

# Delhivery Ltd.

**Issue Opens On**  
May 11<sup>th</sup>, 2022

**Issue Closes On**  
May 13<sup>th</sup>, 2022

**Price Band (INR)**  
462-487

**Issue Size (INR Mn)**  
52,350

**Rating**  
**NEUTRAL**

**Delhivery Limited (“Delhivery”)** was incorporated on June 22, 2011. Delhivery is the largest and fastest growing fully-integrated logistics services player in India by revenue as of Fiscal 2021. Delhivery provided supply chain solutions to a diverse base of 23,113 Active Customers such as e-commerce marketplaces, e-tailers and enterprises and SMEs across several verticals. Delhivery operated 21 fully and semi-automated sortation centres and 82 gateways across India (excluding Spoton) as of December 31, 2021. Delhivery operates a pan-India network and provide services in 17,488 postal index number (“PIN”) codes, as of December 31, 2021 covering 90.61% of the 19,300 PIN codes in India. The company is a professionally managed and does not have an identifiable promoter in terms of SEBI ICDR Regulations and the Companies Act. Consequently, there are no members forming part of the ‘promoter group’ in terms of the SEBI ICDR Regulations.

## OFFER STRUCTURE

Particulars	IPO Details
No. of shares under IPO	10,75,17,088
Price band (INR per share)	462-487
Employee Discount (INR per share)	25
Post issue MCAP (INR Mn)	3,52,840

Source: IPO Prospectus

Issue	# Shares	INR (in Mn)	%
<b>QIB</b>	80,313,142	31,992	75
<b>NIB</b>	1,60,62,628	7,822	15
<b>Retail</b>	1,07,08,418	5,215	10
<b>Employee</b>	4,32,900	200	-
<b>Net Offer</b>	10,75,17,088	52,350	100

Source: IPO Prospectus

Indicative Timetable	
Offer Closing Date	13 <sup>th</sup> May 2022
Finalization of Basis of Allotment with Stock Exchange	19 <sup>th</sup> May 2022
Initiation of Refunds	20 <sup>th</sup> May 2022
Credit of Equity Shares to Demat accounts	23 <sup>rd</sup> May 2022
Commencement of Trading of Eq.shares on NSE	24 <sup>th</sup> May 2022

Source: IPO Prospectus

**Objects of the Issue**  
The objective is to fund the organic and inorganic growth and for general corporate purposes.

### Selling Shareholders

CA Swift Investments	INR 4,540 Mn
SVF Doorbell	INR 3,650 Mn
Deli CMF Pte Ltd	INR 2,000 Mn
Times Internet	INR 1,650 Mn
Kapil Bharati	INR 50 Mn
Mohit Tandon	INR 400 Mn
Suraj Saharan	INR 60 Mn

Shareholding Pattern	Pre-Issue (%)	Post-Issue (%)
Public – Selling Shareholders	39.8	31.8
Public - Others	60.2	68.2
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: IPO Prospectus

Particulars (INR Mn)	FY19	FY20	FY21	9MFY22
Revenue	16,539	27,806	36,465	48,105
EBITDA	(1,371)	(1,720)	(1,004)	(2,318)
EBITDA Margin	(8.3%)	(6.2%)	(2.8%)	(4.8%)
PAT	(17,833)	(2,689)	(4,157)	(8,911)
PAT Margin	(107.8%)	(9.7%)	(11.4%)	(18.5%)
EPS	(47.22)	(5.22)	(8.05)	(15.36)
Net Asset Value	65.94	61.51	54.79	93.19

Source: IPO Prospectus

# Delhivery Ltd.

## Company Overview

The company was originally incorporated as “SSN Logistics Private Limited”, on June 22, 2011. Delhivery is the largest and fastest growing fully-integrated logistics services player in India by revenue as of Fiscal 2021. Delhivery provided 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. The company’s approach is to invest in critical service elements areas of the network, while delivering services through a large number of network partners. The key differentiators for Delhivery business are:- Integrated solutions, proprietary logistics operating system, data intelligence, automation, unified infrastructure and network, asset light operations and entrepreneurial team.

Below are the services which the company provides:

Services Offered	Description
Express Parcel	Delhivery is the largest and fastest growing 3PL express parcel (and heavy parcel) delivery player in India. They launched their heavy goods service in 2016, comprising the warehousing and delivery of heavy goods, such as large electronic goods, or white goods, furniture and sports equipment. This service leverages their existing warehousing capabilities.
PTL Freight	Delhivery launched PTL freight services focused on the B2B express segment in 2016 after achieving significant scale in their express parcel network and establishing a full-fledged surface line-haul network to service its volume. Delhivery acquired Spoton in August 2021 to further scale their PTL freight services business.
TL Freight	Company’s truckload freight brokerage platform, “Orion”, connects shippers with fleet-owners and suppliers of truckload capacity across the country via a centralized bidding and matching engine.
Supply Chain Services	Delhivery provides integrated supply chain solutions to e-commerce and corporate customers. Their supply chain solutions combine the strength of their warehousing and transportation operations, infrastructure, network and technology with deep data-science and business intelligence capabilities. This enables them to provide comprehensive and integrated multi-channel order fulfilment solutions.
Cross-Border Services	Delhivery began providing door-to-door and port-to-port express parcel services to and from India in 2018 to meet the rising demand for cross-border e-commerce and expanded this offering to include cross-border air-cargo services in late 2019. Their cross-border operations are powered by their global shipping service, “Starfleet”.

Source: IPO Prospectus

## Key Performance Metrics

Parameters	FY19	FY20	FY21	9MFY22
PIN Code Reach	13,485	15,875	16,677	17,488
Infrastructure (in Mn sq.ft)	5.96	9.85	12.23	14.27
No of Gateways	73	83	88	82
Rated Automated Sort Capacity (in Mn parcels/day)	1.58	2.26	2.62	3.7
No 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

Source: IPO Prospectus

# Delhivery Ltd.

## INVESTMENT RATIONALE

### Rapid growth, extensive scale and improvement in unit economics:

Delhivery is the largest integrated and fastest growing fully integrated logistics services player in India by revenue as of Fiscal 2021. Their revenue from contracts with customers has grown from INR 16,539 Mn in Fiscal 2019 to INR 36,465 Mn in Fiscal 2021, or a CAGR of 48.5%. Further the revenue from contracts with customers has improved from INR 26,438 Mn for the 9 months period ended December 31, 2020 to INR 48,105 Mn for the 9 months period ended December 31, 2021, or an increase of 81.95%. The company's network structure, quality of engineering and technology and data intelligence capabilities has helped them establish scale in all of their business lines and ensure synergies across them. This has driven higher network utilization, resulting in cost efficiencies, while maintaining service speed and reliability.

### The proprietary logistics operating system:

The company's team of 505 engineering, data sciences and product professionals, as on December 31, 2021, has built proprietary technology systems that enable them to offer integrated logistics services to a wide variety of customers. Their 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 integrate with their customers' systems.

### Vast data intelligence capabilities :

Delhivery collects, store, process, structure and analyze 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 their field teams, data on traffic and weather from several internal and environmental sources. As they have expanded operations and business lines, they have grown access to new sources of data and, simultaneously, their ability to draw insights from these data. This is one of their most valuable assets. They use machine learning, artificial intelligence and operations research to build institutional intelligence, automation and dynamic optimization capabilities that enable them to solve several complex operational problems.

### The integrated portfolio of logistic services:

Delhivery aims to meet their customers' requirements for overall, rather than mono-line, supply chain reliability and efficiency. They provide 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 network design and engineering:

Delhivery has designed and developed in-house capabilities in hardware design, automation and integration for shipment sortation, box/bag sortation, and weighing and dimensioning. These automated systems are fully integrated with their logistics operating system, thereby reducing human intervention.

### Strong relationship with a diverse customer base:

Delhivery served a diverse base of 23,113 Active Customers across e-commerce, consumer durables, electronics, lifestyle, FMCG, industrial goods, automotives, healthcare and retail, in the 9 months ended December 31, 2021. As of December 31, 2021, this 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 5,533 Active Customers across industry verticals. Several of their customers use more than one of their service offerings, with over 58.13% of their revenue for the 9 months ended December 31, 2021 coming from customers who had used at least two of their services.

### Extensive ecosystem of partners, enabling an asset-light business model and extended reach:

Delhivery has built an asset-light business model that has enabled them to scale up volumes rapidly, with lower fixed costs and greater flexibility. While they design, operate and control their most critical network nodes (fulfilment centre and gateways), partners play a significant role in all their other operations - pickup, mid-mile (trucking and air) and last-mile delivery. This enables them to maintain control over operational quality metrics and improve overall network performance. Their ability to develop mutually beneficial partnerships with large international players such as Aramex and strategic alliance with FedEx, has enabled them to further expand their reach outside India.

### Experienced and qualified professional team:

The company's biggest competitive advantage is, ultimately, their experienced and entrepreneurial team. Their teams are composed of people from diverse backgrounds who bring perspective from industries like global logistics, technology services, financial services, management consulting, e-commerce, FMCG, telecommunications and armed forces. They have also invested significantly in training and upskilling front-line operations personnel via the Delhivery Academy.

# Delhivery Ltd.

## Future Growth Strategies

### Expand investments in infrastructure and network:

The company continue to expand their operational capabilities and expand network infrastructure and capacity across business lines. They expects to build new integrated facilities and mega-gateways in major cities, further expand capacity at existing automated sort centers, commission new sorters at strategic locations and invest in portable automation to enhance capacity at collection and return centers and intermediate processing centers. They will also continue to expand their network of fulfilment centers and in-city micro-fulfilment centers to expand their “Fulfilled by Delhivery” and “Delhivery Flash” offerings to vertical e-commerce, D2C and brand customers.

### Continue to build scale in business:

The company intend to continue to invest to gain scale and increase market share across business lines. Delhivery is in the process of integrating the Spoton and Delhivery infrastructure and technology systems, in order to enable them to deepen synergies between their part truckload and express parcel businesses, while also creating larger base volumes for their truckload freight exchange. This will allow them to further expand critical infrastructure nodes and further expand tractor-trailer operations and truck utilization across their network. In addition, partnerships such as the ones with Aramex and their strategic alliance with FedEx gives them the opportunity to combine the strength of their global partners’ extensive network with their domestic leadership and rapidly scale up the new cross border business.

### Deepen the customer relationships :

The company intend to increase their penetration of new industries like healthcare, distribution, agriculture and commodities, among others. Acquisition of Spoton has further expanded their customer base. They will also intend to launch new services and capabilities such as traditional non-express PTL freight, domestic air-freight, intra-city distribution, and temperature-controlled logistics to expand their value proposition to existing and new customers.

### Enhance the technology capabilities:

Delhivery is in the process of deploying automatic guided vehicles, automatic storage and retrieval systems and unmanned aerial vehicles for parcel sortation, material conveyance or last mile delivery, and customized “soft robotics” or “exoskeleton” products to reduce fatigue for workers engaged in repetitive, labour-intensive tasks such as loading and unloading. They have also begun to transition more of their cargo and two-wheeler fleet to electric vehicles. In addition, they are also testing UAV operations for specialized delivery use-cases and scaling up their capabilities in machine vision.

### Externalize the logistic operating system:

The company intend to externalize their logistics operating system as a platform and as a SaaS offering by enabling other logistics service provider, logistics-tech companies, and enterprise and developer partners, in India and globally, by Providing configurable modules and applications as plug-and-play software ‘solutions’, serving a variety of supply-chain use cases; and enabling company’s customers to build their own applications on top of the underlying OS layer.

### Creating new adjacent growth vectors:

Delhivery will continue to develop large, new growth adjacencies that enhance their interlocking flywheel strategy, leveraging on their operational scale, rapid growth, large ecosystem of engaged partners, network design, sophisticated technology systems and access to vast amounts of data. Additionally, they plan to offer value added services, such as highway assistance and routing and tracking software for fleet owners and suppliers of truckload capacity. Their ability to collect, structure and analyze transaction data generated in the logistics can also enable them to assess the financial profile of various parties in the supply chain, such as customers, vendors and network partners. By leveraging their data analytics capabilities, they plan to offer financial services such as working capital financing, insurance and personal loans in the future, either on their own or in association with partners.

### Expand into high-growth international markets similar to India:

Several emerging markets share operational and structural market challenges that are similar enough to India to benefit from their set of technology and network optimization tools. In Fiscal 2021, they successfully introduced part of their fulfilment and transportation technology stack in Bangladesh and Sri Lanka, in collaboration with local partners. They will continue to expand their presence in other such international markets selectively and through capital-efficient, partnership-driven models.

### Pursue strategic alliances and select acquisitions and investment opportunities:

The company will seek strategic alliances with global and domestic leaders in various segments of the logistics industry that bring synergies to their business. They will also continue to look for high-quality acquisition and investment opportunities within and outside India that are complementary to their business

# Delhivery Ltd.

## Outlook and Valuation:

Delhivery operates a pan-India network and provide its services in 17,488 postal index number (“PIN”) codes, as of December 31, 2021. Delhivery collect, structure, store and process vast amounts of transaction and environmental data to guide real-time operational decision making. The company’s approach is to invest in critical service elements and IP sensitive areas of the network, while delivering services through a large number of network partners. Delhivery acquired Spoton in August 2021 to further scale its PTL freight services business. Spoton delivered 758,730 tonnes of freight in FY21 and had a network presence across 13,087 PIN codes with 2.85 msf of infrastructure as of December 31, 2021. Together with Spoton, they had over 7,900 Active Customers in the 9 months ended December 31, 2021 across industries.

The company is a loss-making company and it expect to continue making losses as they expect increase in future expenses. The company had reported losses to the tune of INR 17,833 Mn/2689 Mn/4,157Mn and 8,911 Mn in FY19/20/21 and 9MFY22 respectively. The EPS of the company has been INR (47.22)/(5.22)/(8.05) and (15.36) in FY19/20/21 and 9MFY22 respectively. The NAV per share is INR 54.8 with EPS of -8.05 as the company is in losses. The average industry P/E is 112.21x but Delhivery P/E is negative due to losses. Going ahead, the growth of the company and the company becoming profitable will be key to be watched out. Hence, we assign a **“NEUTRAL”** rating to the IPO.

## Peer Comparison:

As per the company’s prospectus, the peer analysis of the company are as follows:

Company	Total Income (for FY21) (INR Mn)	Face Value (INR)	P/E	EPS (Diluted) (INR)	RoNW (%)	NAV per share (INR)
Delhivery	38,383	1		(8.1)	(14.7)	54.8
Blue Dart Express	32,924	10	150.4	42.9	17.1	249.5
TCI Express	8,516	2	66.9	26.2	23.1	112.9
Mahindra Logistics	32,812	10	119.4	4.2	5.1	79.7

Source: IPO Prospectus

## Risk Factors:

- The company has a history of losses and negative cash flows from operating, investing and financing activities and they may continue to experience losses and negative cash flows in the future as they anticipate increased expenses in the future.
- Any disruptions to their logistics and transportation facilities could have a material adverse effect on their business, financial condition, cash flows and results of operations.
- The reliance on network partners and other third parties for certain aspects of their business poses additional risks for the company.
- The technology infrastructure is critical to their business operations and growth prospects, and failure to improve or effectively utilize the technology infrastructure or prevent disruptions to the technology infrastructure could harm their business operations, reputation and growth prospects.
- The company rely on a scaled, automated and unified network infrastructure, largely comprising their logistics and transportation facilities, for their business operations. Hence they may not be able to manage their growth if they are not able to maintain or expand their network infrastructure.
- The long-term growth and competitiveness are highly dependent on their ability to control costs and pass on any increase in operating expenses to customers, while continuing to offer competitive pricing. Any deviations to this, will impact the performance of the company.
- The company have certain contingent liabilities which, if they materialize, may affect the results of operations, financial condition and cash flows.
- The company operate in a highly fragmented industry and face intense competition, which could adversely affect their results of operations and market share.



# Delhivery Ltd

## Financials:

Ratio Analysis (%)	FY19	FY20	FY21	9M FY22
EBITDA Margin	(8.3%)	(6.2%)	(2.8%)	(4.8%)
PAT Margin	(107.8%)	(9.7%)	(11.4%)	(18.5%)
Net Asset Value	65.94	61.51	54.79	93.19
Diluted EPS	(47.22)	(5.22)	(8.05)	(15.36)

Source: RHP, KRChoksey Research

Income Statement (INR Mn)	FY19	FY20	FY21	9M FY22
<b>Revenue</b>	<b>16,539</b>	<b>27,806</b>	<b>36,465</b>	<b>48,105</b>
Cost of material consumed	12,507	21,896	27,883	36,508
Employee cost	3,446	4,909	6,109	9,726
Other expenses	1,964	2,722	3,610	4,226
Fair Value loss on Financial liabilities at Fair Value	14,807	-	-	2997
<b>EBITDA</b>	<b>(1,371)</b>	<b>(1,720)</b>	<b>(1,004)</b>	<b>(2,318)</b>
<b>EBITDA Margin</b>	<b>(8.3%)</b>	<b>(6.2%)</b>	<b>(2.8%)</b>	<b>(4.8%)</b>
Depreciation & amortization	1,700	2,556	3,546	3,882
<b>EBIT</b>	<b>(3,071)</b>	<b>(4,276)</b>	<b>(4,550)</b>	<b>(6,200)</b>
Interest expense	358	492	886	762
Other income	410	2,081	1,918	1,009
<b>PBT</b>	<b>(3,019)</b>	<b>(2,688)</b>	<b>(3,519)</b>	<b>(5,953)</b>
<b>PAT</b>	<b>(17,833)</b>	<b>(2,689)</b>	<b>(4,157)</b>	<b>(8,911)</b>
Diluted EPS (INR)	(47.22)	(5.22)	(8.05)	(15.36)

Source: RHP, KRChoksey Research

Cashflow Statement (INR Millions)	FY19	FY20	FY21	9M FY22
Net cash flow from operating activities (A)	(2,427)	(6,339)	48	(5,091)
Net cash flow used in investing activities (B)	(9,394)	(9,325)	3,383	(26,391)
Net cash flow generated from / (used in ) in financing activities (C)	28,584	(167)	(1,467)	31,838
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>16,763</b>	<b>(15,831)</b>	<b>1,964</b>	<b>356</b>
Opening Cash and cash equivalents	(137)	16,626	795	2,759
<b>Closing Cash and cash equivalents</b>	<b>16,626</b>	<b>795</b>	<b>2,759</b>	<b>3,114</b>

Source: RHP, KRChoksey

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## Financials:

Balance Sheet (INR Mn)	FY19	FY20	FY21	9M FY22
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1,610	2,359	2,380	5,517
Right-of-use assets	2,975	4,781	7,828	8,487
Capital Work In Progress	9	267	768	648
Intangible assets	131	162	140	4,095
Financial assets	274	3,772	4,206	4,074
Other financial assets	2,036	5,254	887	2,627
Tax assets (net)	596	1,050	1,232	1,389
Other non-current assets	134	14	47	237
<b>Total Non-current assets</b>	<b>7,930</b>	<b>17,846</b>	<b>17,673</b>	<b>40,934</b>
<b>Current assets</b>				
Financial assets				
Inventories	226	178	259	318
Loans	2	27	264	90
Trade receivables	2,147	6,013	5,946	8,918
Cash and cash equivalents	16,626	1,200	2,759	3,610
Bank balances other than cash and cash equivalents	8	2,887	16	
Other financial assets	1,951	6,444	10,815	10,310
Other current assets	431	874	1,170	2,741
<b>Total current assets</b>	<b>32,696</b>	<b>25,728</b>	<b>28,305</b>	<b>43,361</b>
<b>Total assets</b>	<b>40,625</b>	<b>43,573</b>	<b>45,978</b>	<b>84,295</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Equity share capital	10	10	16	217
Other equity	33,873	31,694	28,352	59,582
<b>Total Equity</b>	<b>33,883</b>	<b>31,704</b>	<b>28,368</b>	<b>59,798</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Financial liabilities				
Borrowings	356	998	1,316	1,005
Lease Liabilities	2,425	3,871	6,538	6,913
Trade Payables	25	1		
Provisions	109	166	219	407
Deferred Tax Liabilities (Net)	-	-	-	735
<b>Total non-current liabilities</b>	<b>2,915</b>	<b>5,036</b>	<b>8,074</b>	<b>9,060</b>
<b>Current liabilities</b>				
Financial liabilities				
Borrowings	580	1,570	1,697	2,703
Trade payables	1,582	2,734	4,422	7,838
Lease liabilities	744	1,108	1,617	2,211
Other financial liabilities	-	-	-	-
Provisions	684	1,097	1,306	1,450
Current tax liabilities (net)	169	220	371	1,042
Other current liabilities	68	104	122	192
<b>Total current liabilities</b>	<b>3,828</b>	<b>6,833</b>	<b>9,536</b>	<b>15,437</b>
<b>Total equity and liabilities</b>	<b>40,625</b>	<b>43,573</b>	<b>45,978</b>	<b>84,295</b>

Source: RHP, KRChoksey Research

# Delhivery Ltd.

## ANALYST CERTIFICATION:

I, Parvati Rai (MBA-Finance, M.com), Head Research, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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