

Rating: Avoid

Issue Offer

Issue of Equity Shares aggregating up to of INR 5,235 Cr (Fresh Issue of Equity Shares aggregating up to INR 4,000 Crore and Offer for sale of Equity Shares aggregating up to INR 1,235 Crore)

Issue Summary

Price Band (INR)	462-487
Face Value (INR)	1
Implied Market Cap (INR cr)	35,284
Market Lot	30
Issue Opens on	11 th May 2022
Issue Close on	13 th May 2022
No. of share pre-issue	642,365,827
No. of share post issue	745,035,232
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	75
NIB Portion	15
Retail Portion	10

Book Running Lead Managers

Kotak Mahindra Capital Company

Morgan Stanley

BOFA Securities Ltd

Citigroup Global Markets India

Registrar

Link Intime India Pvt Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	0%	0%
Public– Selling Shareholders	39.80%	27.5%
Public - Others	60.20%	72.5%

Objects of the issue

➤ General Corporate purpose

Delhivery is a known brand when it comes to supply chain solutions. It was incorporated on June 22, 2011. Its mission is to give the best supply chain solution at the lowest costs.

Largest supply chain solution: . It provides supply chain solutions to a diverse base of more than 23000 active customers which includes e-commerce marketplaces, direct-to-consumer e-tailers and enterprises, and SMEs across several verticals such as FMCG, consumer durables, consumer electronics, lifestyle, retail, automotive, and manufacturing.

Technology and automation: Delhivery has strong technology driven systems which enables it to offer integrated Logistics services to a wide variety of customers. It uses artificial intelligence, machine learning, and operations research to build on and maximize optimum utilization of many issues of trip utilization, network planning, etc. its supply chain process like transport, financial transactions, and tracking of trips are all tech-driven. It collects, structures, stores, and processes vast amounts of transaction and environmental data. They had a Rated Automated Sort Capacity of 3.70 million shipments per day as of December 31, 2021.

Opportunity: The logistics market in India is expected to grow at 9% CAGR by FY26 and the express parcel service segment is estimated to grow by 30-33% by FY26.. Growth is mainly led by: a) rising mid-income group, b) availability of low-cost smartphones and reliable internet, and c) emergence of new markets in the form of Tier II towns. Organized markets are expected to grow by 35% CAGR by FY26 which will increase the share from 12.5% to 15%.

Transportation Models: They are becoming in need of organized businesses so they can scale up volumes, faster and cheaper fulfillment, and lesser inventory to be managed at a time.

Key points: It has a huge network of 124 gateways, 20 automated sorting centers, 83 fulfillment centers, 35 collection points, 24 returns processing centers, 249 service centers, 120 intermediate processing centers, and 2,235 direct delivery centers. It operates pan the India level and provides service to 17,400 PIN codes in 9MFY22.

SPOTON: In August 2021 Delhivery acquired spoton to scale up the PTL freight services business. Spoton had a network of 13000 PIN codes and delivered 758730 tonnes of freight in Fiscal 2021. Spoton and Delhivery together had 7,900 active Customers in 9MFY22.

Asset Light business model: Delhivery has a network of 6000 partners and vendors to provide pickup, delivery services, and truckload capacity. Has 12.40m sq. ft of leased infrastructure and its delivery vehicles are also leased. They are light on assets so can scale up any time at a lower cost.

Valuation and Outlook: Delhivery is backed by a strong network, technology, and automation. Strong relationship with a diverse customer base is company's strength. It serves a 23,100 active customer base. Company has asset-light business model which can be scaled at low costs. Also, it has experienced and highly qualified team with significant investment in training.

On the financial front, for the last three years Delhivery has posted a loss on a consolidated basis to INR -1,783 cr/-269 cr/-416 cr in FY19/FY20/FY21 respectively. Based on its FY21 revenue, company has been valued at 9.7x P/sales which is higher than the other logistics services companies.

We recommend investors to "Avoid" this issue.

Key Risks:

- There are a few risks that Delhivery kind of business model may face are too much dependency on network partners. They are heavily dependent on e-commerce.
- There are not too many entry barriers for this business model it operates and has seen considerable competition from many organized and unorganized sectors.
- There may be an adverse effect on business financial conditions, and cash flows if there are any logistics or transportation disruptions.
- Labour unrest can also contribute adversely to our business since we are dependent on a huge workforce. If they fail to expand their customer business they may get adversely affected as they majorly have large customers.
- Risks associated Not fully covered by insurance policies so face risks associated with shipments handling, transportation, and COD facility.

Peer Group Comparison: as on 31st March 2021

Company	Face value	Revenue for FY21 in INR cr	EPS Diluted	NAV	PE	RoNW in %
Delhivery	1	3,838	(8.05)	54.79	---	(14.66)
Mahindra Logistics LTD	10	3,281	4.16	79.65	119.39	5.05
TCL Express Ltd	2	851	26.15	112.89	66.88	23.12
Blue Dart Express LTD	10	3,292	42.91	249.48	150.37	17.08

Revenue From Operations

INR Cr	FY19	FY20	FY21	9MFY22
Revenue from Express Parcel services	1,373.07	1,928.86	2,550.52	2,958.76
Revenue from Part Truck Load services	140.2	230.65	384.16	863.96
Revenue from Truck Load services		365.93	214.13	185.33
Revenue from Supply chain services	132.01	214.92	390.06	350.59
Revenue from Cross Border service	8.59	34.43	96.36	263.79
Others		0.03	0.21	0.62
Total	1,653	2,780	3,646	4,810

Financial Details

Consolidated (in INR Cr)	As at Dec' 31			As at Mar' 31		
	2021 9M	2020 9M	Y-o-Y	FY19	FY20	FY21
Revenue from contract with customers	4,811	2,644	82.0%	1,654	2,781	3,647
EBITDA	-535	-100	433.6%	-1,618	-172	-123
<i>EBITDA margin %</i>	<i>-11.1%</i>	<i>-3.8%</i>	<i>-733bps</i>	<i>-97.9%</i>	<i>-6.2%</i>	<i>-3.4%</i>
PBT	-899	-256	250.8%	-1,783	-269	-374
PAT	-891	-297	199.5%	-1,783	-269	-416
Non-controlling interest				-	-	-0
Reported Net Loss	-891	-297.49	199.5%	-1,783	-269	-416
<i>PAT margin %</i>	<i>-18.5%</i>	<i>-11.3%</i>	<i>-727bps</i>	<i>-107.8%</i>	<i>-9.7%</i>	<i>-11.4%</i>
EPS (INR)	-15.4	-5.8	166.2%	-47.2	-5.2	-8.1

Source: RHP document

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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