

May 9, 2022

DELHIVERY LIMITED IPO

Delhivery is the largest and fastest growing fully integrated logistics services player in India. Company has a reach of 17,488 pin codes, having infrastructure of 14.2 million ₹ square feet with more than 3,836 number of delivery points. Company offers five types of transportation services- Express Parcel services, Part Truck Load services, Truck Load services, Supply chain services and Cross Border services. Express Parcel services contribute more than 62% of FY2021 revenue and Part Truck Load services contribute 11.5%. Company having total client base of 23,113 majority of which includes e-commerce marketplaces etc.

Positives: (a) Delhivery provides integrated solutions for logistics, with a market share of 22% in express parcel. (b) Having In-house logistics technology stack to meet the dynamic needs of modern supply chains. (c) Delhivery operates a pan-India network and provides their services in 17,488 Pin codes which represents more than 90% of India Pin codes.

Investment concerns: (a) Any slowdown in e-commerce business in India will impact Delhivery revenue as 62% of FY2021 revenue comes from Express Parcel services. (b) Dependency on top-5 customers, which contributes 41% of company revenue. (c) Company recently launched Delhivery Direct, which is a C2C shipping service, it may be difficult for the company to gain market share due to competition.

Outlook & Valuation: Based on annualized FY22 numbers, the IPO is priced at EV/Sales of 4.8x and Price to Book value of 5.2x at the upper price band of the IPO. For 9MFY22 company has reported EBITDA loss of ₹232 crores and Net loss of ₹891 crores. In the Indian markets, no other peer group has same business model as Delhivery. Company has reported good revenue growth of 82% in 9MFY2022 and it is expected that company may turn EBITDA positive by FY2022 end. Given the expensive valuation, we are assigning a NEUTRAL recommendation to the Delhivery IPO

Exhibit 1: Key Financials

Y/E March (₹ cr)	FY19	FY20	FY21	9MFY21	9MFY22
Net Sales	1,654	2,781	3,647	2,644	4,811
% chg	-	68.1	31.1		82.0
Net Profit	(1,783.3)	(268.7)	(415.7)	(297.5)	(891.1)
% chg	-	(84.9)	54.7		199.5
EBITDA (%)	(95.4)	1.3	1.9	2.4	(9.0)
EPS	(47.2)	(5.2)	(8.5)	(5.8)	(15.4)
P/E (x)	-	-	-	-	-
P/BV (x)	9.2	9.9	11.0	10.7	5.2
EV/EBITDA	-	853.1	446.1	370.8	-
EV/Sales	18.0	11.0	8.4	8.7	4.8

Source: Company, Angel Research

NEUTRAL

Issue Open: May 11, 2022

Issue Close: May 13, 2022

Issue Details

Face Value: ₹1

Present Eq. Paid up Capital: ₹21.7cr

Offer for sale: ₹1,235 cr

Fresh Issue: ₹4,000 cr

Issue size (amount): ₹5,235 cr

Price Band: ₹462-487

Lot Size: 30 shares

 Post-issue mkt.cap:
 ₹33,678*– 35,284cr**

Promoter holding Pre-Issue: 0%

Promoter holding Post-Issue: 0%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	75%
Non-Institutional	15%
Retail	10%

Post Issue Shareholding Pattern

Promoters	0.0%
Public	100.0%

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Company background

Delhivery was originally incorporated as “SSN Logistics Private Limited”, in 2011. Delhivery is largest and fastest growing fully integrated logistics services player in India by revenue as of FY2021. Company was founded in Gurgaon by Sahil Barua, Mohit Tandon, Bhavesh Manglani, Suraj Saharan, and Kapil Bharati. The company is a professionally managed company and does not have an identifiable promoter in terms of SEBI ICDR Regulations and the Companies Act.

Delhivery Limited aims to build the operating system for company Delhivery business is guided by 3 operating principles a) People-centricity: Their infrastructure, network and technology enable them to solve supply-chain problems that affect millions of people every day. b) Growth through partnership: Systemic change requires cooperation and collaboration. c) Efficiency, always: Saving money for their customers allows them to do more with what they have. They strive relentlessly for efficiency and for new ways to reduce costs throughout the supply chain. For example, their cost of 1 kg parcel from Delhi to Mumbai has decrease by 15% in last 2 years.

Key Points

- 1) As of December 2021, Delhivery covers 17,488 pin codes in India, nearly 90.6% of total pin codes in India.
- 2) As of now company has shipped more than 1.2 Bn express parcels in India, more than 1.1 Mn tons of PTL freight shipped and more than 160K truck load trips completed by the company.
- 3) Company having market share of 22% in overall e-commerce parcel in Q3FY22.
- 4) Company having more than 11,000 network partners and having total team size of 86,000 employees.
- 5) Company having total client base of 23,113 majority of which includes e-commerce marketplaces, direct-to-consumer e-tailers. Company focuses on the B2C business model but recently company has also launched C2C services.
- 6) As of 31st December 2022, company having logistics infrastructures of 14.27 Mn Sq.Ft and having 8000 trucks out of which 300 trucks owned by the company.

Exhibit 1: Revenue from Operations

Business verticals	9MFY2022		FY2021		FY2020	
	Sales (₹ in Cr)	% to Total	Sales (₹ in Cr)	% to Total	Sales (₹ in Cr)	% to Total
Revenue from						
Express Parcel services	2,959	61.5%	2,551	62.3%	1,929	69.4%
Part Truck Load services	864	18.0%	384	11.5%	231	8.3%
Truck Load services	185	3.9%	214	6.4%	366	13.2%
Supply chain services	351	7.3%	390	11.7%	215	7.7%
Cross Border services	264	5.5%	96	2.9%	34	1.2%
Sale of traded goods	187	3.9%	11	0.3%	6	0.2%
Total	4,811	100.0%	3,647	100.0%	2,781	100.0%

Source: Company, Angel Research

Revenue from Express Parcel services has increased from ₹1,929 crores in FY2020 to ₹2,959 crores in 9MFY2022 and contributes 61.5% of total revenue. Revenue from Part Truck Load services has also increased significantly in last the 3 years, in 9MFY2022 it contributes 18% of companies total revenue and after the acquisition of Spoton, we expect PTL will be a growth trigger for the company.

Exhibit 2: Operation Performance

	9MFY2022	FY2021	FY2020	FY2019
PIN code reach	17488	16677	15875	13485
Infrastructure (Mn sq ft)	14.2	12.23	9.85	5.96
No. of gateways	82	88	83	73
Rated Automated Sort Capacity (in million parcels/day)	3.7	2.62	2.26	1.58
Number of delivery points	3836	3382	2973	2258
Team size	86184	53086	40416	28830
No. of Active Customers	23113	16741	7957	4867

Source: Company, Angel Research

Company has shown a good improvement in its operation performance. Pin code reach has increase by 29.7% in last 3 years to 17,488 pin codes in India. Infrastructure in million square feet has increase by 138% at 14.2 Mn sqft. Number of active customers has also increase from 4,867 to 23,113 in last 3 years.

Issue details

Delhivery Limited is raising ₹5,235 cr out of which fresh issue is of ₹4,000 cr and OFS of ₹1,235 crores in the price band of ₹462-₹487 per share.

Exhibit 3: Pre & Post Shareholding

Particular	(Pre-issue)		(Post-issue)	
	No of shares	%	No of shares	%
Public Selling Shareholders	25,56,61,300	39.8%	23,02,96,714	31.8%
Public Others	38,67,04,527	60.2%	49,42,04,637	68.2%
Total	64,23,65,827	100.0%	72,45,01,351	100.0%

Source: Company, Angel Research

Objectives of the Offer

- Organic growth initiatives (₹2,000Cr).
- Inorganic growth funding (₹1,000Cr).
- General corporate purposes (₹1,000Cr).

Key Management Personnel

1. **Deepak Kapoor** is the Chairman and Non-Executive Independent Director of the company. He was previously associated with PricewaterhouseCoopers Pvt Ltd as Chairman and Chief Executive Officer.
2. **Sahil Barua** is the Managing Director and Chief Executive Officer of the company. He has previously been associated with Bain & Company India Pvt Ltd as Consultant.
3. **Sandeep Kumar Barasia** is the Executive Director and Chief Business Officer of the company. He was previously associated with Bain & Company India Pvt Ltd as a Vice-President (Partner).
4. **Kapil Bharati** is the Executive Director and Chief Technology Officer of the company. He has previously served as Founder and Chief Technology Officer at Athena Information Solutions Pvt Ltd and as Senior Manager Technology at Sapient and Publicis Sapient.
5. **Donald Francis Colleran** is the Non-Executive Nominee Director of the company as a nominee of FedEx. He presently holds the position of President & CEO of FedEx Express.
6. **Munish Ravinder Varma** is the Non-Executive Nominee Director of the company as a nominee of SVF Doorbell (Cayman) Ltd. He currently serves as Managing Partner at SoftBank Investment Advisers.

Consolidated Profit & Loss Account

Y/E March (₹ cr)	FY19	FY20	FY21	9MFY21	9MFY22
Total operating income	1,654	2,781	3,647	2,644	4,811
% chg	-	68	31		82
Total Expenditure	3,272	2,953	3,769	2,744	5,346
Freight & handling cost	1,251	2,184	2,778	2,026	3,479
Employee Benefit Expense	345	491	611	439	973
Other Expenses	1,677	278	380	280	894
EBITDA	(1,618)	(172)	(123)	(100)	(535)
(% of Net Sales)	(98)	(6)	(3)	(4)	(11)
Depreciation & Amortization	170	256	355	255	388
EBIT	(1,788)	(428)	(478)	(355)	(923)
(% of Net Sales)	(108)	(15)	(13)	(13)	(19)
Interest & other Charges	35.8	49.2	88.6	63.9	76.2
Exceptional items	-	-	41.3	41.3	-
Other Income	41.0	208.1	191.8	162.7	100.9
(% of Sales)	2.5	7.5	5.3	6.2	2.1
Recurring PBT	(1,783)	(269)	(416)	(297)	(899)
(% of Net Sales)	(108)	(10)	(11)	(11)	(19)
Tax	-	(0)	-	-	(8)
PAT	(1,783)	(269)	(416)	(297)	(891)
(% of Net Sales)	(108)	(10)	(11)	(11)	(19)
EPS	(47.2)	(5.2)	(8.5)	(5.8)	(15.4)

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (₹ cr)	FY19	FY20	FY21	9MFY21	9MFY22
SOURCES OF FUNDS					
Equity Share Capital	1.0	1.0	1.6	1.6	21.7
Instruments entirely equity in nature	39	39	35	35	43
Other equity	3,348	3,130	2,800	2,878	5,916
Shareholders Funds	3,388	3,170	2,837	2,915	5,980
Total Loans	278	487	785	789	865
Other liabilities	13	17	22	21	41
Total Liabilities	3,680	3,674	3,644	3,726	6,886
APPLICATION OF FUNDS					
Net Block	459	741	1,098	1,145	1,465
Goodwill	29	30	33	29	1,794
Financial assets	231	903	509	519	670
Non Current Assets	720	1,673	1,639	1,693	3,929
Current Assets	3,270	2,573	2,830	2,949	4,336
Sundry Debtors	215	601	595	756	892
Investments	1,130	810	708	807	1,737
Inventories	22.6	17.8	25.9	24.1	31.8
Cash & Bank Balance	1,859	1,053	1,359	1,241	1,392
Other Assets	43	90	143	121	283
Current liabilities	383	683	954	1,059	1,544
Net Current Assets	2,887	1,889	1,877	1,890	2,792
Other Non Current Asset	73	111	128	143	165
Total Assets	3680	3674	3644	3726	6886

Source: Company, Angel Research

Consolidated Cash Flow Statement

Y/E March (₹cr)	FY19	FY20	FY21	9MFY21	9MFY22
Profit before tax	(1,783)	(269)	(416)	(297)	(899)
Depreciation	170	256	355	255	388
Change in Working Capital	(173)	(529)	(40)	(186)	(591)
Interest Expense	10	11	20	14	18
Interest Income	(32)	(142)	(115)	(90)	(45)
Share based payment expense	38	49	72	42	217
Fair value gain on investment	(1)	(13)	(33)	(39)	(19)
Fair value loss on financial liabilities	1,481	-	9	-	300
Direct Tax Paid	(23)	(45)	(18)	(32)	2
Others	71	49	170	142	120
Cash Flow from Operations	(243)	(634)	5	(192)	(509)
(Inc.)/ Dec. in Fixed Assets	(157)	(214)	(249)	(189)	(567)
Payment towards acquisition	(27)	(4)	(4)	-	(1,387)
Bank deposits	111	(831)	413	388	185
Interest received	32	95	75	57	112
Investments	(900)	20	102	102	(982)
Cash Flow from Investing	(939)	(933)	338	358	(2,639)
Procees/Repayment of Borrowing	27	64	13	33	(138)
Dividend paid on equity shares	(9)	(11)	(21)	(13)	(17)
Repayment of lease liability	(88)	(130)	(212)	(155)	(195)
Proceeds from issue of equity shares	-	1	10	1	846
Proceeds from issue of equity instruments	2,890	-	-	-	2,550
Proceeds short-term borrowings (net)	39	58	53	90	42
Others	-	-	9	-	96
Cash Flow from Financing	2,858	(17)	(147)	(44)	3,184
Inc./ (Dec.) in Cash	1,676	(1,583)	196	123	36
Opening Cash balances	(14)	1,663	79	79	276
Closing Cash balances	1,663	79	276	202	311

Source: Company, Angel Research

Financial Ratios

Y/E March	FY19	FY20	FY21	9MFY21	9MFY22
Valuation Ratio (x)					
P/E	-	-	-	-	-
P/BV	9.2	9.9	11.0	10.7	5.2
EV/Sales	18.0	11.0	8.4	8.7	4.8
EV/EBITDA	-	853	446	371	-
Per Share Data (Rs)					
EPS (fully diluted)	(47.2)	(5.2)	(8.5)	(5.8)	(15.4)
Cash EPS	(25.1)	(0.2)	(1.0)	(0.7)	(8.1)
Book Value	52.7	49.4	44.2	45.4	93.1
DPS	1.0	1.0	-	2.0	-
Number of share	64.2	64.2	64.2	64.2	64.2
Turnover ratios (x)					
Asset Turnover (net)	3.6	3.9	3.6	3.4	4.6
Receivables (days)	47.4	78.9	59.5	78.3	67.7
Inventory Days	20.5	10.9	10.9	10.7	6.5
Payables (days)	46.2	45.7	58.1	67.3	61.7
Working capital cycle (days)	21.7	44.2	12.3	21.6	12.5

Source: Company, Angel Research

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