Equity Research Report: Delhivery Ltd.

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"We don't operate trucks. We operate intelligence that tells trucks where to go." — Sahil Barua, CEO of Delhivery

1 Company Overview

Delhivery provides a full range of logistics services, including express parcel and heavy goods delivery, PTL and FTL freight, warehousing, supply chain solutions, cross-border express and freight services, and supply chain software. The company also offers value-added services such as e-commerce return services, payment collection and processing, installation & assembly services, and fraud detection.

2 Business Segments

2.1 Express Parcel Services

Delhivery is the largest and fastest-growing 3PL (Third Party Logistics) express parcel (and heavy parcel) delivery player in India. This segment accounts for 58.7% of Delhivery's revenue. This segment primarily serves B2C clients, offering last-mile connectivity with a focus on speed, scale, and reliability.

2.2 Part Truckload Services

Delhivery's PTL (or LTL – Less than Truckload) service allows multiple clients to share space in a single truck, lowering costs for mid-sized B2B shipments. It handles freight from 10 kg to 2,000 kg, making it ideal for distributors and SMEs. **This is Delhivery's fastest growing segment** and benefits from the company's tech-enabled routing and automated sortation. It's key to improving operating leverage.

2.3 Full Truckload Services

FTL involves dedicated trucks for a single client's cargo—best suited for large enterprise shipments and bulk logistics. It offers direct routing from origin to destination without consolidation delays.

2.4 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.

2.5 Cross Border Services

Their cross-border operations are powered by their global shipping service, "Starfleet" which provides international air cargo services through a mix of charter and block space agreements through partnerships with major airlines on certain trade corridors of India, such as the US, Europe, and China.

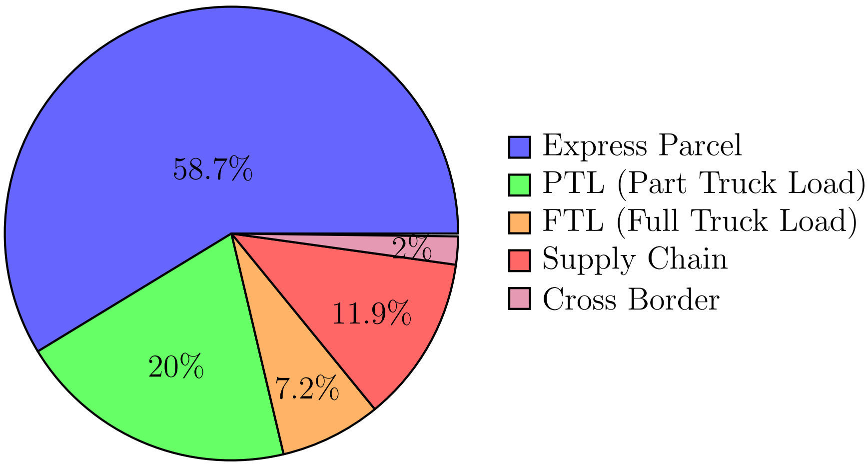

Figure 1: Delhivery FY24 Revenue Split by Segment

3 Competitors

Delhivery's main competitors include **Container Corporation Of India Ltd (CONCOR), Blue Dart Express Ltd and Transport Corporation of India Ltd (TCI)**. CONCOR is a traditional player which mainly provides transportation through rail. It is a purely industrial B2B business. It has stagnated growth possibly due to a decreasing market share. Blue Dart currently is the best in B2C with strong ratings and a tech edge. It is known for its speed and reliability. TCI is almost like Delhivery providing integrated multimodal logistics and supply chain solutions. Its main source of revenue is

B2B logistics either through FTL or PTL. It's survived only because of its network and relationships. None of the companies mentioned have any significant moat. Their sales growth has stagnated. Delhivery has outpaced legacy players in sales growth through aggressive tech-driven execution. While Blue Dart and TCI have deeper legacy networks, their growth has stagnated. Delhivery's rapid scale and integration of tech across segments give it a strong competitive edge.

4 Valuation Analysis

Delhivery's PE of 166 and PEG of 8 reflect aggressive growth assumptions. However, it has outpaced legacy peers like Blue Dart and TCI in both revenue and tech adoption. Relative to its peers, it trades at a premium, which is justified by higher growth and a stronger tech moat. The company has achieved a great sales growth of 3.2x over the past 5 years. Their profit growth is 162%. They are cash flow positive and have been able to maintain it through their operations. The Debt to Equity ratio has been continuously decreasing, showing efforts in the company's debt reduction.

5 Risks

- **Customer Concentration:** Delhivery derives a large share of its revenue from a few e-commerce clients. Loss of any key client could hurt profitability.
- **Execution Risk:** As Delhivery expands into PTL, FTL, and warehousing, operational complexity increases. Failure to optimize network performance may affect service quality and margins.
- **High Fixed Costs:** Heavy investment in infrastructure and automation means volume dips can significantly affect profitability.
- **Intense Competition:** Delhivery faces strong rivals like Blue Dart and Amazon Transport. Aggressive price wars may pressure margins.

6 Investment Thesis

Delhivery has built a proprietary dynamic routing engine that continuously optimizes its logistics network in real-time. It is improving last-mile connectivity by using ML to address India's address quality issue. This improves first-attempt delivery rates, reduces RTO (Return to Origin), and ensures accurate ETA communication to customers. This should ensure that Delhivery becomes the leading player in the B2C segment. Delhivery uses high levels of automation in its sorting and warehousing processes. It has built a centralized data lake that unifies operations, network health, financials, and customer analytics. Delhivery positions itself not just as a logistics player but as a technology-first supply chain company. Its tech initiatives span across automation, data intelligence, and platform services. This is its moat. By investing heavily in tech solutions earlier on, it has managed to make its business incredibly efficient.

Recommendation: *BUY*

References

- Annual reports and investor presentations
- Industry reports and market data sources
- Screener.in