DELHIVERY

Date: April 11, 2025

BSE Limited Phiroze Jeejeebhoy 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.: FAQs on the proposed acquisition of Ecom Express Limited

Dear Sir/ Madam,

In continuation of disclosure made under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 by Delhivery Limited ("**the Company**") on April 5, 2025, in relation to proposed acquisition of Ecom Express Limited ("**Ecom**"), we hereby enclose some of the Frequently Asked Questions (**FAQs)** on the said acquisition and Company's response to these FAQs. The FAQs address common and relevant questions that various investors and analysts may have.

The Company's response on FAQs will also be hosted on the Company's website at www.delhivery.com

You are requested to take the same on your record.

Thank you.

Yours truly,
For Delhivery Limited

Madhulika Vipin Rawat
Digitally signed by Madhulika Vipin Rawat
Date: 2025.04.11 00:24:15 +05'30'

Madhulika Rawat
Company Secretary & Compliance Officer
Membership No.: F8765

Encl: As above

DELHIVERY

Proposed Acquisition of **Ecom Express**

April 2025

Proposed Acquisition of Ecom Express - FAQs

Dear Shareholders,

On 5 April 2025, we entered into definitive agreements for the acquisition ("**Acquisition**") of a controlling stake in Ecom Express ("**Ecom**"). We expect the integration of Ecom Express into Delhivery to deliver further scale-driven operating efficiencies and greater reach to our clients and their customers.

We have addressed key questions in this document in order to help you understand the Acquisition better. Please note that the Acquisition is subject to approval from the Competition Commission of India.

1. What is the rationale behind the acquisition of Ecom Express?

Scale: *Logistics is a highly scale-driven industry. Integrated players are more efficient and consequently able to service a diverse set of customers which include large enterprises, MSMEs, emerging entrepreneurs having a wider range of customer requirements, reduce logistics costs and invest differentially in building critical infrastructure and technology capabilities. Just as the telecom and communications revolution was a key driver of economic growth for the country, we believe the long-term growth of the economy will require the creation of world-class, market-appropriate logistics infrastructure, network models and technology. This Acquisition enhances Delhivery's operating scale and furthers our vision to become the bedrock of commerce in India.*

Profitability: *Delhivery's integrated network model, larger scale, technology investments and higher levels of automation have consistently delivered superior service quality in terms of delivery speed, returns and delivery quality, and superior profitability compared to other players. The incremental volumes that we expect to accrue will further improve utilization of our network assets and improve overall profitability upon completion of integration. We expect revenue from the Acquisition will be retained at Delhivery's high incremental gross margins. Profitability will also be expanded through reduction of overlapping network assets and central overhead costs.*

2. Can you throw some light on Ecom Express' recent financial performance?

Ecom Express' FY24 numbers were available in public domain as part of their DRHP. We have included unaudited financial information for 9MFY25 in the following table, basis information available on Ecom Express' website (FY24 (audited) and 9MFY25 (unaudited) financial summary)

P&L statement summary:

Rs. Cr	FY24 (Audited)[(1)]	9MFY25 (Unaudited)
Express volume (mn)[(2)]	**514**	**405**
Express revenue	2,349	1,713
Warehousing revenue	260	199
Total revenue	**2,609**	**1,912**

EBITDA[3]	104	(11)
Other Non operating items		
Other income	44	38
Finance cost	(86)	(53)
Depreciation and Amortisation expense	(222)	(169)
Non-cash Net Loss on Fair Valuation of Financial Liability Carried at Fair Value	(108)	(215)
PBT	(269)	(410)
Deferred tax gain/(loss)	20	12
PAT[4]	(249)	(398)
Adjusted PAT[5] (excluding non-cash net loss on fair valuation of financial liability carried at fair value)	**(140)**	**(184)**
Adjusted EBITDA		
EBITDA (A)[3]	**104**	**(11)**
ESOP costs (B)	36	27
Cash rent paid on leased properties recognized under Ind AS 116 (C)	150	119
Adjusted EBITDA (A+B-C)	**(11)**	**(104)**

Notes:

(1) Restated audited financial statements as per DRHP
(2) Including RTO shipments
(3) Calculated as Revenue - Cost of services - Employee benefits expense - Other expense
(4) PAT represents PAT from continuing operations
(5) Adjusted PAT is computed before loss on fair valuation of CCPS (non-cash item)

Express Parcel volumes in the table above count Return To Origin (RTO) shipments as separate shipments. Assuming an average RTO rate of 16%, volumes would be ~430M for FY24 and ~340M for 9MFY25, which are comparable to the manner in which Delhivery reports Express Parcel volumes.

Shareholders own Compulsory Convertible Preference Shares (CCPS) in Ecom Express. The company had a non-cash loss on fair valuation of financial liability carried at fair value of Rs. 108 Cr for FY24 and Rs. 215 Cr for 9MFY25 mainly on account of the accounting treatment of CCPS, which are recognized as financial liabilities and measured at fair value through profit or loss in accordance with Ind AS 109. Once the Acquisition is complete, the CCPS will be held by Delhivery and this line item will be eliminated on consolidation of the books of accounts of Delhivery and Ecom Express. Therefore, this line item has not been considered for the calculation of adjusted PAT in the table above.

Balance sheet summary:

Rs. Cr	Mar '24 (Audited)	Dec '24 (Unaudited)
Networth (including CPPS)	856	998
Debt (excluding CCPS)	224	88
Lease liabilities	535	516
Trade Payables	237	253
Other liabilities(1)	239	167
Total Equity and Liabilities	**2,090**	**2,021**
Property, Plant & Equipment (including CWIP)	501	464
Intangible assets (including under development)	49	75
ROU assets	486	454
Cash & Equivalents	560	508
Trade Receivables	273	259
Other assets	221	260
Total Assets	**2,090**	**2,021**

Notes:

(1) Other liabilities includes amount payable to customers towards COD (Dec '24 - Rs. 71 Cr; Mar '24 - Rs. 110 Cr)

The reported financials consider CCPS held by shareholders of Ecom Express (Rs. ~1,100 Cr as of Dec-24) under the Borrowings header. These CCPS have been reclassified as networth in the table above for a clearer commercial representation of the balance sheet.

3. Delhivery faced challenges while integrating SpotOn. What integration challenges do you foresee in this Acquisition?

This Acquisition is materially different from our previous acquisition of SpotOn and therefore entails significantly lower integration risks as well, in our assessment.

Clients: *There is close to 100% overlap in count of customers (and >95% in terms of revenue) between Delhivery and Ecom Express. Both companies have serviced these customers over several years and all customer-facing business processes of package manifestation, tracking, billing and reconciliation and collections are equivalent or similar in all key respects. Customers are also deeply integrated with Delhivery systems already and will be able to seamlessly route erstwhile Ecom Express volumes into Delhivery's network. No further technology integrations will need to be created or changed. In the case of SpotOn, we were required to onboard a large number of new customers, most of whom were unfamiliar with Delhivery's systems and standard operating processes and with whom we were required to sign new contracts and commercial agreements, which created significant integration complexity.*

Relative Scale: *Ecom Express' volumes are ~40% of Delhivery's Express Parcel volumes. In terms of overall network tonnage, Ecom Express' tonnage is <20% of Delhivery's total tonnage carried, owing to our Heavy Goods and PTL businesses, both of which are unique to our network. SpotOn's PTL volumes at the time of acquisition were twice the size of Delhivery's own PTL business.*

Network: *Given our larger operating scale, our analysis suggests that we will not be required to retain a significant portion of Ecom Express' network infrastructure. We have taken lease lock-ins and liabilities into account and expect to downsize excess capacity almost entirely within FY26. While a few key facilities will be retained, these will be seamlessly configured by our systems as nodes within the Delhivery network, just as we would do for any new infrastructure, and will be activated as such. No new technology development or deployment will be required. Delivery stations will be evaluated per their location, rental costs and volume forecasts and will be retained or shut down, in line with Delhivery's regular and ongoing network design processes. These facilities typically carry maximum lock-in periods of 1 month and present very limited integration complexity.*

Employees: *Delhivery's headcount is substantially larger than that of Ecom Express. Our regular rate of attrition provides sufficient opportunity for us to absorb qualified operating staff from Ecom Express, which is the bulk of the company's total employee base. Ecom Express employees are sufficiently trained on basic industry processes of pickup, sorter operations, bagging, loading/ unloading, delivery and cash management and are familiar with standard scan-based operations. The Delhivery Academy, our in-house training and development cell, provides training to all new employees at Delhivery and will provide similar training to all absorbed employees from Ecom Express on completion of the Acquisition.*

4. How has the asset been valued? What are the incremental profits expected from this Acquisition?

We believe we have been sufficiently conservative in our assumptions of revenue retention, margins and in our assessment of potential integration costs, principally related to network consolidation and corporate costs.

Certain large customers may choose to re-allocate SoW in the short-run, which has been factored into our revenue retention assumptions. Our inherent advantages in terms of network speed, reach and cost stem from superior design, engineering and technology. We expect these non-replicable advantages to persist and are confident that they will drive growth and profitability ahead as well.

Our purchase consideration is based on expected steady state profits on retained revenue, assumed to be ~30% of FY25 base, minus the expected costs of integration. Appropriate adjustments have also been made to account for the company's weaker performance in Q4FY25 as compared to 9MFY25 run-rate.

Due to our efficient cost structure, retained revenue will carry materially higher margins than Ecom Express' operating margins. We do not anticipate any major capacity investments required to service additional volumes (even beyond the "valuation case" volumes to an extent) and we therefore expect material operating leverage as well. Additionally, no significant corporate overheads are expected to be required to service incremental volume resulting from the Acquisition.

The consideration also factors in temporary network integration costs on account of redundant facilities that are under lease lock-ins and the cost of overlapping corporate overheads, conservatively expected to be incurred for 2 quarters post completion. We anticipate these costs to be Rs. ~300 Cr. Overall we expect the Acquisition to be margin accretive.

5. What is the network/infrastructure footprint of Ecom Express and what do you plan to do with both networks' existing assets?

Ecom Express currently operates with ~9 million sq.ft. of infrastructure (~7 million sq.ft. of transportation infrastructure and ~2 million sq. ft. of warehousing). The company operates ~3,750 facilities, comprising 90 hubs, 130 processing and return processing centers, ~3,500 last mile delivery centers and ~30 warehouses/fulfillment centers.

These facilities will fall into one of three categories:
- *Locations where Delhivery facilities are approaching capacity constraints or require relocation and where Ecom Express' facilities are of suitable future capacity, quality and location: we will move from Delhivery infrastructure to Ecom Express' infrastructure*
- *Locations where Ecom Express' facilities can be repurposed within the Delhivery network (e.g. an Ecom Express' hub that can be converted into a Delhivery fulfilment centre or freight service centre): these will be retained and repurposed*
- *All other facilities will be exited. A small set of facilities carry lease lock-ins. The cost of mothballing these redundant facilities has been factored into our consideration. However, these will be utilized within our network for alternate purposes such as internal stores*

6. How will this Acquisition impact Delhivery's Capex going forward?

Delhivery's Capex as % of revenue has been consistently reducing. We expect this Acquisition to further reduce Capex intensity as % of revenue. As of December 31, 2024 Ecom Express had a net block of Rs. ~450 Cr, with Rs. ~370 Cr of Plant & Machinery, Office Equipment and Computers & IT equipment. These assets are estimated to be <50% utilised at the retained revenue assumptions, resulting effectively in Rs. ~200 Cr of net block available to us for future growth. This will reduce our future Capex, especially towards sorters, over the FY27-29 period.

7. Are you absorbing any liabilities due to the Acquisition?

We conducted a thorough financial, tax and legal due diligence of Ecom Express through reputed advisors who did not identify any material capex commitments, unpaid dues or litigation/tax liabilities that would need to be absorbed by us. Quantified liabilities/risks have either been considered in the Acquisition price or for indemnification in the transaction documents.

8. Ecom Express reported Rs. 398 Cr of PAT loss for 9MFY25. How does this impact Delhivery P&L on consolidation?

Ecom Express' reported 9MFY25 PAT loss of Rs. 398 Cr was after Rs. 215 Cr of non-cash loss on fair valuation of financial liability carried at fair value. This is on account of the accounting treatment of CCPS, which are recognized as financial liabilities and measured at fair value through profit or loss in accordance with Ind AS 109. Once the Acquisition is complete, the CCPS will be held by Delhivery and this line item will be eliminated on consolidation of the books of accounts of Delhivery and Ecom Express. Adjusted for this, 9MFY25 PAT loss, reflective of the business' operations, stood at Rs. 184 Cr.

As laid out earlier in this note, Delhivery has a more efficient cost structure as compared to Ecom Express. Retained revenue post completion of the Acquisition will therefore generate incremental EBITDA margins that are substantially higher than Ecom Express' standalone service EBITDA margins. Further, network footprint and corporate overheads will be rationalised to a level appropriate for the combined business. We therefore expect incremental profits from the retained revenue to substantially offset the temporary costs of network and overheads rationalisation.

9. What are the timelines of the completion of this Acquisition?

The Acquisition is subject to approval from Competition Commission of India. The transaction documents envisage a long-stop date of 6 months from signing of the definitive documents, which would be mutually extendable. We will provide updates on timelines, as necessary and when available, in our future public disclosures.

Proposed Acquisition of Ecom Express - FAQs

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Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Company without necessary diligence and relying on their own examination of Delhivery Limited along with the equity investment risk which doesn't guarantee capital protection.