

Shubh Nivesh



Fastest growing company within the logistics sphere

About the stock: 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, e-commerce delivery, heavy goods delivery etc

- Of FY23 consolidated revenues of |7225 crore, Express parcel constituted 63% of the revenues, followed by Part truck load/Full truck load/SCS and Cross-Border logistics at 16%/6%/11% and 4% respectively
- It has built a nationwide network with a presence in every state, servicing 18,540 pin codes and has a strong network infrastructure

Key triggers for future price performance:

- **3PL play in E-Com is expected to grow above 20%**, aided by category expansion, better return logistics, new customers in tier 2,3 cities etc. Strong brand recall and affordable services is helping the company gain higher business from the multiple SMEs in the D2C segment. Concentration of top 5 customers is now 40% of the revenue's vs 44% earlier
- **Most efficient player in the market** and hence is able to competitively price its offerings to customers. The management expects to improve its market share in E-com, D2C, Omni-channel (currently at ~20-25%) as customers are fixated on cost control measures and on improving their profitability
- **Integrated mesh network** helps in achieving minimal touchpoints while delivering freight from point A to B. The automated model optimises overall costs by lowering the time, infra, manpower and fuel required for the delivery, while at the same time keeping the utilisation of the trucks high
- **Higher growth in PTL segment and increased usage of tractor trailer trucks is lowering line haul expenses** (35-37% of the revenues) via improved overall truck utilisation (more tight packing of B2B and B2C goods), higher capacity (43-46 feet trucks vs traditional 32 feet) and longer running (25000 kms per month) vs traditional trucks (10000 kms)
- **Strong balance sheet and liquidity position** (|5508 crore in cash and cash equivalents in FY23) to sail through volatility in the B2C space

Rating and Target Price: Q4FY23 marked Delhivery returning to EBITDA breakeven and we expect positive momentum to continue going forward. The incremental GMs in transport business (Express+PTL) continues to stay over 50% and further cost optimisation efforts on first mile, mid-mile and last mile would improve it further. Overall, higher utilisation across network and stable corporate overheads is expected to keep EBITDA in the positive territory. While the Express division is expected to grow at a brisk pace, the PTL segment has shown strong recovery (both on volumes front and price revision of customer contracts), post consolidation with SpotOn infra. Newer businesses (FTL, SCM and Cross border services) are expected to grow strongly, aided by overall growth in domestic GDP and due to innovative offerings, such as FTL exchange called Orion (internal loads directly bid via app by fleet owners and brokers). Delhivery has shown strong growth and built a recognisable brand in a segment marred by intense competition and low barriers to entry.

- We value Delhivery at |500/share (39x multiple on 3 years forward EBITDA)



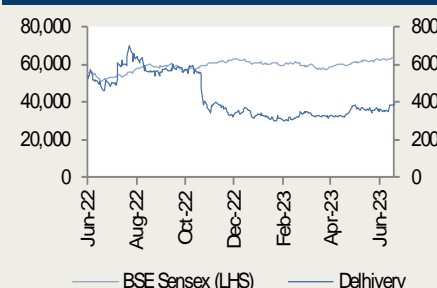
Particulars

Particular	Amount
Market Capitalization (cr)	28,663
Total Debt (FY23) (cr)	198.9
Cash (FY23) (cr)	645.5
EV (cr)	28,216.4
52 week H/L	708/291
Equity Capital (cr)	72.9
Face Value ()	1.0

Shareholding Pattern

(in %)	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	0.0	0.0	0.0	0.0
FI	8.0	74.2	69.1	67.6
DI	6.8	7.1	11.5	13.0
Others	85.2	18.7	19.4	19.3

Price Performance



Risks to our call

- Company has been incurring operating losses.
- Greater reliance on asset partners due to asset light business.

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Key Financial Summary

crore	FY22	FY23	YoY (%)	FY24E	FY25E	2-Years CAGR (%)
Net Sales	6882.3	7225.3	5.0	8516.4	10287.6	19.3
EBITDA	-472.0	-451.6	NA	170.3	565.8	NA
EBITDA margin (%)	-6.9	-6.3		2.0	5.5	
PAT	-1011.0	-1007.8	NA	-521.4	-240.8	NA
P/E (x)	-36.0	-36.2		-69.9	-151.3	
RoCE (%)	-13.3	-9.8		-4.7	-1.7	
RoE (%)	-17.0	-11.0		-6.0	-2.9	

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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