Delhivery Ltd

ICICI direct Research

Price Band ₹ 462-487

NOT RATED

May 10, 2022

Dominant player in express logistics segment…

About the Company: Delhivery is the largest and fastest growing fully-integrated logistics player in India by revenues. It provides a full-range of logistics services, including express parcel, ecommerce delivery and heavy goods delivery.

- It has built a nationwide network with a presence in every state, servicing 17,488 pin codes
- It has a strong network infrastructure, which includes 122 gateways, 21 automated sort centres and 93 fulfilment centres

Key triggers/Highlights:

- The company provides a full-range of logistics services which can lead to a higher share of wallet and customer retention.
- Delhivery has a diverse base of 23,113 active customers (ex-Spoton) across e-commerce, consumer durables, electronics, lifestyle, FMCG, industrial goods, automotive, healthcare and retail products
- Integration with customers' ERP systems and business processes have led to customer stickiness. In the first half of FY22, ~65% of its revenues were from customers who have been transacting with it for over three years India
- Strong data processing & analysis and technological capabilities enable it to respond quickly to changes in the operating environment and capture higher market share

What should investors do? Delhivery has shown strong growth and built a recognisable brand in a segment marred by intense competition and low barriers to entry. With a pan-India presence and diversification into other segments (LTL, omni-channel etc), the management seeks to utilise the scale to further optimise, cross-utilise its network and lower costs. However, we await further progression on path of achievement of positive cash flows. Hence, we do not assign a rating to the IPO

- We assign **UNRATED** rating to the IPO

Key risk & concerns

- The company's asset light business is significantly reliant on asset partners and any inefficiency or disruption with asset partners can impact the operations and brand image of the company
- The company continues to incur operating losses
- The company has acquired assets (Aramex, Fedex, Primaseller, etc) and companies (Spot-on) as a part of its growth strategy. Failing to integrate newer acquisitions may impact profitability

DELHIVERY

Particulars

Issue Details	
Issue Opens	11th May
Issue Closes	13th May
Issue Size (₹ cr)	5235
Fresh Issue (₹ cr)	4000
Offer for Sale (₹ cr)	1235
Price Band (₹)	462-487
QIB (%)	75
Retail (%)	10
NIB (%)	25
Minimum Lot Size (no. of shares)	30

Shareholding Pattern (%)

(in %)	Pre-Issue	Post-Issue
Promoter	0.0	0.0
Others	100.0	100.0

Objects of issue

Objects of the Issue
1. Funding organic growth initiative
2. Funding inorganic growth through acquisitions and other strategic initiatives
3. General corporate purposes

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IPO Review

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ crore	FY19	FY20	FY21	9MFY22	2-Years CAGR (FY19-21)
Net Sales	1653.9	2780.6	3646.5	4810.5	48.5
EBITDA	-137.8	-172.0	-113.7	-235.5	NA
EBITDA margin (%)	NA	NA	NA	NA	
PAT	-1783.3	-268.9	-415.7	-891.1	NA
P/E (x)	NA	NA	NA	NA	
RoCE (%)	NA	NA	NA	NA	
RoE (%)	NA	NA	NA	NA	

*Source: RHP, ICICI Direct Research * 9MFY22 excludes Spot-on nos (acquired in Aug, 21)*

Company Background

Delhivery is the largest and fastest growing fully-integrated logistics player in India by revenues. It provides a full-range of logistics services, including express parcel and heavy goods delivery, part-truckload freight (PTL), truckload freight (TL), warehousing, supply chain solutions, cross border express and freight services and supply chain software, along with value added services, such as e-commerce return services, payment collection and processing, installation and assembly services and fraud detection.

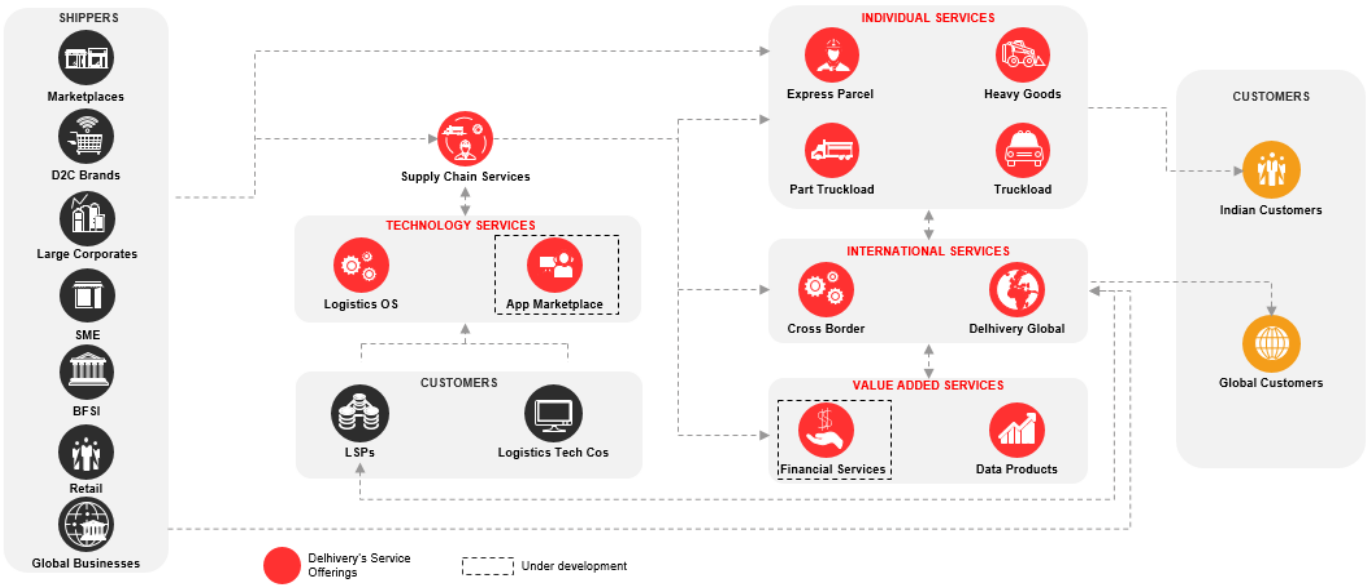
The company is providing supply chain solutions to a diverse base of 23113 active customers (ex-Spoton) such as e-commerce marketplaces, direct-to-consumer e-tailers, enterprises and SMEs across several verticals such as FMCG, consumer durables, consumer electronics, lifestyle, retail, automotive and manufacturing. This is achieved through high quality logistics infrastructure and network engineering, a vast network of domestic and global partners and significant investments in automation, all of which are orchestrated by its self-developed logistics operating system that is guided in real-time by deep sources of proprietary network and environmental data.

Delhivery has an asset light business model wherein it extends the logistics ecosystem by enabling network partners, such as franchisees, retail partners and delivery agents, to on-board their physical assets, resources and participate in its platform. The company has also expanded internationally by establishing a reciprocal partnership with Aramex and a strategic alliance with FedEx, both global express leaders, for customs clearance, pickup and delivery services.

In August 2021, the company acquired Spoton Logistics, an express PTL freight service provider in India, to further build scale in PTL freight services business. Spoton delivered 758730 tonnes of freight in FY21 and has a network presence across 13,087 pin codes with 2.85 million sq. ft. of infrastructure. Following the acquisition of Spoton, Delhivery became the third largest PTL freight player in India in terms of revenue, with a market share of approximately 8.3% of the organised PTL market in India.

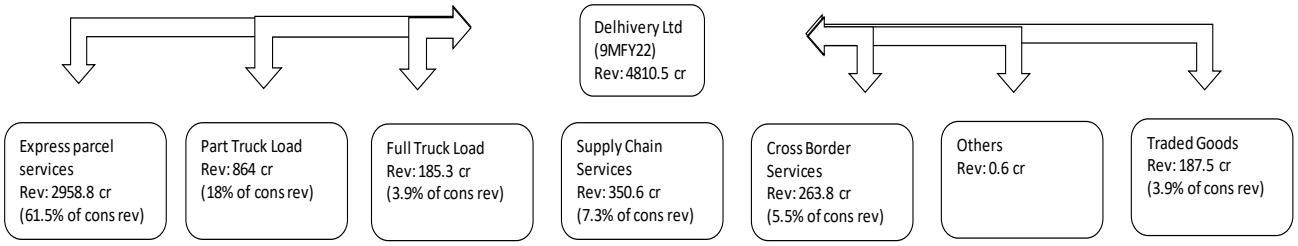
Delhivery has built a nationwide network with a presence in every state covering 90.6% of the 19300 pin codes in India. Its network infrastructure includes 122 gateways, 21 automated sort centres, 93 fulfilment centres, 35 collection points, 31 returns processing centres, 244 service centres, 132 intermediate processing centres and 2521 direct delivery centres, including Spoton's 40 gateways and 138 service centres. Together with Spoton, the company operated 4,179 delivery points. Its self-delivery network is augmented by 1209 partner locations that expand its reach, provide critical flexible capacity and redundancy and Spoton's service centres are augmented by 205 additional locations operated by business associates.

Exhibit 6: Delhivery Business Offerings



Source: RHP, ICICI Direct Research

Exhibit 6: Key Business segments



Source: RHP, ICICI Direct Research, ex-Spot-on

Logistics Industry

Exhibit 4: Comparison between US, China and India

Parameter	US	China	India
GDP	US$21 trillion	US$14.7 trillion	US$2.7 trillion
Logistics market spend	US$1.6 trillion	US$2.2 trillion	US$390 billion
Total logistics spend as a % of GDP	~8%	~15%	~14%
Direct spends as % of GDP	~7%	~10%	~8%
Indirect spends as % of GDP	~1%	~5%	~6%
Per capita logistics spend	~US$4,860	~US$1,540	~US$280
Per capita direct logistics spend	~US$4,460	~US$1,050	~US$150
Per capita indirect logistics spend	~US$400	~US$490	~US$130
Share of top 10 organized players	~15%	7-10%	~1.5%
Average size of warehouse (sq.ft.)	100-200k	20-50k	8-12k
Average size of truck (ft.)	48	45	24-32
Average daily distance travelled by trucks (kms)	500+	423	325

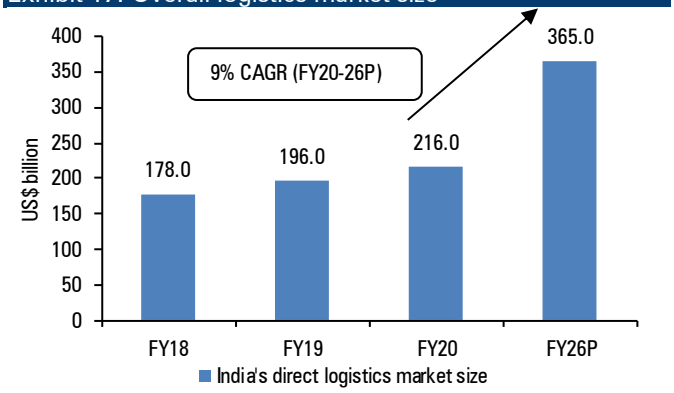
Source: RHP, ICICI Direct Research

Exhibit 5: Comparison of business models across US, China and India

	US	China	India	
			Traditional 3PL	Delhivery
Typical Network Design	Hub-Spoke	Hub-Spoke	Hub-Spoke	Mesh network
Typical Nature of Asset	Asset-heavy;	Self-owned	Asset-light; mainly	Asset-light; leased
Automation	High degree of hardware automation	High degree of hardware automation	Low automation; mainly manual operations	High degree of automation with full control over the value chain

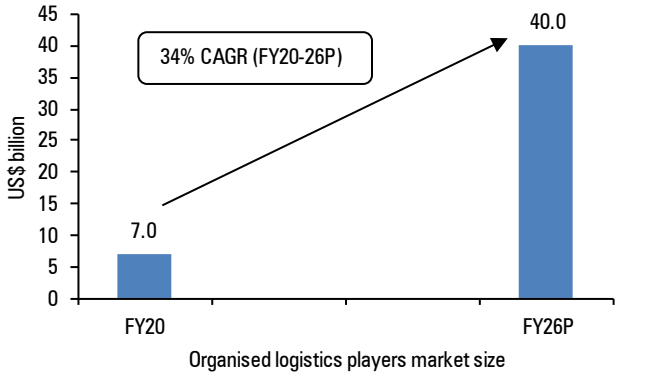
Source: RHP, ICICI Direct Research

Exhibit 17: Overall logistics market size



Source: RHP, ICICI Direct Research

Exhibit 18: Organised sector expected to clock 34% CAGR

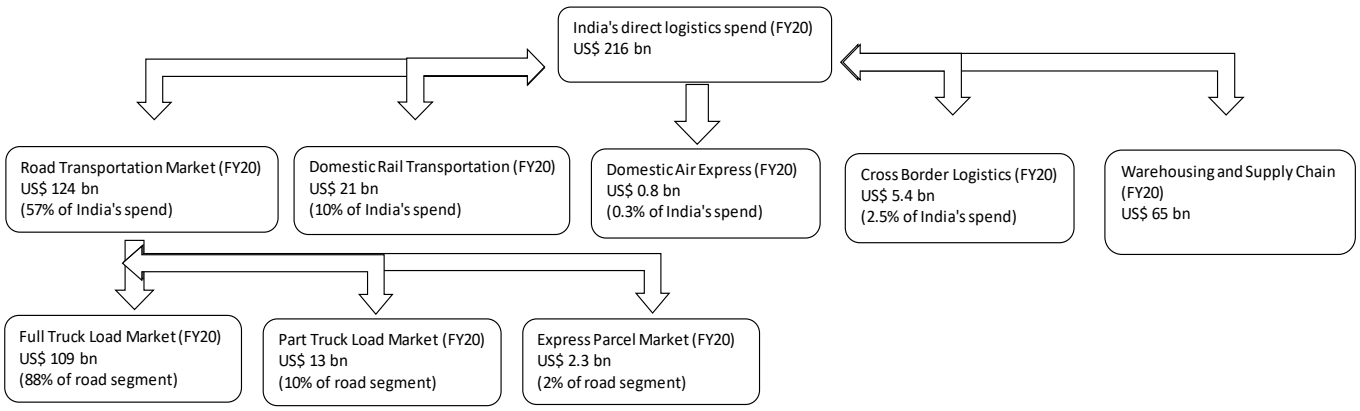


Source: RHP, ICICI Direct Research

Industry Overview

The Indian logistics sector is one of the largest in the world and presents a large addressable opportunity, with a direct spend of US$216 billion in FY20. The sector is expected to grow to US$365 billion by FY26 at a CAGR of 9%, driven by 1) strong underlying economic growth, 2) favourable regulatory environment in logistics, resulting in evolution of efficient supply chain formats, 3) improvement in India's transportation infrastructure, especially highway connectivity, 4) growth of the domestic manufacturing sector, driven by favourable policy support and increased domestic and foreign investments, 5) rapid growth of the digital economy, which has led to creation of digital-native business models such as e-commerce, direct-to-consumer and social commerce and 6) growth in offline commerce driven by increased offline consumption, industrial activity and cross border trade.

Exhibit 7: Indian logistics sector key segments



Source: RHP, ICICI Direct Research

The logistics market primarily comprises transportation and warehousing, of which transportation accounted for 70%, or US$151 billion in FY20. Organised players accounted for only ~3.5% of the logistics market in FY20. Organised players are expected to grow at a CAGR of 35% between FY20 and FY26, taking their share to 12.5-15% by FY26 of the logistics market. This shift is expected to be driven by the ability of organised players to offer integrated services, network and scale-driven efficiencies and larger investments in technology and engineering, resulting in higher share of wallet with customers.

Further, the Indian logistics industry is characterised by high indirect spends on account of high inventory carrying costs, pilferage, damage and wastage. Indirect spends were estimated at US$174 billion in FY20 and are expected to marginally decline to US$166 billion by FY26. This reduction will be led by organised players through superior logistics infrastructure that reduces pilferage and damages, efficient operations that reduce turnaround time and better utilise the logistics network capacity and through scale, which drives consolidation and eliminates redundancies.

Exhibit 8: Segment-wise listed players in US, China and India

Indicative set of listed players	US	China	India
Express Parcel Delivery	FedEx, UPS, USPS, Amazon	ZTO Express, Best Logistics, JD Logistics, SF Holdings, YTO Express, STO Express, Yunda	Delhivery, Blue Dart
Part Truck Load	FedEx, UPS, XPO Logistics, Old Dominion, SAIA	ZTO Express, Best Logistics, Deppon Logistics	Delhivery, VRL Logistics, TCI Express, Gati
Truckload	FedEx, UPS, Knight Swift Logistics, J.B. Hunt, Werner Enterprises	Best Logistics, SF Holdings, Full Truck Alliance	Delhivery, TCI, VRL Logistics
Supply Chain Services	UPS, GXO Logistics, FedEx	JD Logistics, Best Logistics	Delhivery, Mahindra Logistics, DHL Supply Chain

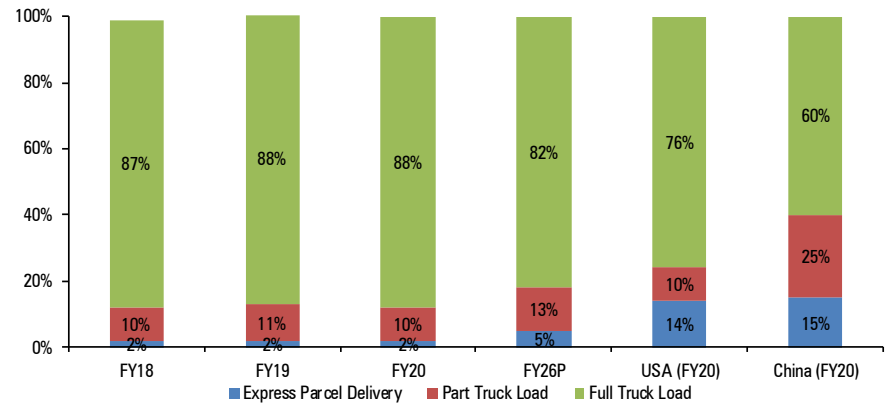
Source: RHP, ICICI Direct Research

Indian logistics market ripe for disruption

Total logistics spending in India was ~14% of GDP in FY20, which is significantly higher than developed countries like Germany and the US, where logistics spend is ~8% of GDP. **Fragmented and unorganised supply**: The Indian logistics market is highly fragmented compared to other markets. The road transportation market in India was estimated to be US$124 billion in FY20 but is highly fragmented and unorganised. Over 85% of fleet-owners operate fleets of less than 20 trucks, many of which are typically older two-axle rigid-body vehicles, comparatively smaller in size than the trucks in developed markets and poorly utilised (driving less than 325 km/day on an average). Indian warehousing is similarly fragmented and unorganised. The sector is characterised by a large number of small warehouses (less than 10,000 square feet) that account for nearly 90% of the warehousing space in India.

The top 10 organised players account for ~1.5% of the logistics market in India vs. ~15% in the US and ~7-10% in China. The largest logistics companies in the US and China are 20-30x and 10x+ the size of India's largest logistics companies while GDPs are 8x and 5x of India. Also, large US and China logistics players offer integrated services across the supply chain while Indian players have historically been regional or vertical-focused and typically provide mono-line services only.

Exhibit 9: Expected changes in road logistics mix (projected India)



Source: RHP, ICICI Direct Research

Key factors causing inefficiency, fragmentation

Historically complex indirect taxation structure: Prior to rollout of GST, India's complex indirect tax regime impeded smooth inter-state movement of goods. As a result, traditional players remained regional and sub-scale, resulting in significant inefficiencies. Pre-GST, ~60% of travel time was lost due to onerous paperwork and tax compliance procedures at inter-state checkpoints. Similarly, companies focused on tax savings, instead of cost efficiencies resulting in building of multiple localised sub-scale warehouses.

Poor road infrastructure: India's road connectivity has historically been underdeveloped in terms of quality and connectivity. As a result, Indian trucks travel significantly lower distances (~325 km per day) compared to the global average of 500-800 km. This has resulted in longer turnaround times, higher fuel and maintenance costs and opportunity costs of lost business.

Prolonged under-investment by Incumbents in capability building:

1) **Technology, infrastructure, design and engineering capabilities**: Sub-scale and mono-line players have historically been reluctant to upgrade their networks through investments in critical technology, infrastructure and automation capabilities.

2) **Data capabilities**: Lack of investment in technology has led to lack of collection, structuring and analysis of data. As a result, traditional players have relied mainly on rules-of-thumb and manual operations rather than sophisticated data-driven decision making.

3) **Skilled labour and automation**: Logistics operations have traditionally been run by unskilled labour, who have been equipped to handle manual operations, and are not up-skilled or trained enough to operate on new-age automated systems or take data-driven decisions.

4) **High quality talent**: Several traditional logistics businesses in India have been family-owned and managed with limited ability to attract and retain high-quality professional talent. As a consequence, these organisations have often been unable to introduce new practices and innovate as required by changing the industry landscape.

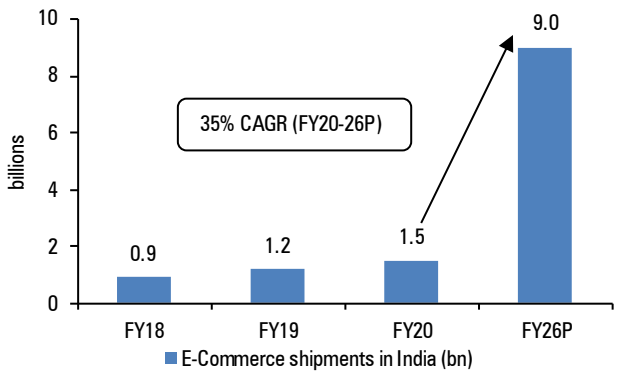
Growth drivers in organised logistics

Evolving B2C demand and consumption trends

India's GDP per capita is expected to cross US$2,000 in 2021. The middle-income segment with an income range of US$7,500 to US$15,000 per annum currently forms ~27% of the working age population and is expected to expand to ~40% in the next five years. India is also one of the youngest nations in the world. Millennials (those born in the 1980s and early 1990s) and Generation Z (those born after the mid-1990s) are driving digital adoption and consumption growth. In addition, factors such as availability of low-cost smartphones and low-cost, reliable internet are expected to drive continued growth. India had a base of over 500 million smartphone users in 2020, which is expected to cross 800 million users in 2025. Internet adoption has more than doubled from ~300 million unique users in 2015 to 650-700 million unique users in 2020 and is expected to touch close to 1 billion users by 2025. In 2020, India had data consumption of 15.7 GB per month per smartphone, significantly higher than the global average of 9.4 GB and even the China average of 11 GB.

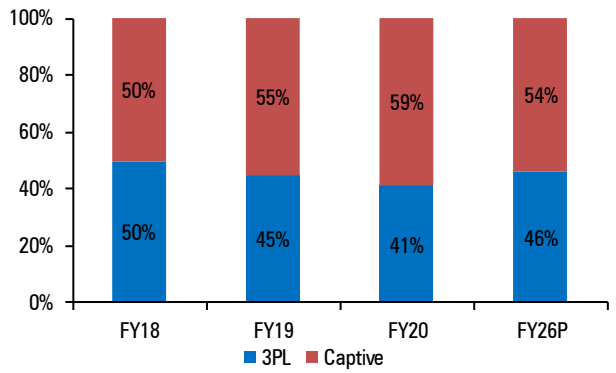
As a result, online shoppers are expected to double to 330-350 million by FY26 from 160 million in FY21. Over 50% of shoppers were from Tier 2+ towns as of FY21. Demand from Tier-2+ towns is expected to drive growth of e-commerce, with ~38% growth for Tier 2+ e-commerce market vs. ~31% growth for overall market between FY21 and FY26.

Exhibit 17: E-Com shipment expected to grow at 35% CAGR



Source: RHP, ICICI Direct Research

Exhibit 18: 3PL expected to improve its share to 46% in FY26P



Source: RHP, ICICI Direct Research

In addition to e-commerce marketplaces, growth in new models such as direct-to-consumer, omni-channel and social commerce are expected to disrupt retail models. The D2C category is projected to grow from ~100 million shipments in FY21 to ~600 million shipments in FY26, at a CAGR of 45%.

Similarly, social commerce volumes are expected to grow 10x from 130 million shipments in FY21 to 1300-1400 million shipments in FY26. Along with new models, category expansion is also expected to drive growth with emerging segments like large appliances, white goods, home and furniture transitioning online, and are among the fastest growing in e-commerce. These structural changes in the consumption economy will require reliable logistics as a key enabler.

Exhibit 9: Key trends emerging in e-com segments

Markets	Key Trends
Traditional e-Commerce	Other than 2 horizontal e-commerce marketplaces, other players increasingly relying on third-party players
D2C & Social e-Commerce	100% parcels delivery outsourced to 3PLs to ensure focus on core product
e-B2B	Outsourcing is higher as 3PLs serve as a Plug and Play option for fast growing eB2B companies
C2C, BFSI	Shifting from traditional players to tech-enabled 3PLs due to faster delivery and lower costs

Source: RHP, ICICI Direct Research

Evolving B2B demand and consumption patterns

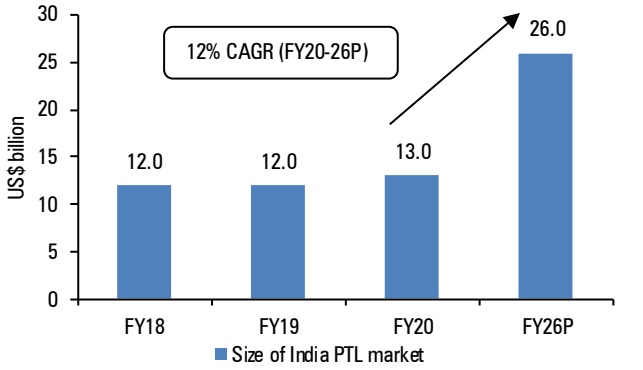
Evolving business models: The emergence of new digital-native segments, new distribution channels and go-to-market strategies such as direct-to-retail (D2R) and direct-to-consumer (D2C) are driving the need for innovation in the traditional B2B supply chain, with greater demand for supply-chain visibility, precision and value-added services.

Changing production trends: Manufacturing accounts for 17% of India's GDP and has emerged as a high-growth sector on the back of strong push by the Indian government through initiatives like Make in India, production linked incentives (PLI), government tenders for domestically manufactured goods etc. As a result, Indian manufacturing has been transitioning from bulk commodities to non-commodity consumption-focused products which need faster go-to-market and more reliable and efficient logistics operations.

Demand for integrated services: With the rollout of GST, enterprise customers are increasingly looking to optimise their supply chains for speed and efficiency. This shift towards a "total-cost" approach is driving the demand for reliable, national, integrated supply chain service providers instead of traditional, mono-line partners.

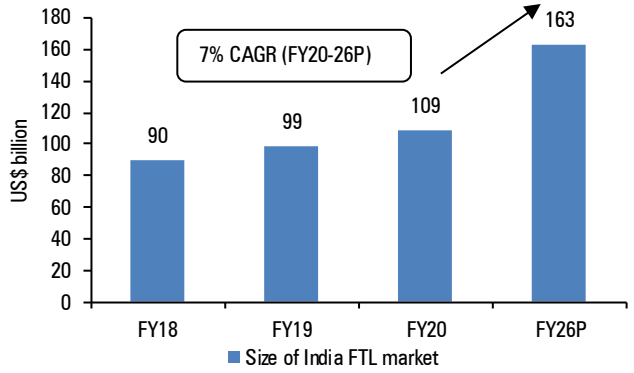
Emergence of new markets: Economic growth of Tier-2+ towns is increasing demand for reliable turn-around times and efficiency comparable to larger urban centres, further driving the need for integrated, national logistics players.

Exhibit 17: Part truck load expected to grow at 12% CAGR



Source: RHP, ICICI Direct Research

Exhibit 18: Full truck load expected to grow at 7% CAGR



Source: RHP, ICICI Direct Research

Enabling regulatory and policy reforms

The Government of India has undertaken several regulatory and policy reforms to drive economic growth, enhance general capital formation, support infra-development and facilitate ease of doing business. Some of these measures have directly benefited the Indian logistics sector, such as implementation of Goods and Services Tax (GST).

National Logistics Policy and Logistics Efficiency Enhancement Programme. These measures are rationalising the indirect tax structure, improving transportation infrastructure and expanding connectivity, thereby improving overall logistics efficiency. GST in particular has been a key factor in catalysing the growth of organised logistics in India. By eliminating state border checkpoints and compliance scrutiny, GST has facilitated smoother and faster flow of goods across the country and significantly reduced overall transportation costs. In addition, GST has eliminated the

previous need for companies to establish localised warehouses to minimise inter-state movement and associated taxes. The single tax regime allows for consolidation of warehouses into larger units that benefit from economies of scale and that are better suited to benefit from technology adoption.

This has created increased demand for pan-India, integrated warehousing and transportation models which allow customers to scale operations with low fixed costs while creating opportunities for optimising footprints and capacity utilisation, lower inventory and faster and cheaper fulfilment. These changes will therefore enhance the role of large, organised logistics players, while reducing customer dependence on smaller transportation companies that thrive principally on last-mile delivery consignments and also favour asset-light networks that are equipped to realign their infrastructure and network in response to changes in their customers' operations.

Technology-driven supply chain transformation

Sub-scale and predominantly manual operations have led to under-investment in technology and data capabilities by most traditional Indian logistics players. This has prevented companies from responding to changing customer needs, optimising networks, efficiently utilising capacity and improving customer service.

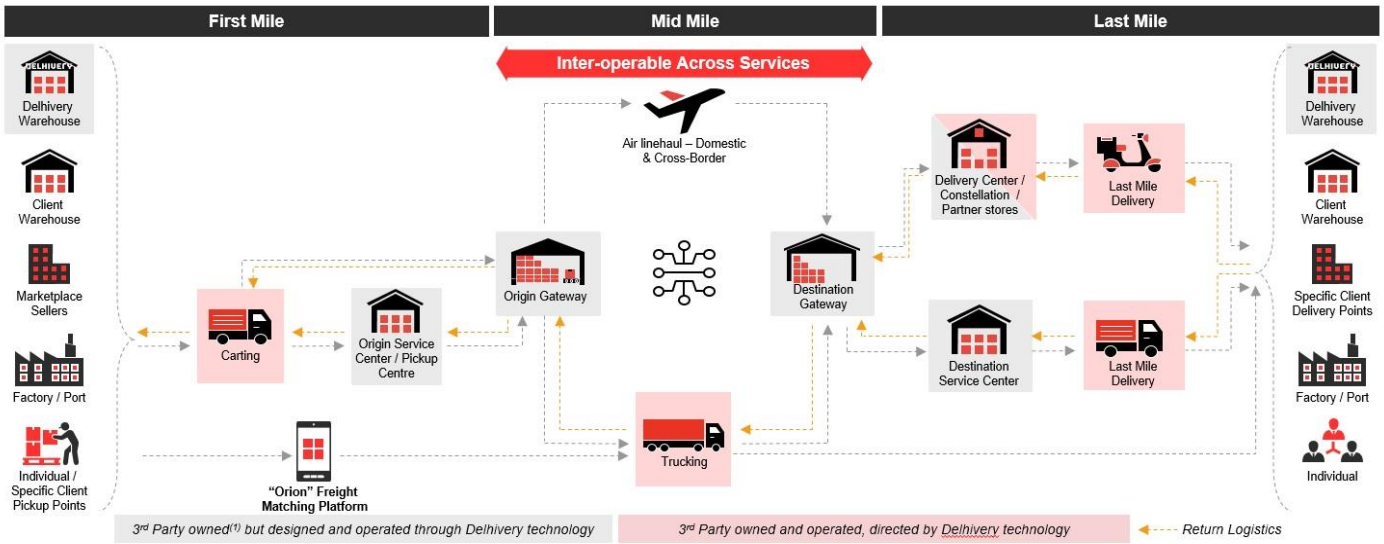
Capacity utilisation: Vehicles in India are frequently under-utilised, from both fill rate and time utilisation perspectives. Fleet owners often have to haul freight at ~70% fill-rates, face utilisation challenges due to seasonal demand and face challenges in finding return loads or attempt to charge customers for the cost of empty backhaul due to lack of demand information. New-age logistics companies have begun to solve these problems by using technology for route consolidation and to forecast and match demand and supply more efficiently.

Data-driven decision support: Advanced data analytics capabilities when applied to integrated supply chain data has enabled new-age players to create more opportunities to optimise decisions such as facility placement, inventory management, fulfilment route selection, truck selection and fraud detection.

Hardware and software automation: Warehouse and transportation management systems (WMS/TMS) are automating business workflows, reducing paperwork and improving operational visibility and precision. Further, investment in automation and robotics are improving operational throughput and precision, thereby lowering human errors and operating costs.

All of these trends, when combined, create strong tailwinds for pan-India, technology-led logistics companies to provide an integrated suite of low-cost, reliable logistics services. As these trends accelerate, organised players have the potential to grow faster than estimated and to achieve more than estimated 10-15% market share by FY26.

Exhibit 7: Technology enables logistics company to efficiently carry out complex first mile, mid mile and last mile operations



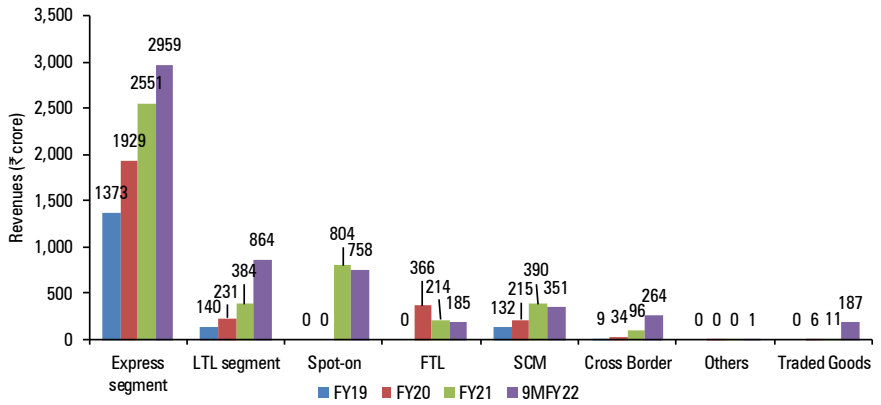
Source: RHP, ICICI Direct Research

Investment Rationale

Delhivery provides an integrated portfolio of logistics services

Delhivery is the largest and fastest growing fully-integrated logistics services player in India by revenue as of FY21. The company's aim is to meet its customers' requirements for overall, rather than mono-line, supply chain reliability and efficiency. The company provides a full-range of logistics services, including express parcel delivery, heavy goods delivery, PTL freight, TL freight, warehousing, supply chain solutions, cross border express and freight services and supply chain software, along with value added services such as e-commerce return services, payment collection and processing, installation and assembly services and fraud detection. The company believes this will lead to a higher share of wallet and customer retention. In addition, the integrated approach allows the company to exploit network and infrastructure synergies, reduces its dependence on any single business line and also reduces the effect of cyclicality in its customers' businesses on its operations. For instance, its express parcel business sees festival and sale-driven volatility that is offset by the company's part-truckload business. This ultimately leads to lower costs and greater reliability due to the company's ability to operate with higher fixed capacities, balance network inefficiencies (like PTL or truckload backhaul) and share infrastructure and operational costs across business lines.

Exhibit 14: Delhivery segmental revenues



Source: RHP, ICICI Direct Research

Strong relationships with a diverse customer base

The company has served a diverse base of 23,113 active customers (ex-Spoton) across e-commerce, consumer durables, electronics, lifestyle, FMCG, industrial goods, automotive, healthcare and retail. The customer base included most of the key e-commerce players in India and over 750 D2C brands. In addition, Spoton offers PTL freight services to 5533 active Customers across industry verticals. Several of the company's customers use more than one of its service offerings, with 58.1% of revenues for 9MFY22, coming from customers who had used at least two of its services.

The company's service quality, reach and efficiency, coupled with deep integration with customers' ERP systems and business processes have led to customer stickiness. In the first half of FY22, 64.97% of its revenues were from customers who have been transacting with it for over three years. Delhivery's customers have also steadily increased the volume of business they undertake with it over time.

Exhibit 1: Key operating and financial performance parameters

	FY19	FY20	FY21	9MFY22
PIN code reach	13,485	15,875	16,677	17,488
Infrastructure (in million square feet)	6.0	9.9	12.2	14.3
No. of gateways	73	83	88	82
Rated Automated Sort Capacity (in million parcels/day)	1.6	2.3	2.6	3.7
Number of delivery points	2,258	2,973	3,382	3,836
Team size	28,830	40,416	53,086	86,184
No. of Active Customers	4,867	7,957	16,741	23,113
Revenue (₹ cr)	1,654	2,781	3,647	4,811
Restated loss for the period (₹ cr)	-1783.3	-269	-416	-891

*Source: RHP, ICICI Direct Research * Data excludes Spot-on*

Exhibit 1: Key operating and financial performance parameters (Spot-on)

	FY21	9MFY22
PIN code reach	12,764	13,087
Infrastructure (in million square feet)	3	3
No. of gateways	38	40
Number of service centres, including partner operated locations	320	343
Team size	1,991	2,092
No. of Active Customers	5,234	5,541

Source: RHP, ICICI Direct Research

Proprietary logistics operating system provides the edge

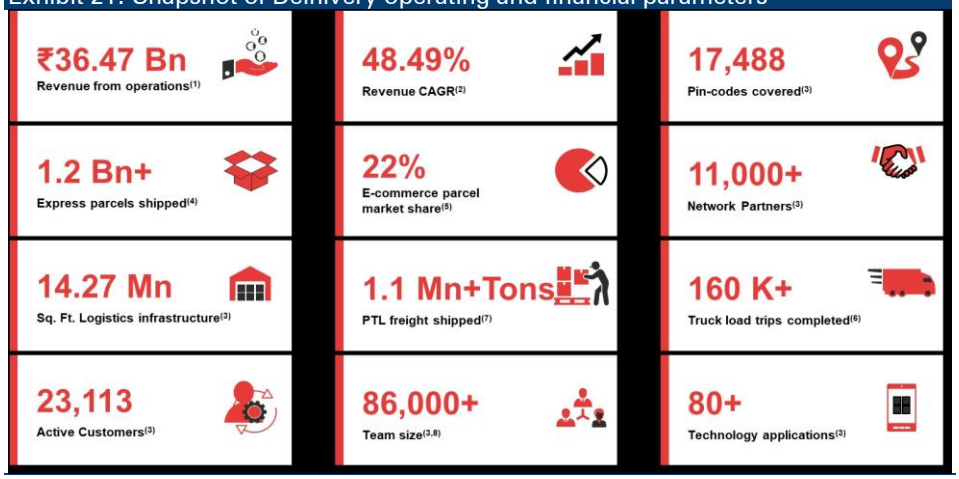
Delhivery's team of 505 engineering, data sciences and product professionals, has built proprietary technology systems that enable it to offer integrated logistics services to a wide variety of customers. Its technology stack consists of more than 80 applications that encompass all supply chain processes including order management, warehouse management, transportation management, financial transactions such as billing and remittance, tracking and supply chain analytics, and that integrate with its customers' systems.

The company collects, stores, processes, structures and analyses vast quantities of transaction data such as location data, product information, shipper and consignee information, data from operational facilities, activities and devices, performance data for its field teams, data on traffic and weather from several internal and environmental sources. As the company has expanded operations and business lines, it has acquired access to new sources of data and, simultaneously, its ability to draw insights from these data. In 2020, these capabilities enabled the company to activate over 8,300 pin codes within 10 days of the nationwide Covid-19 lockdown and re-establish operations across its network by enabling it to identify essential goods and containment zones from unstructured lists published by local, state and national authorities

Automated sorting centres lead to higher efficiency

The company operated 21 fully and semi-automated sortation centres and 82 gateways across India (ex-Spoton). It had a rated automated sort capacity of 3.70 million shipments per day as of December 31, 2021.The company has automated material handling systems at its gateways in Tauru (Haryana), Bhiwandi (Maharashtra) and Bengaluru (Karnataka). This automation, combined with system-directed floor operations, path expectation algorithms and machine-vision guided truck loading systems, together enable its facility staff to be more productive and reduce errors in their operations.

Exhibit 21: Snapshot of Delhivery operating and financial parameters

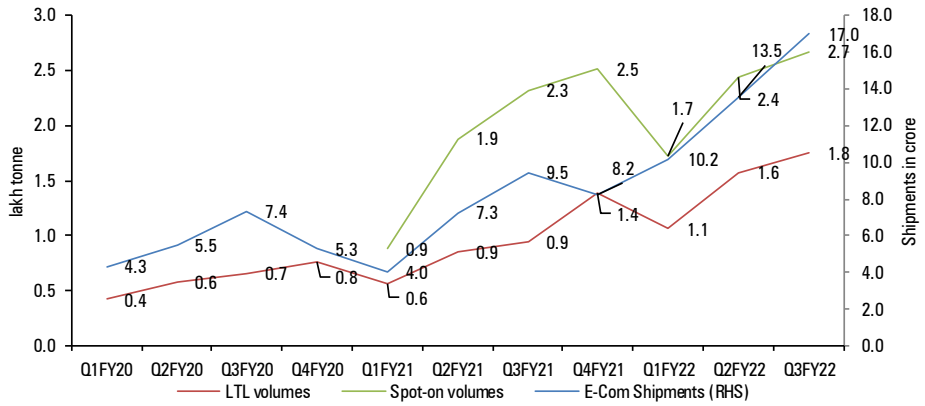


Source: RHP, ICICI Direct Research

Rapid growth, extensive scale and improvement in unit economics

The company is the largest and fastest growing fully-integrated logistics services player in India by revenue as of FY21. Its revenue from contracts with customers has grown from ₹1654 crore in FY19 to ₹3646.5 crore in FY21, at a CAGR of 48.5%. In FY21, the company fulfilled over 289.2 million express parcel orders, carried 373,854 tonnes of PTL freight, processed 47.37 million orders through its fulfilment centres and completed more than 46,878 truckload movements. For the nine months' period ended December 31, 2021, excluding Spoton, it fulfilled over 406.51 million express parcel orders, carried 438,795 tonnes of PTL freight, processed 35.75 million orders through its fulfilment centres and completed more than 30,000 truckload movements. The company has achieved this substantial scale in just 10 years since it began operations. In August 2021, The company acquired Spoton which delivered 758,730 tonnes and 683,999 tonnes of PTL freight in Fiscal 2021 and the nine months' period ended December 31, 2021, respectively. Following the acquisition of Spoton, it became the third largest PTL freight player in India in terms of revenue as of Fiscal 2021, with a market share of approximately 8.3% of the organised PTL market in India

Exhibit 16: Delhivery volumes in express (E-Com), LTL segment and Spot-on



Source: RHP, ICICI Direct Research

Key risks and concerns

Pandemic, other disruptions may adversely affect business

Delhivery's daily operations rely on the orderly performance of its logistics and transportation facilities, which are largely driven by technology. Any service disruption in the logistics facilities as a result of a failure or disruption of the automated facilities or equipment, technological issues, lower capacity during peak shipment volume periods, force majeure, prolonged power outage, changes in governmental planning for the land underlying these facilities, third-party sabotages, disputes, employee delinquencies or strikes, government inspections or regulatory orders mandating service halt or temporary or permanent shutdowns could adversely impact the business operations.

Company continues to incur operating losses

Delhivery targets higher volume growth by providing its customers with competitively priced service offerings. The company may continue to experience limited profit margins on its service offerings, which may contribute to losses and negative cash flow. Delhivery also pays its network partners, fleet partners and manpower agencies within 60 days from the date it is invoiced, while they offer its customers with payment terms of up to 90 days. This billing practice has contributed to the negative cash flows. The costs can also increase over time given the investments expected to be made to grow the business and logistics infrastructure, enhance supply chain capabilities, develop and launch new solutions and service offerings, expand customer base in existing markets, penetrate new markets and continue to innovate on technological platform.

Greater reliance on asset partners due to asset light business

Delhivery (ex- Spoton) has leased 2835 properties and Spoton leased 169 properties to function as offices, gateways, warehouses, hubs and last mile delivery centres. The company has also engaged over 11000 contractors and network partners across various first mile, middle mile and last mile services and 33836 last mile delivery agents. It also engages contractual manpower agencies to provide a large number of contracted workers (36956 numbers) for the logistics facilities. In addition, 99.5% of the total trucks and other transportation vehicles were leased from third-party fleet partners. Any disruption in relation with such stakeholders will have a negative impact on business

Competes in an intense competition and fragmented industry

Many segments in which the company operates have low barriers to entry, resulting in a highly fragmented market. Increased competition from unorganised third-party logistics or transport providers could force to lower the prices. In addition, major e-commerce marketplaces may choose to build or further develop their respective in-house fulfilment capabilities to serve their logistics needs and compete with others, which may significantly affect Delhivery market share and total parcel volume

Failing to integrate newer acquisitions may impact profitability

The company has acquired assets (Aramex, Fedex, Primaseller etc) and companies (Spot-on), as a part of Delhivery growth strategy. The strategic acquisition and subsequent integration of new businesses is likely to require significant managerial and financial resources and could result in a diversion of resources from the existing business. Further, acquisitions may result in dilutive issuances of equity securities or the incurrence of debt.

Financial Summary

Exhibit 36: Profit and Loss Statement (₹ crore)

(Year-end March)/ (₹ crore)	FY19	FY20	FY21	9MFY22
Total Operating Income	1,653.9	2,780.6	3,646.5	4,810.5
Growth (%)	NA	NA	NA	NA
Operating Expenses	1,250.7	2,189.6	2,788.3	3,650.8
Gross Profit	403.2	591.0	858.2	1,159.7
Gross Profit Margins (%)	24.4	21.3	23.5	24.1
Employee Expenses	344.6	490.9	610.9	972.6
Other Expenditure	196.4	272.2	361.0	422.6
Total Operating Expenditure	1,791.7	2,952.6	3,760.3	5,046.0
EBITDA (ex-Forex)	-137.8	-172.0	-113.7	-235.5
Growth (%)	NA	NA	NA	NA
Foreign Exchange Gain/(Loss)	-1,480.7	0.0	-9.2	-299.7
Interest	35.8	49.2	88.6	76.2
Depreciation	170.0	255.6	354.6	388.2
Other Income	41.0	208.1	191.8	100.9
PBT before Exceptional Items	-1,783.3	-268.8	-374.4	-898.7
Less: Exceptional Items	0.0	0.0	-41.3	0.0
PBT after Exceptional Items	-1,783.3	-268.8	-415.7	-898.7
Total Tax	0.0	0.1	0.0	-7.6
PAT	-1,783.3	-268.9	-415.7	-891.1
Growth (%)	NA	NA	NA	NA
EPS (Adjusted)	-24.6	-3.7	-6.3	-12.3

Source: RHP, ICICI Direct Research

Exhibit 37: Cash Flow Statement (₹ crore)

(Year-end March)/ (₹ crore)	FY19	FY20	FY21	9MFY22
Profit/(Loss) after taxation	-1,783.3	-268.9	-415.7	-891.1
Add: Depreciation & Amortization	170.0	255.6	354.6	388.2
Add: Interest Paid	35.8	49.2	88.6	76.2
Net Increase in Current Assets	-131.2	-557.9	-389.0	-1,422.0
Net Increase in Current Liabilities	-45.7	168.5	211.8	449.0
Others	1,511.7	-280.3	154.4	890.7
CF from Operating activities	-242.7	-633.9	4.8	-509.1
(Purchase)/Sale of Fixed Assets	-156.6	-213.6	-248.6	-378.6
Long term Loans & Advances	0.0	0.0	0.0	0.0
Investments	-899.5	-671.6	393.4	-160.8
Others	56.1	150.4	-233.6	-2,352.6
CF from Investing activities	-1,000.0	-734.8	-88.8	-2,892.0
(inc)/Dec in Loan	65.5	163.2	44.5	69.4
Dividend & Dividend tax	0.0	0.0	0.0	0.0
Less: Interest Paid	-35.8	-49.2	-88.6	-76.2
Other	2,890.1	0.0	-3.1	3,491.4
CF from Financing activities	2,919.7	114.0	-47.2	3,484.6
Net Cash Flow	1,677.1	-1,254.7	-131.3	83.5
Cash and Cash Equivalent at the beginning	-13.7	1,663.4	408.7	277.4
Cash	1,663.4	408.7	277.4	361.0

Source: RHP, ICICI Direct Research

Exhibit 38: Balance Sheet

(₹ crore)

(Year-end March)	FY19	FY20	FY21	9MFY22
Equity Capital	40.1	40.1	37.0	64.2
Reserve and Surplus	3,348.2	3,130.3	2,799.8	5,915.7
Total Shareholders funds	3,388.3	3,170.4	2,836.8	5,979.8
Minority Interest	0.0	0.0	0.0	0.0
Total Debt	93.6	256.8	301.3	370.8
Deferred Tax Liability	0.0	0.1	0.1	73.5
Lease Liabilities	317.0	497.8	815.6	912.4
Source of Funds	3798.9	3925.2	3953.8	7336.5
Gross Block - Fixed Assets	371.2	564.5	708.9	1,141.0
Accumulated Depreciation	210.2	328.7	471.0	589.3
Net Block	161.0	235.8	238.0	551.7
Intangible assets	13.1	11.4	14.0	407.4
Intangible assets under development	0.0	4.8	0.0	2.1
Capital WIP	0.9	26.7	76.8	64.8
Fixed Assets	175.0	278.7	328.7	1,025.9
Goodwill	16.4	18.6	18.6	1,386.1
Right of use asset	297.5	478.1	782.8	848.7
Investments	231.0	902.6	509.2	670.0
Other non-Current Assets	73.1	106.4	127.9	162.6
Inventory	22.6	17.8	25.9	31.8
Debtors	214.7	601.3	594.6	891.8
Loans and Advances	1,130.7	813.1	734.0	1,746.5
Other Current Assets	238.2	731.8	1,198.5	1,305.1
Cash	1,663.4	408.7	277.4	361.0
Total Current Assets	3,269.6	2,572.8	2,830.5	4,336.1
Creditors	160.7	273.5	442.2	783.8
Provisions	10.9	16.6	21.9	40.7
Other Current Liabilities	92.1	142.1	179.8	268.5
Total Current Liabilities	263.7	432.1	644.0	1,092.9
Net Current Assets	3,005.9	2,140.6	2,186.5	3,243.1
Application of Funds	3,798.9	3,925.2	3,953.8	7,336.5

Source: RHP, ICICI Direct Research

Exhibit 39: Key Ratios

(Year-end March)	FY19	FY20	FY21	9MFY22
Per share data (₹)				
Reported EPS	-24.6	-3.7	-6.3	-12.3
Cash EPS	-24.6	-3.7	-6.3	-12.3
BV per share	46.8	43.8	39.2	82.5
Cash per Share	23.0	5.6	3.8	5.0
Dividend per share	0.0	0.0	0.0	0.0
Operating Ratios (%)				
Gross Profit Margins	24.4	21.3	23.5	24.1
EBITDA margins	NA	NA	NA	NA
PAT Margins	NA	NA	NA	NA
Inventory days	5.0	2.3	2.6	2.4
Debtor days	47.4	78.9	59.5	67.7
Creditor days	35.5	35.9	44.3	59.5
Asset Turnover	4.5	4.9	5.1	4.2
Return Ratios (%)				
RoE	NA	NA	NA	NA
RoCE	NA	NA	NA	NA
RoIC	NA	NA	NA	NA
Valuation Ratios (x)				
P/E	NA	NA	NA	NA
EV / EBITDA	NA	NA	NA	NA
EV / Net Sales	20.4	12.6	9.7	7.3
Market Cap / Sales	21.3	12.7	9.7	7.3
Price to Book Value	10.4	11.1	12.4	5.9
Solvency Ratios				
Debt / EBITDA	NA	NA	NA	NA
Debt / Equity	0.0	0.1	0.1	0.1
Current Ratio	6.1	5.0	4.0	3.6
Quick Ratio	6.0	5.0	3.9	3.6

Source: RHP, ICICI Direct Research

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