

18 November 2024

India | Equity Research | Q2FY25 results review

Delhivery

Logistics

Express parcel impacted by sluggish demand in Q2; PTL ramp-up continues

Express parcel revenue grew 7.3% YoY aided by 5% YoY increase in parcel yield on higher mix of heavy loads. This is becoming a differentiator for Delhivery's express network. It is also piloting an intra city rapid delivery (1-4hrs) model in order to help vertical e-comm platforms counter quick commerce. PTL grew 27.1% YoY ahead of the market. Delhivery is now trying to build a large reseller franchise network to cater to MSMEs and D2C customers in PTL. Growth outlook for Q3FY25 remains strong as express parcel volumes increased ~30% QoQ in Oct'24 (festive season) and according to management, most of the insourcing-related impact is in the base. Working capital efficiency is improving (1-2 days every year) and capex intensity is coming down (<6% in FY26E). Maintain **BUY**.

Q2FY25 performance

Delhivery's Q2FY25 consol. revenue was INR 21.9bn (up 0.8% QoQ/12.8% YoY), in line with our estimates. Express parcel revenue was INR 13.0bn, up 1.7% QoQ/7.3% YoY, alongside better yield (+5.0% YoY) in the segment. Express parcel volume grew 2.2% YoY. PTL revenue grew 9.0% QoQ/27.1% YoY to INR 4.7bn aided by rise in freight tonnage (22.7% YoY). Truck load service revenue was up 1.3% QoQ/5.3% YoY to INR 1.6bn. Supply-chain services revenue declined 23.9% sequentially but grew 20.1% YoY to INR 2.0bn. Adj. EBITDA was INR 100mn with margin of 0.5% (71.5 bps lower than our estimate). PAT was INR 102mn in Q2FY25 (vs loss of INR 1bn in Q2FY24).

Management commentary

Management indicated express parcel volumes grew 30% QoQ in Oct'24. While the broader e-commerce industry faces headwinds from softer consumption, Delhivery's performance in Oct'24 and early Nov' 24 remained strong. It noted that the impact of e-commerce players insourcing express volumes was majorly absorbed in FY24 and H1FY25. Management also clarified that express parcel revenue growth in Q2 has been consistently muted each year due to its non-seasonal nature. As per management, margins for express parcel and PTL businesses in Q2FY25 were impacted by investments in expanding capacity (personnel, facilities, and vehicles) in preparation for the festive season.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	81,415	92,131	1,08,404	1,24,445
EBITDA	1,266	4,333	6,706	9,744
EBITDA Margin (%)	1.6	4.7	6.2	7.8
Net Profit	(2,492)	2,880	3,855	5,639
EPS (INR)	(3.4)	4.0	5.3	7.7
EPS % Chg YoY	(76.0)	(215.6)	33.8	46.3
P/E (x)	(96.7)	83.6	62.5	42.7
EV/EBITDA (x)	220.8	64.2	31.2	21.5
RoCE (%)	(5.2)	2.5	3.5	5.6
RoE (%)	(2.7)	3.1	4.1	5.7

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Market Data

Market Cap (INR)	245bn
Market Cap (USD)	2,904mn
Bloomberg Code	DELHIVER IN
Reuters Code	DELH BO
52-week Range (INR)	488 /328
Free Float (%)	63.0
ADTV-3M (mn) (USD)	9.7

Price Performance (%)	3m	6m	12m
Absolute	(20.3)	(27.1)	(18.3)
Relative to Sensex	(18.4)	(33.2)	(37.7)

ESG Score	2023	2024	Change
ESG score	65.0	NA	NA
Environment	37.5	NA	NA
Social	63.0	NA	NA
Governance	83.2	NA	NA

Note - Score ranges from 0 - 100 with a higher number indicating a higher ESG score.

Source: SES ESG, I-sec research

Previous Reports

18-09-2024: [Company Update](#)

03-08-2024: [Q1FY25 results review](#)

Management has guided service EBITDA margin of 17-18% for express parcel business going forward. It emphasised Delhivery's competitive advantages as a low-cost, high-quality logistics partner with diversified business and does not have client concentration, distinguishing it from competitors. In PTL segment, the company has scaled up to handle heavy consignments and is seeing strong demand for items over 3 kg, with expectations for service EBITDA margin in PTL to reach 16-17%, excluding yield improvements, driven by volume growth. In PTL business, management aims to match the delivery standards of Safe Express, a high-quality competitor.

Management outlined several initiatives aimed at driving incremental volume growth: 1) Launching and expanding a third-party shared quick commerce network serving e-commerce, B2C, and B2B clients; 2) introducing faster regional surface (next-day) and national air shipping options; 3) rolling out a large-scale aggregator reseller franchise network nationwide, modelled on DTDC's approach, to cater to SMEs and D2C customers; and 4) offering value-added services like address disambiguation, RTO reduction and insurance to improve yields in express business.

In respect to quick commerce, it plans to operate facilities between 2,500 and 5,000 sqft in 6-7 cities, with a pilot already underway in Bangalore that provides real-time visibility of inventory, allowing e-commerce companies to display SKUs available for delivery within 1-4 hours. Management guided for FY25 capex at 6.5-6.7% of revenue and <6% of revenue in FY26, signalling reduced capital intensity for the business. Additionally, management underscored fair wage practices and maintains a base of on-roll delivery partners. Over the next 2-3 years, it anticipates reducing working capital days by 1-2 days annually.

Valuation

We recommend **BUY** on the stock with target price of INR 500, as per DCF methodology. We have changed our valuation methodology from EV/EBITDA to a 3 stage DCF as we believe it reflects new age businesses which have longer gestation periods for profitability. The implied EV/EBITA at our TP is 34x FY27E/27x FY28E.

Key risks: 1) Pricing pressure in express parcel or PTL business; and 2) medium-term growth visibility worsening due to global headwinds.

Exhibit 1: Q2FY25 performance

(in INR mn)	Q2FY25	Q2FY24	Chg. YoY (%)	Q1FY25	Chg. QoQ (%)	I-Sec estimate	Diff.
Total income from operations	21,897	19,417	12.8	21,723	0.8	21,576	1.5
Operating expenses	16,381	14,421	13.6	15,795	3.7	15,600	5.0
Employee wages	3,493	3,666	(4.7)	3,328	4.9	3,428	1.9
Other expenses	1,450	1,486	(2.4)	1,629	(10.9)	1,694	(14.4)
Total expenses	21,325	19,573	8.9	20,752	2.8	20,722	2.9
EBITDA	573	(155)	NA	971	(41.0)	854	(32.9)
EBITDA Margin (%)	2.6	(0.8)		4.5		4.0	
Adjusted EBITDA	100	(130)	(176.9)	370	(73.0)	253	(60.5)
EBITDA Margin (%)	0.5	(0.7)		1.7		1.2	-71.53
Depreciation	1,313	1,712	(23.3)	1,194	9.9	1,314	(0.1)
Other Income	1,196	1,012	18.1	1,099	8.8	1,154	3.6
Finance Cost	305	196	55.4	282	8.2	282	8.2
PBT	151	(1,052)	NA	542	NA	412	NA
Tax	(16)	(21)		(14)		-	
PAT	166	(1,031)	NA	556	NA	412	NA
PAT after minority	102	(1,029)	NA	544	NA	399	NA

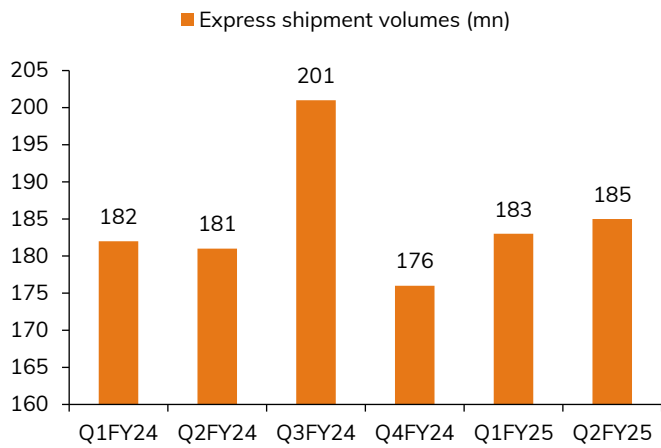
Source: I-Sec research, Company data

Exhibit 2: Q2FY25 segmental result review

	Q2FY25	Q2FY24	Chg. YoY (%)	Q1FY25	Chg. QoQ (%)
Revenue from express parcel (INR mn)	12980	12100	7.3	12760	1.7
Express parcel (mn shipments)	185	181	2.2	183	1.1
Revenue/parcel	70.2	67	5.0	70	0.6
PTL Revenue	4740	3730	27.1	4350	9.0
PTL Freight Tonnage (mnte)	0.43	0.35	22.7	0.40	7.0
Revenue per/te (INR/te)	11101	10718	3.6	10,902	1.8
TL Service Revenue (INR mn)	1580	1500	5.3	1560	1.3
Supply Chain Service Revenue (INR mn)	1970	1640	20.1	2590	(23.9)
Cross Border Services Revenue (INR mn)	590	410	43.9	430	37.2

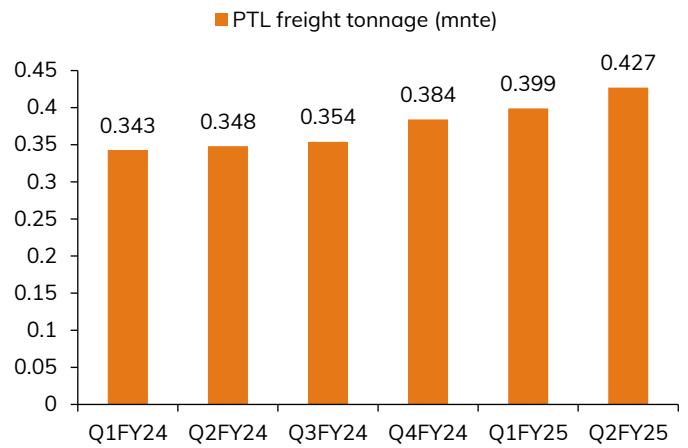
Source: I-Sec research, Company data

Exhibit 3: Express shipment volumes (mn)



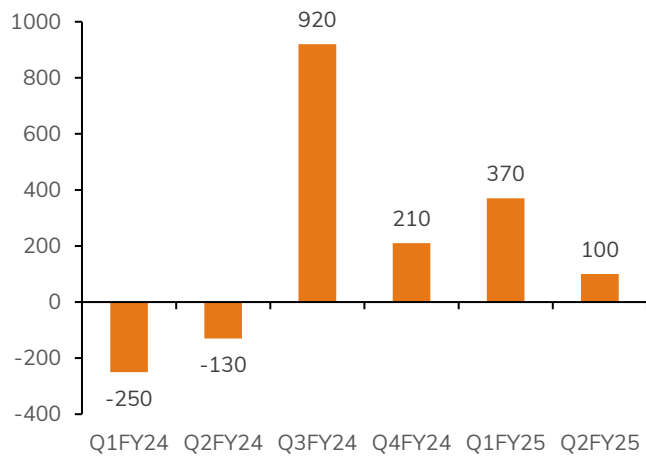
Source: I-Sec research, Company data

Exhibit 4: PTL freight tonnage (mnte)



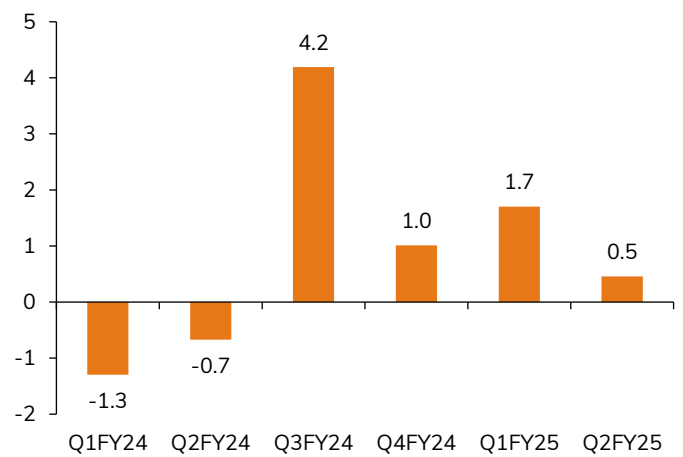
Source: I-Sec research, Company data

Exhibit 5: Adjusted EBITDA (INR mn)



Source: I-Sec research, Company data

Exhibit 6: Adjusted EBITDA margin (%)



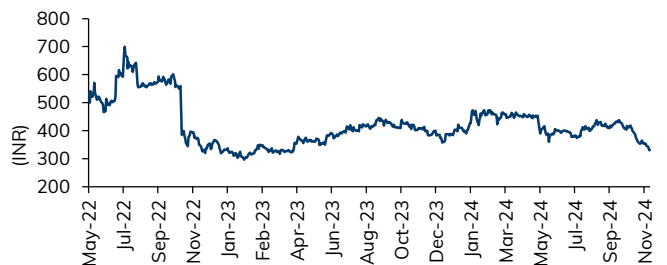
Source: I-Sec research, Company data

Exhibit 7: Shareholding pattern

%	Mar'24	Jun'24	Sep'24
Promoters	-	-	-
Institutional investors	83.3	83.2	85.6
MFs and other	17.8	19.1	24.9
FIs/ Banks/Insurance	1.1	2.2	3.0
FIIIs	64.4	61.9	55.7
Others	16.7	16.8	14.4

Source: Bloomberg, I-Sec research

Exhibit 8: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	81,415	92,131	1,08,404	1,24,445
Operating Expenses	20,441	20,452	23,193	24,959
EBITDA	1,266	4,333	6,706	9,744
EBITDA Margin (%)	1.6	4.7	6.2	7.8
Depreciation & Amortization	7,216	5,325	6,057	7,276
EBIT	(5,949)	(992)	649	2,469
Interest expenditure	885	1,108	966	945
Other Non-operating Income	4,527	4,980	5,478	6,025
Recurring PBT	(2,307)	2,880	5,160	7,549
Profit / (Loss) from Associates	87	-	-	-
Less: Taxes	47	-	1,305	1,910
PAT	(2,355)	2,880	3,855	5,639
Less: Minority Interest	-	-	-	-
Extraordinary (Net)	-	-	-	-
Net Income (Reported)	(2,492)	2,880	3,855	5,639
Net Income (Adjusted)	(2,492)	2,880	3,855	5,639

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	54,578	41,729	42,409	47,373
of which cash & cash eqv.	6,462	4,040	5,291	4,919
Total Current Liabilities & Provisions	10,063	10,610	12,214	14,678
Net Current Assets	44,515	31,118	30,196	32,695
Investments	20,942	27,762	27,762	27,762
Net Fixed Assets	7,951	9,321	13,292	16,264
ROU Assets	6,667	9,882	9,882	9,882
Capital Work-in-Progress	235	286	286	900
Total Intangible Assets	17,180	14,334	14,334	13,892
Other assets	4,419	11,226	11,122	9,446
Deferred Tax Assets	-	-	-	-
Total Assets	1,01,829	1,03,920	1,06,866	1,10,833
Liabilities				
Borrowings	1,989	1,256	1,256	1,256
Deferred Tax Liability	313	134	134	134
provisions	511	647	712	824
other Liabilities	-	-	-	-
Equity Share Capital	729	737	737	737
Reserves & Surplus	91,042	90,710	93,590	97,445
Total Net Worth	91,771	91,446	94,327	98,181
Minority Interest	-	-	-	-
Total Liabilities	1,01,829	1,03,920	1,06,866	1,10,833

Source Company data, I-Sec research

Exhibit 11: Quarterly trend

(INR mn, year ending March)

	Dec-23	Mar-24	Jun-24	Sep-24
Net Sales	21,945	20,755	21,723	21,897
% growth (YOY)	20.3	11.6	12.6	12.8%
EBITDA	1094	459	971	573
Margin %	5.0	2.2	4.5	2.6
Other Income	1,308	1,193	1,099	1,196
Net Profit	117	(685)	544	102

Source Company data, I-Sec research

Exhibit 12: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	(273)	4,724	11,655	9,796
Working Capital Changes	665	151	2,342	(1,082)
Capital Commitments	(6,005)	(5,650)	(6,500)	(6,287)
Free Cashflow	-	-	-	-
Other investing cashflow	(28,102)	4,659	(2,796)	(2,914)
Cashflow from Investing Activities	(34,107)	(991)	(9,296)	(9,202)
Issue of Share Capital	39,100	54	-	-
Interest Cost	(206)	(134)	(1,108)	(966)
Inc (Dec) in Borrowings	(1,203)	(735)	-	-
Dividend paid	-	-	-	-
Others	-	-	-	-
Cash flow from Financing Activities	35,113	(3,583)	(1,108)	(966)
Chg. in Cash & Bank balance	732	150	1,251	(372)
Closing cash & balance	732	150	1,251	(372)

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	(3.4)	4.0	5.3	7.7
Adjusted EPS (Diluted)	(3.4)	4.0	5.3	7.7
Cash EPS	6.1	10.2	12.3	16.0
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	125.5	129.4	134.7	142.5
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	12.7	13.2	17.7	14.8
EBITDA	(127.9)	242.2	54.8	45.3
EPS (INR)	(76.0)	(215.6)	33.8	46.3
Valuation Ratios (x)				
P/E	(96.7)	83.6	62.5	42.7
P/CEPS	54.0	32.6	26.9	20.7
P/BV	2.6	2.6	2.5	2.3
EV / EBITDA	220.8	64.2	31.2	21.5
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	26.7	26.9	27.6	27.9
EBITDA Margins (%)	1.6	4.7	6.2	7.8
Effective Tax Rate (%)	(2.1)	-	25.3	25.3
Net Profit Margins (%)	(2.9)	3.1	3.6	4.5
Net Debt / Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Net Debt / EBITDA (x)	(20.1)	(7.0)	(4.7)	(3.2)
Total Asset Turnover (x)	-	-	-	-
Inventory Turnover Days	45	60	44	42
Receivables Days	31	17	19	15
Payables Days	9	9	8	7
Profitability Ratios				
RoE (%)	(2.7)	3.1	4.1	5.7
RoCE (%)	(5.2)	2.5	3.5	5.6
RoIC (%)	(1.9)	4.3	4.9	6.5

Source Company data, I-Sec research

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