the users we have. It is widespread, which means that because trucks are mobile, wherever a trucker buys a service, he can get it serviced anywhere. He is essentially taken care of through such a wide distribution network. Using this strategy is what is resulting in the results you are seeing.

Moving forward, I will give you an update on the key KPIs, some of which we have already touched upon. Starting with revenue from operations, it grew by about 56% year-on-year and, on an H1 basis, by roughly 49%. Coming to the better-quality metric for revenue, which is net revenue and typically represents the actual revenue we generate as a company, it was about 183 crores, growing by close to 35% year-on-year. Both the core and growth businesses grew very strongly this quarter.

The contribution margin profile continues to remain the same, at levels much north of 90%. We have high-quality technology revenues and product-based revenues, and hence this kind of contribution margin. The contribution margin also grew by about 33%. You see a slight dip because telematics revenues, as we had explained in previous quarters, have started to accelerate. I will provide some commentary on that shortly, but they continued to accelerate this quarter as well. You would see the slight dip because, within the overall revenue mix, telematics has a somewhat lower contribution margin.

On an adjusted EBITDA basis, it was 55 crores, representing growth of close to 30%. Again, I want to remind you that this is a blended metric that includes the investments we are making in our

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newer and emerging businesses. Think of it as continuing to scale our EBITDA by the amounts you are seeing while absorbing the increasing costs of investing in new businesses. Sooner or later, at a later date, we will help you understand this better by providing the splits as well.

Moving forward to some of the highlights, as we mentioned, the headline metric is that revenues grew by about 56%. Sequentially, we grew by about 15% on a sequential-quarter basis this quarter. Within this, the core businesses grew by 31% year-on-year and by roughly 11% sequentially. As many of you know, this generally is a seasonally weak quarter because of the rains. Also, this time the first quarter had a bit of a dip in movement. All of that was compensated for by a good Q2.

One of the highlights within this is that, obviously, GTV growth in tolling was 17%, which is strong growth. Within that, the full-stack tolling business, where we have our own FASTags using our own subsidiary, Delhivery TZDF, where we have our PPI entity, saw a significant uptick in the issuance of our tags as well. That was a good development for this quarter under the tolling business.

The telematics business, as I mentioned while discussing the contribution margin, is scaling to newer heights. We reported last quarter that we had achieved the highest new device sales in that quarter. This quarter, we continued to break that record and achieved a new high.

You do not see the impact of this directly in this quarter. As you can see, the deferred revenue item on the balance sheet continues to increase because revenue recognition for telematics occurs across the year. It does not happen in the month in which we sell the devices. Therefore, you will see the benefit of this not only in this quarter, but it will continue to come through in the quarters ahead.

Basically, we have a core business where some businesses are mature and are growing in the high teens to around 20% range, but there are multiple newer streams emerging within the core business that are helping us drive stronger growth in the overall core business.

Coming to the growth businesses, which largely comprise the loads business and the vehicle finance business, they continue to have a similar narrative as before. We are growing very strongly, with year-on-year growth of roughly 2.7 times, which is 166% year-on-year growth, and sequential-quarter growth of about 25%.

Here again, to provide some colour on Superloads, as you all know, we have scaled into newer cities, and those are scaling well. Existing cities are compounding through productivity improvements and other measures. We have done a lot of work on artificial intelligence because the entire process works on matchmaking. We have done a lot of work on artificial intelligence to improve productivity. We have seen a significant uptick in the productivity of people and in the costs we are investing in existing cities.

We also had a very strong quarter in terms of the growth of unit economics because we have tried to reach margin levels in some of the existing cities that demonstrate the long-term profitability of the business as well. If you essentially try to make more money and the business continues to compound, it means you have created a high-quality business. We are working extensively on this, and we have seen good results across all of these dimensions.

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Talking about vehicle finance, we had stated at the start of the year that this would be the year of EBITDA break-even, and we are on track to achieve that. It is largely a partner-led model. At the end of the day, the partners are in the lending business, so the business has its own steady growth rate. The business continues to grow on that basis, and the AUM managed by our partners continues to steadily climb. That will help us reach the EBITDA break-even point.

Commenting on profitability, as you have all seen, there was close to 30% growth in adjusted EBITDA year-on-year, taking it to 55 crores. As we mentioned, the core story is largely the same. It continues to deliver consistent profitability and operating cash flows.

Earlier, the core businesses used to deliver anywhere in the range of 70% to 85%, or even 100%, of operating leverage. Now, we have a lot of areas in which we can invest further. That is why you have seen operating leverage in this business in the range of 50%, despite the significant investments we have made in customer acquisition upfront this quarter. The nature of the core business continues to be the same: it is a strong operating cash flow machine for the company. We are making the necessary investments wherever required, and we are seeing a strong uptick in customer acquisition and revenue growth in a lot of niches.

While that story continues to compound and grow consistently, we have increased our investments in Superloads, and we will continue to do so. As we gain more clarity on how this business is being built and how the playbook is being developed, we will continue to invest in and scale this business.

Moving on to a little commentary on total expenses, which grew by 36% year-on-year and would generally have been at the level of the teens in the past, largely because of growth across the core businesses and investment in Superloads. There are two parts to this, which were the drivers of the growth and also appeared in the costs.

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director and CEO: Giving a brief voiceover, largely as a repeat, on the P&L overview, most of these line items have already been covered. Total income grew by about 51%, revenue from operations was higher by 56%, net revenue grew by 35%, adjusted EBITDA grew by 29%, EBITDA grew by 39% to 51 crores, and PAT grew by 42% to 41 crores. So, these figures largely mirror the numbers discussed on the previous slides.

That is all from our side, and we would love to take questions from all of you.

Operator: Thank you. We will now open the call for questions. Kindly raise your hand to ask a question. We will unmute your line. Please announce your name and organization before asking a question. As a reminder, we request all participants to restrict themselves to two questions and come back into the queue.

The first question is from Gaurav Malhotra.

Gaurav, please go ahead and unmute your line.

Gaurav: Hi. Am I audible?

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director and CEO: Yes, Gaurav.

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Operator: Yes, you are.

Gaurav: Hi, Rajesh. I have a few questions. First of all, we understand that this is a seasonally slow quarter because of the rains. However, the GTV of tolling has been in the same ballpark of around 7,000 crores, or 6,800–7,000 crores, over the last 3–4 quarters. How should we think about this growth moving ahead, say, in the second half of the year?

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director and CEO: [long pause] So, [laughs] basically, I think the way to look at it is that it was a somewhat mixed year. The first quarter was obviously affected by the entire oil crisis and a degree of deceleration in movement, which led to a downward trend in the first quarter. Otherwise, it could have been better.

Again, this quarter, with the rains, has always been seasonally weak. Generally, we see a decline from the previous quarter by a few percentage points. If you look at last year's numbers as well, because there was a request last time to understand this, we provided the last 8–10 quarters of data on tolling GTV.

Typically, Q3 and Q4 are when the entire industry picks up. Similar to last year's trend, Q3 is when you typically start seeing growth. Because of our very high market share, our pattern would also largely be indexed to how the market performs.

I would say that at this moment, based on what is happening in October, how movement is picking up in the first few weeks, and so on, it is largely business as usual, as it was in previous years as well.

Gaurav: Okay, cool. Thank you. Just a couple more questions. One more on tolling. Rajesh, you mentioned that some of the FASTags are being rolled out under your own TPI licence. Are these incremental FASTags, or are some existing FASTags also being replaced with them? I am trying to understand how we should think about the MDR going forward.

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director and CEO: Yes. Basically, in the long term, as we have always maintained, it will be a partner-led model. Everything will essentially coexist, and partners may still account for the majority of the numbers. Of the existing business we have with partners, none of that represents what we were discussing. Of whatever incremental FASTags we were issuing, there has been a significant uptick in our FASTags.

Gaurav: Okay. And just one last question on Superloads. If you could give us some sense of how many hubs you are present in, the impact on working capital and loads, and some additional data on Superloads, that would be helpful.

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director and CEO: I think the numbers are the same as before. As we had mentioned, Gaurav, we are present in 14 cities. Two of those are the earlier cities, and the remaining 12 are newer cities.

As we have always mentioned, it is largely a cash-and-carry business, where we receive advances from customers around the time the vehicle is loaded. It is a very working-capital-light business, perhaps involving a few days of working capital on an overall basis. I think that is the nature of the business, and it is largely similar from a business-context perspective.

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Gaurav: If I may squeeze in one last question on telematics, you mentioned that there has been an acceleration. Is this acceleration due to the new technology and AIS adoption pushing it forward, or are you becoming more aggressive in this segment? Also, do you have any sense of what kinds of devices are being added? Are they multi-technology devices, single-technology devices, and so on?

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director and CEO: Answering your question, a very small part of the acceleration is attributable to new product launches, such as the fuel sensor and the dashcam, which we are working on and entering in a significant way over the years. We have been commenting on the fuel sensor, and we are piloting the dashcam as we speak.

The larger part of the acceleration is due to the AIS mandates being implemented across states for various use cases. Within that, we are playing a material role by capturing incremental market share. That is leading to higher device sales incrementally every quarter.

Gaurav: Got it. Thank you so much. I will come back into the queue.

Operator: Thank you. The next question is from Avneesh Sharma. Avneesh, please unmute your line and go ahead.

Avneesh: Hi, team. Thank you for the opportunity. My first question is with respect to this MDR. What proportion of tolling revenue and margins could be impacted by MDR on UPI? On a GTV of 7,000 crores, a 0.4% MDR could be substantial. I wanted to understand management's view on this.

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director and CEO: In this context, roughly 50%, or more than 50%, of our transactions are below 2,000. That is number one.

For the remaining transactions, one of the specific use cases opened for FASTag is the pre-debit, or PDN, method of recharging the FASTag: the pre-debit notification, or zero-PDN-mandate route. Through that, the remaining part of the transactions is essentially covered.

Therefore, through a combination of these strategies, transactions below 2,000 and transactions above 2,000 using the pre-debit notification mechanism, which does not operate on a 24-hour latency to complete the debit and credit, and which is specifically allowed for FASTags, we believe that the impact of MDR on UPI will be significantly close to zero, possibly, for our business.

Avneesh: We may have to encourage customers making payments above 2,000 to start using this. However, initially, adoption of this PDN mechanism may not be as fast as we expect. Is there anything you can share on that? How are we going to implement this?

Management: Avneesh, while we will understand the actual impact only once it is implemented, we conducted some pilots in the first week of October. Broadly, the pilot followed what Rajesh mentioned: either people were making payments below 2,000 or they were using the zero-PDN-mandate route. Even though we will understand the actual impact only after implementation, it should largely be contained, in our view.

Avneesh: Okay, understood. My other question is with respect to core revenue. It grew around 31% year-on-year and 11% quarter-on-quarter. However, GTV was largely flat quarter-on-quarter, and

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tolling transactions fell around 2% quarter-on-quarter. I wanted to understand what drove the quarter-on-quarter growth in the core business. Was it telematics devices, fuel, or simply a better take rate on tolling?

Management: I think a significant part of it was attributable to telematics, as Rajesh mentioned. We recorded the highest number of new device sales in the current quarter. On the tolling side as well, there were some minor one-off benefits that provided a kicker to revenue this quarter. Otherwise, there was no material change in the take rate on the tolling side compared with previous quarters. Hopefully, with the AIS tailwinds, telematics should continue to grow faster.

Avneesh: Understood. Lastly, on depreciation expense, it has roughly doubled year-on-year, and capex is currently around 771 million. I wanted to understand the trajectory for depreciation expense and any capex guidance for the current year.

Management: On depreciation, it is largely linked to telematics growth. If you look at the half-year balance sheet that we have also provided, you would have seen that growth in deferred revenue was also around 56% year-on-year. It has grown strongly, by even four to five times the absolute growth in depreciation.

We continue to reach new highs in telematics, so as we determine that growth path, depreciation will follow the same route. Currently, there is no guidance on how it will develop.

Avneesh: Okay, okay. That was helpful. Thank you. All the best.

Operator: Thank you. The next question is from the line of Pratik. Pratik, please go ahead with your question. Unmute yourself.

Pratik: Hi. Am I audible?

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director and CEO: Yes, Pratik. Please go ahead.

Operator: Yes.

Pratik: Hi, thanks for the opportunity. We met a few fleet owners in Delhi, and what we heard was that most new trucks now come with GPS installed by the manufacturer. They provide around 12 to 18 months of free subscription. After that, the OEM renewal, correct me if I am wrong, is somewhere around 7,000-10,000 a year, while you charge 3,000-4,000. So, I think the price gap and the convenience of using Delhivery's 1-App to track multiple brands are the reasons that people switch to you.

I have two questions on this. Could you share what percentage of your telematics revenue comes from relatively newer trucks, where people switch after the OEM subscription ends, versus second-hand or older trucks?

Secondly, if the manufacturers bring their renewal pricing closer to your pricing, how do you see that affecting your telematics growth?

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director and CEO: Basically, the way to think about this is, first of all, GPS is not mandated. It is basically an optional accessory that a person may

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choose. It was mandated a few years ago, but that led to a lot of friction, so I think it was rolled back. So, first of all, it is optional.

Second, remember that all repeat buyers of trucks already have a fleet of trucks. They would want to manage their end-to-end telematics operations, such as tracking where the drivers are and sharing the location with customers, in one place.

Because we already have a very high wallet share in the existing base, most of our customers typically buy whatever incremental new trucks they purchase with the same software. We obviously do not have data on how many new trucks have entered the market and how many of those we have fitted with our devices. We do not have that data, and hence we are not able to share it.

However, there is an open gap, as you rightly said, in pricing and everything else. We are so competitive that people use us. The second point is that, on the AIS side, there is a great deal of operational complexity relating to how the device is activated and how it has to be maintained at a very high service level.

It also requires a lot of integration with different government portals. That is a very specialized area requiring a focused approach at the state level. I do not think that is an area where OEMs are playing at this point in time.

The third point is that we have a very strong pan-India service network. Given the importance of this business to us, we execute that very well. If a truck breaks down anywhere, we get the repairs completed very quickly.

All of this, taken together, has always given us an edge and kept us well ahead in how we view this business compared with the OEMs you are referring to. We have received this question many times, but this is how it is. The result of what I am saying is visible in the numbers, in how the business is growing and how the numbers are developing.

Pratik: Understood. I completely agree on the app and tracking aspects. However, I wanted to understand whether, if they choose to match your price, that would have an impact on telematics growth.

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director and CEO: That is what I explained. When the [cut off]

Management: When a person is buying a new truck, he already has 10 trucks. A person buying a new truck is generally a repeat purchaser. If you go and understand the market, new truck purchases are generally made by repeat truck buyers; they are not made by someone entering the business.

Because the person already has a fleet of trucks and is using Delhivery software, he will use us for the new truck as well. He will not use something else. There is no question of allowing this customer to go to anyone else, first of all. That is number one.

Number two, given the quality of service, the efficiency of the AIS devices, and the maintenance of the AIS devices—which are among the highest-volume devices sold in at least 14 cities—it is very difficult for others to compete at this point in time.

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Gaurav: Okay, got it. Thank you.

Operator: Thank you. The next question is a follow-up question from Gaurav. Gaurav, please go ahead with your question.

Gaurav: Hi, and thanks for the opportunity again. I wanted to spend some time on opex. You mentioned that Superloads is where you are investing, but you also mentioned that you are seeing some increase in opex even in the core business. Can you help us understand where these investments are going between tolling and telematics, and what you are doing in those areas?

Management: Gaurav, as you know, the nature of our core business is generally such that whenever we acquire a customer or make incremental sales, whether of devices, FASTags, or any other product, we typically incur the customer acquisition cost upfront. We generally earn the LTV over the lifetime of the customer while they remain with us.

Whenever our sales grow strongly, we incur a larger expense in that quarter because our sales engine is largely variable. This leads to more customer acquisition and more costs being incurred in that quarter, and you see suppressed EBITDA. However, it supports higher long-term growth and a greater catch-up in EBITDA.

That is why, if you go back and look at our numbers from a few years ago, when there was no revenue base but we were going through a heavy customer-acquisition cycle, we incurred a very high loss. Then we kept our customer acquisition broadly constant for a few years, and you saw the entire EBITDA compounding.

We did not keep it constant simply because we wanted to become profitable. We kept it constant because beyond that level, it was obviously somewhat unprofitable to acquire customers. Now, wherever we see opportunities, we are expanding and gaining more market share. Therefore, whenever there are spurts in customer acquisition, EBITDA is suppressed in that particular quarter.

Gaurav: So, basically, if telematics is performing very well and there is significant growth coming from it, there is an upfront CAC that you will recover over the life of the customer. That would be one way to think about it, correct?

Management: Correct. That is the way to think about it. That is why telematics is actually very easy to understand because telematics also has a deferred revenue component. If you look at that, you can see that it is scaling. You can see it on the balance sheet. Therefore, you can see most of this revenue accruing over a period of time.

Gaurav: Okay, cool. Thank you.

Management: Yes.

Operator: Thank you, participants. Kindly raise your hand to ask a question.

That was the last question for the day. Thank you again for your time and participation. On behalf of Delhivery Ltd., this concludes today's conference. For any questions, please feel free to write to us at the email IDs mentioned in the invitation. We appreciate your engagement. You may now

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