

## Mixed bag; awaiting industry headwinds to recede

Logistics ▶ Result Update ▶ November 15, 2024

TARGET PRICE (Rs): 475

Delhivery's performance in the PTL segment remains robust, although it continues to face headwinds in B2C owing to weak consumption trends and insourcing by Meesho. With the management alluding to a series of initiatives for sprucing up B2C volumes, we believe Delhivery's cost and tech advantages should help further bolster its market share. While service EBITDA margin contracted sequentially on account of network expansion in anticipation of festive demand surge, an imminent pickup in volumes in Q3 (October run-rate is up by over 25% vs the Q2 monthly average) along with declining capex intensity should bode well for the margin trajectory in coming quarters. Factoring in the miss on margins and the subdued environment, we cut FY26E/27E sales by 3%/5% and EBITDA by 6%/9%, respectively. We retain BUY while trimming Sep-25E TP to Rs475, based on DCF methodology.

## Delhivery: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	72,253	81,415	91,858	107,693	125,713
EBITDA	(4,686)	1,264	4,781	9,422	12,737
Adj. PAT	(10,248)	(2,270)	1,880	3,963	5,638
Adj. EPS (Rs)	(14.1)	(3.1)	2.5	5.4	7.6
EBITDA margin (%)	(6.5)	1.6	5.2	8.7	10.1
EBITDA growth (%)	0.0	0.0	278.2	97.1	35.2
Adj. EPS growth (%)	0.0	0.0	0.0	110.8	42.2
RoE (%)	(11.0)	(2.7)	1.9	3.9	5.2
RoIC (%)	(18.4)	(7.4)	(1.3)	1.9	4.4
P/E (x)	(23.5)	(107.3)	133.5	61.6	43.3
EV/EBITDA (x)	(50.4)	149.5	39.5	19.7	14.0
P/B (x)	2.6	2.7	2.6	2.4	2.3
FCFF yield (%)	(3.4)	(1.3)	1.2	1.1	2.2

Source: Company, Emkay Research

## PTL outshines, while B2C and margins disappoint

Revenue grew 13% YoY to Rs21.9bn, driven by the PTL, SCS, and Cross-border Services segments (up 27%/20%/44% YoY, respectively) in Q2FY25. The Express business grew 7% YoY, while Parcel volumes grew only 3% YoY and realizations per parcel improved 5% YoY. PTL revenue was up 27% YoY, continuing its growth trajectory despite seasonality, as volumes grew 23% YoY along with realization per ton increasing 4% YoY. SCS was the only segment that recorded sequential decline in revenue (-24%), owing to seasonality from consumer durables clients. EBITDA margin came in at 2.6% (Consensus: 4%), as COGS increased 14% YoY. Depreciation decreased 23% YoY due to change in the depreciation policy undertaken in the previous quarter, from WDV to SLM without changing the useful life and residual value of assets. This, coupled with other income increasing 18% YoY, led to PAT of Rs102mn. Business remains cash-surplus for the period ended Sep-24, at Rs54bn, and capex for H1FY25 stood at Rs2.4bn.

## Outlook and risks

Given its agile and integrated network offerings, Delhivery has been able to garner lost wallet share in the PTL segment. But industry headwinds have caused the volume trajectory in the B2C segment to be muted. We remain circumspect of management commentary around the limited impact on volumes owing to insourcing, but draw comfort from initiatives planned for bolstering volume growth focused around faster regional deliveries on both—surface and air, rapid intra-city logistics (2-4 hour), premium tech enabled service offerings (reduction in RTO, address disambiguation), and physical franchise network for SMEs. Improving PTL volumes without sacrificing realizations and benefits of operating an integrated network should aid the margin trajectory, in our view. Strong net cash position and reducing capex intensity (5% in FY26) is likely to help the company ward off industry headwinds better than competition. Sep-25E TP is Rs475, based on DCF methodology (13% WACC, 5% terminal growth). **Key risks:** Slowdown in e-commerce due to quick commerce; operational risks due to dependence on contractual labor; pricing pressures in a fragmented market.

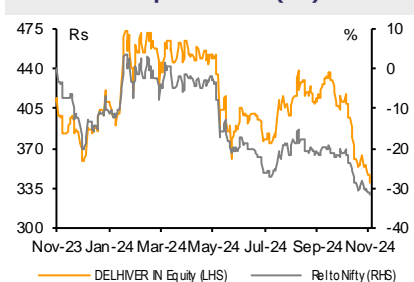
Target Price – 12M	Sep-25
Change in TP (%)	(5.0)
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	43.7
CMP (14-Nov-24) (Rs)	330.6

Stock Data	Ticker
52-week High (Rs)	488
52-week Low (Rs)	328
Shares outstanding (mn)	742.0
Market-cap (Rs bn)	245
Market-cap (USD mn)	2,906
Net-debt, FY25E (Rs mn)	-54,912
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	821.2
ADTV-3M (USD mn)	9.7
Free float (%)	67.0
Nifty-50	23,533
INR/USD	84.4
<b>Shareholding, Sep-24</b>	
Promoters (%)	-
FPIs/MFs (%)	55.0/28.6

## Price Performance

(%)	1M	3M	12M
Absolute	(21.1)	(20.3)	(18.3)
Rel. to Nifty	(15.7)	(18.3)	(32.5)

## 1-Year share price trend (Rs)



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**Exhibit 1: Summary of quarterly financials**

Particulars (Rs mn)	Q2FY24	Q1FY25	Q2FY25	YoY	QoQ
<b>Net sales</b>	<b>19,417</b>	<b>21,723</b>	<b>21,897</b>	<b>13%</b>	<b>1%</b>
Operating Expenses	(19,573)	(20,752)	(21,325)	9%	3%
Freight, handling and servicing cost	14,421	15,795	16,381	14%	4%
Change in inventories	-	-	-		
Employee Benefit Expense	2,986	3,118	3,163	6%	1%
Share based expense	680	210	330	-51%	57%
Other operating Expenses	1,486	1,629	1,450	-2%	-11%
<b>EBITDA</b>	<b>(156)</b>	<b>971</b>	<b>573</b>	<b>NA</b>	<b>-41%</b>
Depreciation	(1,712)	(1,194)	(1,313)	-23%	10%
EBIT	(1,868)	(224)	(740)		
Other Income	1,012	1,099	1,196	18%	9%
Interest	(196)	(282)	(305)		
PBT	(1,052)	593	151		
Tax	21	14	16		
Share of profit/(loss) of associates	2	(12)	(64)		
Exceptional Items	-	(51)	-		
<b>PAT</b>	<b>(1,029)</b>	<b>544</b>	<b>102</b>	<b>-110%</b>	<b>-81%</b>
Adj. PAT	(1,029)	595	102	-110%	-83%
<b>EPS (Rs)</b>	<b>(1)</b>	<b>1</b>	<b>0</b>		
(%)	Q2FY24	Q1FY25	Q2FY25	YoY	QoQ
Gross margin	25.7%	27.3%	25.2%	(54)	(210)
EBITDAM	-0.8%	4.5%	2.6%	342	(185)
EBITM	-9.6%	-1.0%	-3.4%	624	(235)
EBTM	-5.4%	2.7%	0.7%	611	(204)
PATM	-5.3%	2.5%	0.5%	577	(204)
Effective Tax rate	-2.0%	2.3%	10.5%	1,246	816

Source: Company, Emkay Research

**Exhibit 2: Segment-wise quarterly summary**

Particulars (Rs mn)	Q2FY24	Q1FY25	Q2FY25	YoY	QoQ
Express parcel	12,100	12,760	12,980	7%	2%
PTL	3,730	4,350	4,740	27%	9%
FTL	1,500	1,560	1,580	5%	1%
Supply chain services	1,640	2,590	1,970	20%	-24%
Cross border services	410	430	590	44%	37%
<b>Total Revenues</b>	<b>19,417</b>	<b>21,723</b>	<b>21,897</b>	<b>12.8%</b>	<b>1%</b>
<b>Volume</b>					
Express Parcel (mn)	181	183	185	2%	1%
PTL (000 ton)	348	399	427	23%	7%
<b>Realizations</b>					
Express Parcel (Rs/parcel)	67	70	70	5%	1%
PTL (Rs/ton)	10,718	10,902	11,101	4%	0%

Source: Company, Emkay Research

**Exhibit 3: Actuals vs estimates (Q2FY25)**

(Rs mn)	Actual	Estimate (Emkay)	Consensus estimate (Bloomberg)	% variation	
				Emkay	Consensus
Revenue	21,897	22,159	22,164	-1%	-1%
EBITDA	573	1,108	898	-48%	-36%
EBITDA Margin	2.6%	5.0%	4.0%	-238 bps	-143 bps
PAT	102	389	400	-74%	-75%

Source: Company, Emkay Research

**Exhibit 4: Change in estimates**

Particulars	FY25E			FY26E			FY27E		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenue	93,664	91,858	-1.9%	111,466	107,693	-3.4%	132,633	125,713	-5.2%
EBITDA	5,726	4,781	-16.5%	9,984	9,422	-5.6%	13,994	12,737	-9.0%
EBITDA Margin (%)	6.1	5.2	-91 bps	9.0	8.7	-21 bps	10.6	10.1	-42 bps
PAT	2,599	1,829	-29.6%	4,270	3,963	-7.2%	6,515	5,638	-13.5%

Source: Company, Emkay Research

**Exhibit 5: We value Delhivery at TP of Rs475**

Particulars (Rs mn)	FY24	FY25e	FY26e	FY27e	FY35e	FY45e
Revenues	81,415	91,858	107,693	125,713	339,793	901,548
NOPLAT	(4,446)	(967)	1,422	3,243	32,719	86,811
Non cash items	9,476	7,468	9,281	10,061	15,989	42,421
Change in WC	151	3,808	(462)	(526)	(1,003)	(2,391)
Capex	(5,650)	(5,085)	(5,339)	(5,446)	(10,873)	(28,850)
FCF	(469)	5,224	4,902	7,332	36,831	97,991
WACC (%)	13%					
Terminal growth	5%					
PV of CFs FY24-45e	188,297					
PV of terminal value	115,046					
Total EV	303,344					
Less Net debt	(51,906)					
Total Equity Value	355,250					
Total no of shares	739					
# of shares (dilution owing to ESOPs)	61					
Total # of diluted shares	800					
<b>Target price/share Sep-25 (Rs)</b>	<b>475</b>					

Source: Company, Emkay Research

## Call highlights

### B2C Express and PTL segment

- Weakness in the express segment was recorded due to weak consumption trends and continued insourcing by Meesho. Management indicated that it expects growth to normalize and the B2C segment should incrementally see limited impact from insourcing.
- Festive season has already seen a robust print in Oct-24, with 78mn parcels (+26% ARR), followed by stable performance in Nov-24.
- Management is looking at adding products in the prime lanes/slots for air services as well as offer faster products for regional surface express.
- Management also suggested possibilities to cut down corporate overheads if growth in the express segment persists at 8-10% levels, and would take extensive measures at instances of any part of the business slowing down.
- Business will be venturing into adding brick and mortar centers similar to DTDC, to augment volumes. The main idea is to be able to tap into SME and micro-scale business setups that still rely on physical branch network.

### Pilot Project

- Management introduced plans to start a new pilot project in Bangalore with a BPC customer: Third Party Intra city rapid product which would offer deliveries within 2-4 hours as well as allow customers to use its WMS and offer variable pricing to store products.
- Warehouses for the purpose of this pilot shall be similar to fulfillment centers, which would be completely integrated with Delhivery's Warehouse Management System (WMS).
- These warehouses shall be built over average area of 2.5-5k sqft.
- Management alluded to the pilot—if successful, it would venture into the NCR region with the project.

### Others

- Management alluded to the SCS sequential decline to be on the back of seasonality and is already seeing increase in overall heavier package volumes. It stated that it would maintain focus on pushing heavy parcels more, specifically in all product categories above 3kg.
- Claim ratios have declined at a considerable rate, along with service levels (on-time deliveries) at 90% levels.
- Management also alluded to the benefits of not being exposed to higher concentration risk which is the case with other 3PL B2C operators.

## Delhivery: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>72,253</b>	<b>81,415</b>	<b>91,858</b>	<b>107,693</b>	<b>125,713</b>
Revenue growth (%)	5.0	12.7	12.8	17.2	16.7
<b>EBITDA</b>	<b>(4,686)</b>	<b>1,264</b>	<b>4,781</b>	<b>9,422</b>	<b>12,737</b>
EBITDA growth (%)	0.0	0.0	278.2	97.1	35.2
Depreciation & Amortization	8,311	7,216	6,076	7,518	8,396
<b>EBIT</b>	<b>(12,997)</b>	<b>(5,951)</b>	<b>(1,294)</b>	<b>1,904</b>	<b>4,341</b>
EBIT growth (%)	0.0	0.0	0.0	0.0	128.0
Other operating income	0	0	0	0	0
Other income	3,049	4,527	4,753	4,278	4,192
Financial expense	888	885	839	876	986
<b>PBT</b>	<b>(10,836)</b>	<b>(2,310)</b>	<b>2,620</b>	<b>5,306</b>	<b>7,548</b>
Extraordinary items	170	(224)	(51)	0	0
Taxes	(453)	47	663	1,342	1,910
Minority interest	0	0	0	0	0
Income from JV/Associates	136	87	(77)	0	0
<b>Reported PAT</b>	<b>(10,078)</b>	<b>(2,494)</b>	<b>1,829</b>	<b>3,963</b>	<b>5,638</b>
PAT growth (%)	0.0	0.0	0.0	116.7	42.2
<b>Adjusted PAT</b>	<b>(10,248)</b>	<b>(2,270)</b>	<b>1,880</b>	<b>3,963</b>	<b>5,638</b>
<b>Diluted EPS (Rs)</b>	<b>(14.1)</b>	<b>(3.1)</b>	<b>2.5</b>	<b>5.4</b>	<b>7.6</b>
Diluted EPS growth (%)	0.0	0.0	0.0	110.8	42.2
<b>DPS (Rs)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Dividend payout (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
EBITDA margin (%)	(6.5)	1.6	5.2	8.7	10.1
EBIT margin (%)	(18.0)	(7.3)	(1.4)	1.8	3.5
Effective tax rate (%)	4.2	(2.1)	25.3	25.3	25.3
<b>NOPLAT (pre-IndAS)</b>	<b>(12,454)</b>	<b>(6,073)</b>	<b>(967)</b>	<b>1,422</b>	<b>3,243</b>
Shares outstanding (mn)	728.7	736.8	738.6	738.6	738.6

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	(10,836)	(2,310)	2,620	5,306	7,548
Others (non-cash items)	0	0	0	0	0
Taxes paid	(716)	(373)	(663)	(1,342)	(1,910)
Change in NWC	(37,659)	7,049	4,296	(520)	87
<b>Operating cash flow</b>	<b>(273)</b>	<b>4,724</b>	<b>9,191</b>	<b>9,380</b>	<b>11,967</b>
Capital expenditure	(7,642)	(7,642)	(5,085)	(5,339)	(5,446)
Acquisition of business	170	(3,856)	(1,779)	(1,559)	(1,045)
Interest & dividend income	1,049	2,400	5,753	4,278	4,192
<b>Investing cash flow</b>	<b>(34,107)</b>	<b>(991)</b>	<b>(1,110)</b>	<b>(2,620)</b>	<b>(2,298)</b>
Equity raised/(repaid)	87	8	0	0	0
Debt raised/(repaid)	(1,781)	2,459	(3,236)	(2,161)	(1,008)
Payment of lease liabilities	(2,579)	(2,769)	(3,236)	(2,161)	(1,008)
Interest paid	(888)	(885)	(839)	(876)	(986)
Dividend paid (incl tax)	0	0	0	0	0
Others	37,967	(5,243)	0	0	0
<b>Financing cash flow</b>	<b>35,385</b>	<b>(3,661)</b>	<b>(4,075)</b>	<b>(3,037)</b>	<b>(1,994)</b>
Net chg in Cash	1,005	72	4,006	3,724	7,674
OCF	(273)	4,724	9,191	9,380	11,967
Adj. OCF (w/o NWC chg.)	37,386	42,383	4,895	9,901	11,880
FCFF	(7,915)	(2,918)	2,839	2,541	4,864
FCFE	(7,754)	(1,404)	6,753	5,943	8,070
OCF/EBITDA (%)	5.8	373.7	192.2	99.6	94.0
FCFE/PAT (%)	75.7	61.8	359.2	149.9	143.1
<b>FCFF/NOPLAT (%)</b>	<b>63.6</b>	<b>48.1</b>	<b>(293.6)</b>	<b>178.6</b>	<b>150.0</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	729	737	737	737	737
Reserves & Surplus	91,043	90,710	93,931	99,658	106,960
<b>Net worth</b>	<b>91,771</b>	<b>91,446</b>	<b>94,668</b>	<b>100,394</b>	<b>107,697</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	(2,073)	(2,456)	(2,456)	(2,456)	(2,456)
<b>Total debt</b>	<b>9,234</b>	<b>11,694</b>	<b>8,458</b>	<b>6,297</b>	<b>5,289</b>
<b>Total liabilities &amp; equity</b>	<b>98,933</b>	<b>100,684</b>	<b>100,670</b>	<b>104,236</b>	<b>110,531</b>
Net tangible fixed assets	8,166	9,606	9,882	9,204	7,912
Net intangible assets	1,707	892	892	892	892
Net ROU assets	6,667	9,882	10,394	10,452	9,839
Capital WIP	215	286	286	286	286
Goodwill	13,621	13,442	13,442	13,442	13,442
Investments [JV/Associates]	6,125	9,981	9,981	9,981	9,981
<b>Cash &amp; equivalents</b>	<b>2,955</b>	<b>3,032</b>	<b>7,038</b>	<b>10,762</b>	<b>18,435</b>
Current assets (ex-cash)	73,102	66,352	63,646	65,814	67,604
Current Liab. & Prov.	10,575	11,257	12,846	14,495	16,371
<b>NWC (ex-cash)</b>	<b>62,527</b>	<b>55,095</b>	<b>50,799</b>	<b>51,320</b>	<b>51,233</b>
<b>Total assets</b>	<b>98,933</b>	<b>100,684</b>	<b>100,670</b>	<b>104,236</b>	<b>110,531</b>
Net debt	(4,779)	(10,412)	(14,418)	(18,141)	(25,815)
Capital employed	91,687	90,247	93,468	99,195	106,497
<b>Invested capital</b>	<b>85,825</b>	<b>78,750</b>	<b>74,730</b>	<b>74,572</b>	<b>73,193</b>
BVPS (Rs)	125.9	124.1	128.2	135.9	145.8
Net Debt/Equity (x)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Net Debt/EBITDA (x)	1.0	(8.2)	(3.0)	(1.9)	(2.0)
Interest coverage (x)	(0.1)	(0.6)	0.2	0.1	0.1
<b>RoCE (%)</b>	<b>(13.1)</b>	<b>(5.9)</b>	<b>(1.3)</b>	<b>1.8</b>	<b>3.9</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	(23.5)	(107.3)	129.8	61.6	43.3
P/CE(x)	(124.4)	49.2	30.7	21.3	17.4
P/B (x)	2.6	2.7	2.6	2.4	2.3
EV/Sales (x)	3.3	2.9	2.5	2.1	1.7
EV/EBITDA (x)	(50.4)	184.4	48.0	24.0	17.1
EV/EBIT(x)	(18.2)	(39.2)	(177.5)	118.7	50.3
EV/IC (x)	2.8	3.0	3.1	3.0	3.0
FCFF yield (%)	(3.4)	(1.3)	1.2	1.1	2.2
FCFE yield (%)	(3.2)	(0.6)	2.8	2.4	3.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
<b>DuPont-RoE split</b>					
Net profit margin (%)	(14.2)	(2.8)	2.0	3.7	4.5
Total asset turnover (x)	0.9	0.9	1.0	1.1	1.2
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
<b>RoE (%)</b>	<b>(11.0)</b>	<b>(2.7)</b>	<b>1.9</b>	<b>3.9</b>	<b>5.2</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	(17.2)	(7.5)	(1.1)	1.3	2.6
IC turnover (x)	1.1	1.0	1.2	1.4	1.7
<b>RoIC (%)</b>	<b>(18.4)</b>	<b>(7.4)</b>	<b>(1.3)</b>	<b>1.9</b>	<b>4.4</b>
<b>Operating metrics</b>					
Core NWC days	40.9	60.5	41.1	39.2	37.6
<b>Total NWC days</b>	<b>40.9</b>	<b>60.5</b>	<b>41.1</b>	<b>39.2</b>	<b>37.6</b>
Fixed asset turnover	2.2	2.2	2.2	2.3	2.4
Opex-to-revenue (%)	28.0	25.1	22.2	20.4	19.3

Source: Company, Emkay Research

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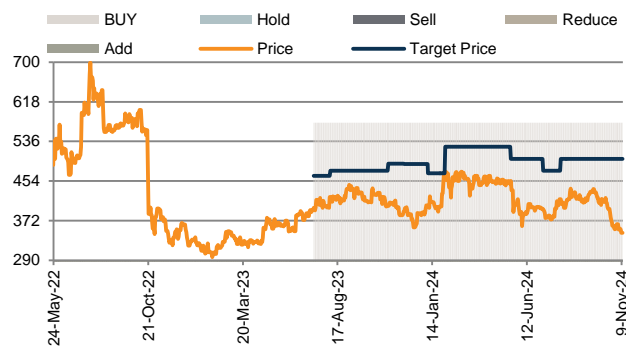
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
08-Oct-24	417	500	Buy	Anshul Agrawal
04-Aug-24	416	500	Buy	Anshul Agrawal
07-Jul-24	396	475	Buy	Anshul Agrawal
17-May-24	454	500	Buy	Anshul Agrawal
08-Apr-24	455	525	Buy	Anshul Agrawal
22-Mar-24	465	525	Buy	Anshul Agrawal
03-Feb-24	473	525	Buy	Anshul Agrawal
07-Jan-24	403	470	Buy	Anshul Agrawal
30-Nov-23	391	490	Buy	Anshul Agrawal
05-Nov-23	402	490	Buy	Anshul Agrawal
05-Aug-23	421	475	Buy	Anshul Agrawal
10-Jul-23	399	465	Buy	Anshul Agrawal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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