

Company Overview

Incorporated in June 2011, Delhivery is the largest third-party player in the express logistics segment and is poised to benefit from strong growth in e-commerce shipments in India over the next decade. India's logistics segment is highly unorganized and is rapidly shifting in favor of organized players, which should benefit Delhivery. Their business is guided by three principles: i) people centrality; ii) growth through partnership; iii) efficiency. Delhivery provides supply chain solutions to a diverse base of 23,113 active customers such as e-commerce marketplaces, direct-to-consumer e-tailers, and enterprises and SMEs across several verticals. Their in-house logistics technology stack is built to meet the dynamic needs of modern supply chains. They have over 80 applications through which they provide various services. Delhivery operates a pan-India network and provides its services in 18,540 postal index number ("PIN") codes, covering 96.06% of the 19,300 PIN codes in India. Delhivery offers a diverse range of services designed to meet the varied needs of businesses across different industries. These services can be broadly categorized into Express Parcel, Part Truckload (PTL) Freight, Truckload (TL) Freight, Cross-Border Services, and Supply Chain Services.

Investment Rationale

Robust operational efficiency and cost competitiveness will lead to higher market share

Delhivery's strategic positioning as the most efficient player in the market has poised the company for significant growth in the rapidly expanding e-commerce sector. The company leverages its expertise in integrated mesh networks and an automated model to achieve minimal touchpoints in freight delivery, thereby optimizing costs by reducing time, infrastructure, manpower, and fuel requirements. This operational efficiency not only enables Delhivery to price its offerings competitively but also allows for higher utilization of trucks, contributing to improved profitability. With a focus on cost control measures, the management anticipates an increase in market share across e-commerce, D2C, and omni-channel segments, currently standing at an impressive 20-25%. Furthermore, the company's ability to streamline logistics and offer affordable services is particularly beneficial in tapping into the growing customer base in tier 2 and 3 cities.

Strategic focus on diversification leading to customer base expansion

Delhivery's resilience and adaptability are underscored by its success in diversifying its customer base and expanding into emerging markets. The reduction in dependency on its top five customers, currently at 40% of revenues compared to 44% earlier, demonstrates its strategic efforts to reduce dependency on a limited client pool. With its strong brand recall coupled with affordable services, the company has attracted multiple SMEs in the Direct-to-Consumer (D2C) segment, fostering higher business engagement. The anticipated growth of over 20% in the 3PL (Third-Party Logistics) space is further supported by category expansion, improved return logistics, and a focus on tier 2 and 3 cities. Delhivery's strategic focus to improve its market share and its adaptability to changing customer preferences helps in positioning it as a key player in the evolving landscape of logistics.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	387
Target Price (INR)	450
NSE Symbol	DELHIVERY
BSE Code	543529
Bloomberg	DELHIVER IN
Reuters	DELH.NS

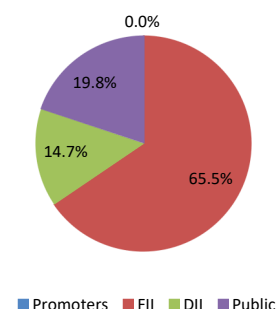
Key Data

Nifty	21,349
52WeekH/L(INR)	452 / 291
O/s Shares (Mn)	735
Market Cap (INR bn)	284.8
Face Value (INR)	1

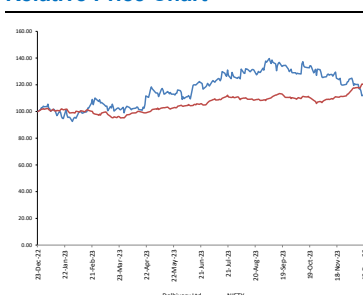
Average volume

3 months	1,419,540
6 months	1,736,770
1 year	1,929,590

Share Holding Pattern (%)



Relative Price Chart



Delhivery Ltd.

Valuation and Outlook

Delhivery's sustained performance in both express and PTL businesses, leveraging its tech-enabled network, positions it favourably despite industry seasonality. The company's strategic focus on passing efficiency gains in the B2C segment aligns with cost-conscious customer preferences, indicating potential market share gains. Concurrently, yield improvements in the B2B segment enhance network speed and reliability, paving the way for increased profitability. With Q4FY23 marking a return to EBITDA breakeven and positive momentum expected to continue, Delhivery's incremental GMs in the transport business exceeding 50% underscore its financial strength. The company's cost optimization efforts across the first mile, mid-mile, and last mile further contribute to a positive EBITDA outlook. The efficient utilization of its network and stable corporate overheads reinforce the expectation of sustained positive EBITDA. The Express division's anticipated brisk growth and the strong recovery of the PTL (Part - Truck Load) segment, post-consolidation with SpotOn infra, add to Delhivery's positive outlook. Additionally, newer businesses such as FTL (Full Truck Load), SCM (Supply chain management), and cross-border services are expected to thrive, driven by overall domestic GDP growth and innovative offerings like the FTL exchange called Orion. Delhivery's strong growth, brand recognition, and resilience in a competitive landscape with low entry barriers contribute to a promising outlook. **Based on these positives, we assign a Buy rating to the company with an investment horizon of 12 months. We value the stock at a FY25E EV/EBITDA of 65x to arrive at a target price of Rs. 450 (16% upside from CMP).**

Key Financials						
YE March (Rs. millions)	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	27,805	36,465	68,823	72,253	84,223	1,02,547
Revenue Growth (Y-o-Y)	68.1%	31.1%	88.7%	5.0%	16.6%	21.8%
EBIDTA	-1,721	-1,229	-7,350	-4,656	897	5,134
EBIDTA Growth (Y-o-Y)	(89.4%)	(28.5%)	497.9%	(36.7%)	(119.3%)	472.1%
Net Profit	-2,689	-4,157	-10,248	-10,176	-3,821	-906
Net Profit Growth (Y-o-Y)	(84.9%)	54.6%	146.5%	(0.7%)	(62.4%)	(76.3%)
Diluted EPS	-	(5.7)	(13.9)	(13.8)	(5.2)	(1.2)
Diluted EPS Growth (Y-o-Y)	-	-	146.5%	(0.7%)	(62.4%)	(76.3%)
Key Ratios						
EBIDTA margin (%)	-6.2%	-3.4%	-10.7%	-6.4%	1.1%	5.0%
NPM (%)	-9.7%	-11.4%	-14.9%	-14.1%	-4.5%	-0.9%
RoE (%)	-8.3%	-14.0%	-23.1%	-13.3%	-4.3%	-1.1%
RoA (%)	-6.4%	-9.3%	-15.7%	-10.4%	-5.8%	-3.1%
Valuation Ratios						
P/E (x)	-	-68.4x	-27.8x	-28.0x	-74.4x	-314.0x
EV/EBITDA	-	-	-	-	76.6x	26.3x
P/BV (x)	-	-	4.2x	3.1x	3.2x	3.3x
Market Cap. / Sales (x)	10.2x	7.8x	4.1x	3.9x	3.4x	2.8x

Source: Company, BP Equities Research

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Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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