

DELHIVERY
Delhivery Ltd

Outlier growth prospects with profit round the corner



Kyon ki bhaiya, sabse bada rupaiya.

SUBSCRIBE at Upper Price Band of INR 487

Outlier growth prospects with profit round the corner

The Delhivery IPO offers investors a unique opportunity of exposure to a fully integrated operator in the logistic space with clear demonstrated outlier growth (compared to peers) and on way to profitability. Unlike global markets with established logistics leaders, the Indian logistic market remains highly fragmented with combined market share of the top 10 industry leaders being a paltry 1.5%. In today's uncertain market (rife with macro headwinds and inflationary pressures), Delhivery is uniquely positioned to emerge as the sustainable industry leader in an essential vertical with a massive TAM of US\$316 bn that is non discretionary.

Although, Delhivery with a dominant 25% market share of the express business is a proxy for ecommerce growth in India, it has also emerged as the fastest growing top 3 player in the FTL segment. It is rapidly diversifying its revenue streams with its foays into FTL and integrated supply chain verticals while quickly scaling up its cross border business via the M&A route.

The governments Gati Shakti program to make logistics more efficient in India, thrust on global manufacturing, booming digital consumption and thrust on infrastructure development provide for a long runway of growth to the logistic players.

Delhivery by virtue of its scorching pace of growth, diversified revenue streams, fully integrated and tech driven logistic platform offering, and pan India reach is best placed to benefit from this opportunity.

We expect Delhivery's revenue to grow at a CAGR of 56.7% to 14,026 cr by FY24, and its EBITDA to become profitable at INR 491 cr, compared to a loss of INR 33 cr in FY21.

At the upper band of its IPO price of INR 487, Delhivery is valued at 2.4X FY24 EV/Sales. This in our opinion is an attractively valuation when compared with peers Bluedart (3.1X FY24 EV/Sales) and TCI Express (4.1X FY24 EV/Sales). We recommend a SUBSCRIBE.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/Sales (X)
FY20	2,780.6	-116.6	-213.5	-4.2	-7.7	-2.9	43.8	-8.5	-16.9	-165.1	11.1	12.3
FY21	3,646.5	-33.2	-326.1	-0.9	-8.9	-4.5	39.2	-14.7	-18.0	-108.1	12.4	9.5
FY22E	6,499.3	52.0	-558.7	0.8	-8.6	-7.7	72.4	-20.6	-10.5	-63.1	6.7	5.4
FY23E	9,545.2	190.9	-627.8	2.0	-6.6	-8.7	119.0	-7.3	-9.7	-56.2	4.1	3.4
FY24E	14,025.6	490.9	-346.2	3.5	-2.5	-4.8	114.2	-4.2	-7.1	-101.9	4.3	2.4

Industry Logistics

Issue Details

Listing	BSE & NSE
Open Date	11 th May 2022
Close Date	13 th May 2022
Price Band	INR 462-487
Face Value	INR 1
Market Lot	30 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	24%
Fresh Issue	76%
Issue Size (Amt)	INR 5,235 cr
Issue Size (Shares)	107,517,088
QIB Share (%)	≤ 75%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 10%
Pre issue sh (nos)	642,365,827
Post issue sh (nos)	724,518,329
Post issue M Cap	35,259

Shareholding (%)	Pre (%)	Post (%)
Promoter	0.0	0.0
Public	100.0	100.0
TOTAL	100	100

Issue Structure and Offer Details

The proposed issue size of Delhivery's IPO is INR 5,235 cr. The price band for the issue is in the range of INR 462-487 and the bid lot is 30 shares and multiples thereof.

Issue Structure		
Category	No of Shares Offered	Allocation
QIB	Not less than 80,313,142	Not less than 75% of the Net Offer
Non Institutional Investors	Not more than 16,062,628	Not more than 15% of the Net Offer
Retail Investors	Not more than 10,708,418	Not more than 10% of the Net Offer
Employees	4,32,900	

Number of shares based on higher price band of INR 487

Source: Company Reports

Investors selling their shares in OFS			
Name of Selling Shareholders	Type	Amt Offered (INR Cr)	No of Shares
CA Swift Investments	Investor Selling Shareholder	454	93,22,382
Deli CMF Pte. Ltd.	Investor Selling Shareholder	200	41,06,776
SVF Doorbell (Cayman) Ltd	Investor Selling Shareholder	365	74,94,867
Times Internet Ltd	Investor Selling Shareholder	165	33,88,090
Kapil Bharati	Individual Selling Shareholder	5	1,02,669
Mohit Tandon	Individual Selling Shareholder	40	8,21,355
Suraj Saharan	Individual Selling Shareholder	6	1,23,203

Number of shares based on higher price band of INR 487

Source: Company Reports

Delhivery's Financial Summary and Analysis

Fig in INR Cr (unless specified)	FY20	FY21	FY22E	FY23E	FY24E	Fig in INR Cr (unless specified)	FY20	FY21	FY22E	FY23E	FY24E
Income Statement						Per share data & Yields					
Revenue	2,780.6	3,646.5	6,499.3	9,545.2	14,025.6	Adjusted EPS (INR)	-2.9	-4.5	-7.7	-8.7	-4.8
YoY Growth (%)	68.1	31.1	78.2	46.9	46.9	Adjusted Cash EPS (INR)	0.6	0.4	0.7	1.9	8.6
Raw Material Cost	5.8	10.2	234.0	334.1	490.9	Adjusted BVPS (INR)	43.8	39.2	72.4	119.0	114.2
RM Cost to Sales (%)	0.2	0.3	3.6	3.5	3.5	Adjusted CFO per share (INR)	-8.0	1.3	-7.5	-0.0	6.2
Employee Cost	435.5	530.4	1,013.9	1,479.5	2,103.8	CFO Yield (%)	-1.6	0.3	-1.5	-0.0	1.3
Employee Cost to Sales (%)	15.7	14.5	15.6	15.5	15.0	Adjusted FCF per share (INR)	-9.0	-3.4	-33.8	-9.1	-8.6
Other Expenses	2,456.0	3,139.1	5,199.4	7,540.7	10,940.0	FCF Yield (%)	-1.9	-0.7	-6.9	-1.9	-1.8
Other Exp to Sales (%)	88.3	86.1	80.0	79.0	78.0	Solvency Ratio (X)					
EBITDA	-116.6	-33.2	52.0	190.9	490.9	Total Debt to Equity	0.1	0.1	0.1	0.0	0.0
Margin (%)	-4.2	-0.9	0.8	2.0	3.5	Net Debt to Equity	-0.3	-0.2	0.0	-0.3	-0.2
YoY Growth (%)	6.1	-71.5	-256.4	267.2	157.1	Net Debt to EBITDA	8.3	20.6	1.7	-14.2	-3.2
Depreciation & Amortization	255.6	354.6	611.5	765.1	969.6	Return Ratios (%)					
EBIT	-372.2	-387.9	-559.5	-574.1	-478.7	Return on Equity	-8.5	-14.7	-20.6	-7.3	-4.2
Margin (%)	-13.4	-10.6	-8.6	-6.0	-3.4	Return on Capital Employed	-10.9	-12.4	-9.7	-6.7	-5.8
YoY Growth (%)	32.9	4.2	44.3	2.6	-16.6	Return on Invested Capital	-16.9	-18.0	-10.5	-9.7	-7.1
Other Income	208.1	191.8	107.8	58.8	238.9	Working Capital Ratios					
Finance Cost	49.2	88.6	114.6	112.5	106.3	Payable Days (Nos)	35.9	44.3	45.0	45.0	45.0
Interest Coverage (X)	-7.6	-4.4	-4.9	-5.1	-4.5	Inventory Days (Nos)	2.3	2.6	2.0	2.0	2.0
Exceptional Item	0.0	-41.3	0.0	0.0	0.0	Receivable Days (Nos)	78.9	59.5	80.0	75.0	70.0
PBT	-213.4	-326.1	-566.3	-627.8	-346.2	Net Working Capital Days (Nos)	45.4	17.8	37.0	32.0	27.0
Margin (%)	-7.7	-8.9	-8.7	-6.6	-2.5	Net Working Capital to Sales (%)	12.4	4.9	10.1	8.8	7.4
YoY Growth (%)	-22.4	52.8	73.7	10.9	-44.9	Valuation (X)					
Tax Expense	0.1	0.0	-7.6	0.0	0.0	P/E	-165.1	-108.1	-63.1	-56.2	-101.9
Tax Rate (%)	-0.1	0.0	1.3	0.0	0.0	P/BV	11.1	12.4	6.7	4.1	4.3
PAT	-213.5	-326.1	-558.7	-627.8	-346.2	EV/EBITDA	-294.0	-1,040.3	679.8	170.4	68.7
Margin (%)	-7.7	-8.9	-8.6	-6.6	-2.5	EV/Sales	12.3	9.5	5.4	3.4	2.4
YoY Growth (%)	-22.3	52.7	71.4	12.4	-44.9	Cash Flow Statement					
Min Int/Sh of Assoc	-0.0	0.0	0.0	0.0	0.0	PBT	-213.4	-326.1	-566.3	-627.8	-346.2
Net Profit	-213.5	-326.1	-558.7	-627.8	-346.2	Adjustments	-98.5	253.1	497.0	805.3	997.4
Margin (%)	-7.7	-8.9	-8.6	-6.6	-2.5	Change in Working Capital	-266.5	167.4	-480.5	-178.0	-200.7
YoY Growth (%)	-14.5	52.7	71.4	12.4	-44.9	Less: Tax Paid	-0.1	0.0	7.6	0.0	0.0
Balance Sheet						Cash Flow from Operations	-578.5	94.5	-542.2	-0.5	450.6
Share Capital	40.1	37.0	64.2	72.4	72.4	Net Capital Expenditure	-213.6	-248.6	-1,500.0	-668.2	-911.7
Total Reserves	3,130.3	2,799.8	5,180.9	8,544.8	8,198.7	Change in Investments	-719.0	586.9	-970.9	-313.1	-604.0
Shareholders Fund	3,170.4	2,836.8	5,245.1	8,617.2	8,271.1	Cash Flow from Investing	-932.6	338.3	-2,470.9	-981.3	-1,515.6
Long Term Borrowings	99.8	131.6	100.0	0.0	0.0	Change in Borrowings	31.1	-77.2	289.6	-495.3	0.0
Deferred Tax Assets / Liabilities	0.0	0.0	73.5	73.5	73.5	Less: Finance Cost	-49.2	-88.6	-114.6	-112.5	-106.3
Other Long Term Liabilities	387.1	653.8	691.3	772.3	862.9	Proceeds from Equity	1.5	19.1	3,395.8	4,000.0	0.0
Long Term Trade Payables	0.1	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	16.6	21.9	40.7	59.3	84.4	Dividend Paid	0.0	0.0	0.0	0.0	0.0
Total Liabilities	3,674.0	3,644.2	6,150.5	9,522.3	9,291.8	Cash flow from Financing	-16.7	-146.7	3,570.7	3,392.2	-106.3
Net Block	247.3	251.9	1,310.1	1,402.9	1,556.8	Net Cash Flow	-1,527.8	286.0	557.6	2,410.4	-1,171.3
Capital Work in Progress	26.7	76.8	64.8	0.0	0.0	Forex Effect	0.0	0.0	0.0	0.0	0.0
Intangible assets under developme	4.8	0.0	2.1	0.0	0.0	Opening Balance of Cash	1,662.6	79.5	365.5	923.2	3,333.6
Non Current Investments	377.2	420.6	407.4	598.3	879.1	Closing Balance of Cash	134.9	365.5	923.2	3,333.6	2,162.2
Long Term Loans & Advances	283.7	194.3	291.4	325.6	363.8						
Other Non Current Assets	348.0	22.3	25.6	37.6	55.3						
Net Current Assets	2,386.2	2,678.3	4,049.1	7,158.0	6,436.8						
Total Assets	3,674.0	3,644.2	6,150.5	9,522.3	9,291.8						

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