

09 February 2025

India | Equity Research | Results update

Delhivery

Logistics

Margin disappoints given one-off surge in costs; better times likely ahead

Service level EBITDA margin for Delhivery express parcel segment was ~500bps lower than what was realised in Q3FY24, despite a similar top line due to a one-off surge in intracity vehicle rental expenses (cINR 540mn differential). PTL revenue declined 3% QoQ (+22% YoY) in Q3FY25 given adverse seasonality; however, management remains confident of sustained growth next year. We believe Delhivery is a compelling buy at current valuation, given limited downside post the recent stock price correction. Also, in our view, Delhivery may be a key beneficiary of a potential pickup in e-commerce growth as income tax cuts take effect from FY26. This is not being recognised at present and could positively surprise investors. We, therefore, maintain TP of INR 500 and re-iterate **BUY**.

Q3FY25 performance review

Delhivery's Q3FY25 consol. revenue was INR 23.8bn (up 8.6% QoQ/8.4% YoY), in line with our estimates. Express parcel revenue was INR 14.9bn, up 14.6% QoQ/2.8% YoY, alongside better yield (+3.0% QoQ) in the segment. Express parcel volume grew 11.4% QoQ/2.5% YoY. PTL revenue grew 21.9% YoY (down 2.5% QoQ) to INR 4.6bn. Truck load service revenue was up 1.3% QoQ/4.6% YoY to INR 1.6bn. Supply-chain services revenue grew 12.7% QoQ/28.3% YoY to INR 2.2bn. Adj. EBITDA was INR 450mn with margin of 1.9%. PAT was INR 250mn in Q3FY25.

Management commentary

Management highlighted that insourcing of Valmo has eroded the profitability of other players in express parcel segment. However, Delhivery's profit share of the industry improved in Q3FY25 compared to Q2FY25. Capital inflow in the sector remains limited, and management expects competitors to raise prices to maintain solvency, which could benefit Delhivery by driving revenue growth. Management also stated that e-commerce industry experienced muted growth and headwinds in FY25.

Management reported that express parcel service level EBITDA margin declined by 500bps, from 20.6% in Q3FY24 to 15.6% in Q3FY25, primarily due to increased vehicle rental expenses (up INR 540mn, 12.4% YoY) and higher rent costs associated with the opening of new mega facilities in Bangalore.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	81,415	92,131	1,08,404	1,24,445
EBITDA	1,266	4,333	6,706	9,744
EBITDA Margin (%)	1.6	4.7	6.2	7.8
Net Profit	(2,492)	2,880	3,855	5,639
EPS (INR)	(3.4)	4.0	5.3	7.7
EPS % Chg YoY	(76.0)	(215.6)	33.8	46.3
P/E (x)	(92.1)	79.7	59.6	40.7
EV/EBITDA (x)	220.8	64.2	31.2	21.5
RoCE (%)	(5.2)	2.5	3.5	5.6
RoE (%)	(2.7)	3.1	4.1	5.7

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Market Data

Market Cap (INR)	234bn
Market Cap (USD)	2,679mn
Bloomberg Code	DELHIVER IN
Reuters Code	DELH BO
52-week Range (INR)	485 /307
Free Float (%)	68.0
ADTV-3M (mn) (USD)	9.9

Price Performance (%)	3m	6m	12m
Absolute	(11.0)	(23.1)	(33.0)
Relative to Sensex	(8.8)	(21.1)	(40.9)

ESG Score	2023	2024	Change
ESG score	65.0	NA	NA
Environment	37.5	NA	NA
Social	63.0	NA	NA
Governance	83.2	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
Revenue	(1.9)	(1.8)
EBITDA	(38.8)	2.5
EPS	(30.5)	3.2

Previous Reports

18-11-2024: [Q2FY25 results review](#)

18-09-2024: [Company Update](#)

However, it expects express parcel margin to stabilise at 17-20% in coming quarters, driven by a shift from spot contracts to locked-in rates in respect to vehicle rental expenses and improved PTL volumes, which will enhance line-haul cost absorption.

Management is targeting 25-30% volume growth in PTL segment and anticipates margin improvement through better utilisation in FY26. It also announced a new partnership with HPCL.

In rapid commerce, management stated that currently, dark store volumes stand at 500 orders per day, with breakeven expected at 700-800 orders per day per store. In quick commerce, billing is based on a delivery fee that includes warehousing costs, ranging from INR 80-100 per order. The company plans to open 50 dark stores across the top eight cities and expects full-year revenue of INR 800-1000mn, with margins similar to those of express parcels.

With respect to capex, management shared that infrastructure expansion in FY24 aligned with volume growth, with capex at 5.6% of revenue. This is expected to decline to 3.5% of revenue in FY26, primarily for maintenance, with no significant capacity additions planned.

Valuation

We maintain **BUY** on the stock with target price of INR 500, as per DCF methodology. The implied EV/EBITDA at our TP is 34x FY27E/27x FY28E. Key risks: 1) Pricing pressure in express parcel or PTL business; and 2) medium-term growth visibility worsening due to global headwinds.

Exhibit 1: Q3FY25 performance review

(in INR mn)	Q3FY25	Q3FY24	Chg. YoY (%)	Q2FY25	Chg. QoQ (%)	I-Sec estimate	Diff.
Total income from operations	23,783	21,945	8.4	21,897	8.6	24,063	(1.2)
Operating expenses	17,508	15,718	11.4	16,381	6.9	17,211	1.7
Employee wages	3,562	3,597	(1.0)	3,493	2.0	3,705	(3.8)
Other expenses	1,689	1,536	9.9	1,450	16.4	1,659	1.8
Total expenses	22,759	20,851	9.1	21,325	6.7	22,575	0.8
EBITDA	1,024	1,094	(6.3)	573	78.8	1,487	(31.1)
EBITDA Margin (%)	4.3	5.0		2.6		6.2	
Adjusted EBITDA	450	920	(51.1)	100	350.0	815	(44.8)
EBITDA Margin (%)	1.9	4.2		0.5		3.4	-149.39
Depreciation	1,417	1,826	(22.4)	1,313	8.0	1,313	8.0
Other Income	987	1,308	(24.6)	1,196	(17.5)	1,196	(17.5)
Finance Cost	333	222	50.1	305	9.1	305	9.1
PBT	260	276	(5.7)	151	72.8	1,065	(75.6)
Tax	(12)	117		(16)		266	
PAT	272	159	71.5	166	63.5	799	(65.9)
PAT after minority	250	117	113.5	102	145	757	(67.0)

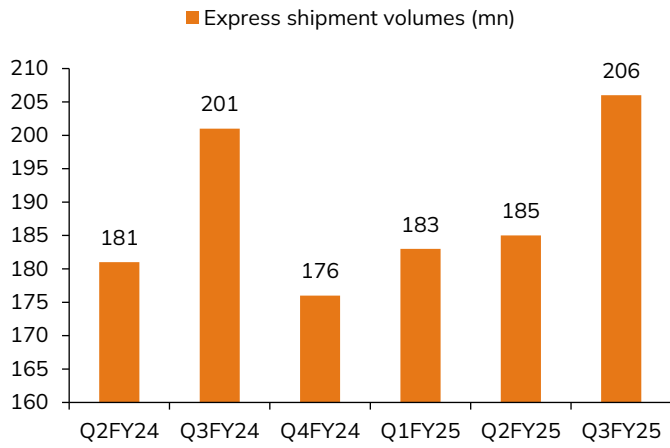
Source: I-Sec research, Company data

Exhibit 2: Q3FY25 segmental result review

	Q3FY25	Q3FY24	Chg. YoY (%)	Q2FY25	Chg. QoQ (%)
Revenue from express parcel (INR mn)	14880	14480	2.8	12980	14.6
Express Parcel (mn shipments)	206	201	2.5	185	11.4
Revenue/parcel	72.2	72	0.3	70	3.0
PTL Revenue	4620	3790	21.9	4740	(2.5)
PTL Freight Tonnage (mnte)	0.41	0.35	16.4	0.43	(3.5)
Revenue per/te (INR/te)	11214	10706	4.7	11,101	1.0
TL Service Revenue	1600	1530	4.6	1580	1.3
Supply Chain Service Revenue	2220	1730	28.3	1970	12.7
Cross Border Services Revenue	430	390	10.3	590	(27.1)

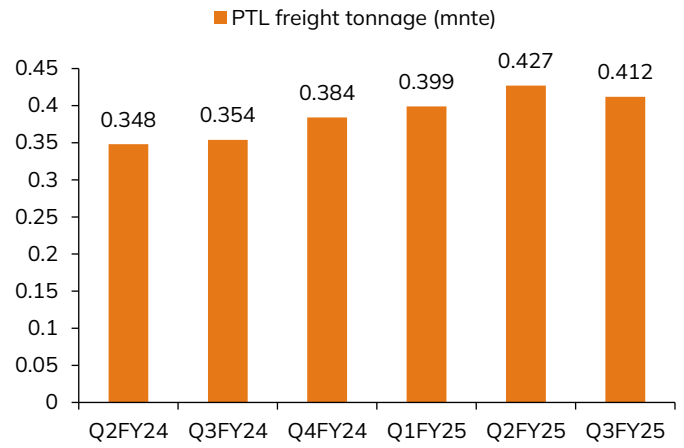
Source: I-Sec research, Company data

Exhibit 3: Express shipment volumes (mn)



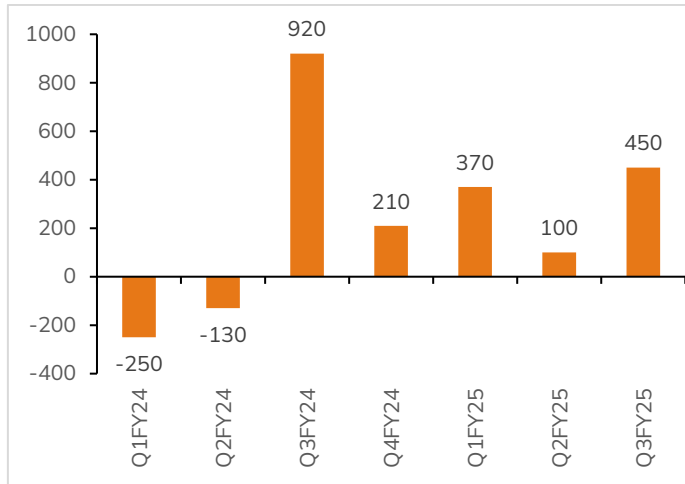
Source: I-Sec research, Company data

Exhibit 4: PTL freight tonnage (mnte)



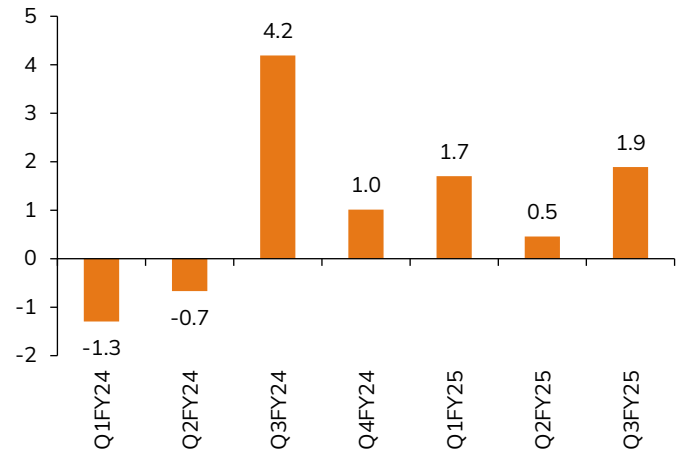
Source: I-Sec research, Company data

Exhibit 5: Adjusted EBITDA (INR mn)



Source: I-Sec research, Company data

Exhibit 6: Adjusted EBITDA margin (%)



Source: I-Sec research, Company data

Exhibit 7: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	-	-	-
Institutional investors	83.2	85.6	81.9
MFs and other	19.1	24.9	25.4
FIs/ Banks/Insurance	2.2	3.0	2.8
FIIIs	61.9	55.7	53.7
Others	16.8	14.4	18.1

Source: Bloomberg, I-Sec research

Exhibit 8: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	81,415	92,131	1,08,404	1,24,445
Operating Expenses	20,441	20,452	23,193	24,959
EBITDA	1,266	4,333	6,706	9,744
EBITDA Margin (%)	1.6	4.7	6.2	7.8
Depreciation & Amortization	7,216	5,325	6,057	7,276
EBIT	(5,949)	(992)	649	2,469
Interest expenditure	885	1,108	966	945
Other Non-operating Income	4,527	4,980	5,478	6,025
Recurring PBT	(2,307)	2,880	5,160	7,549
Profit / (Loss) from Associates	87	-	-	-
Less: Taxes	47	-	1,305	1,910
PAT	(2,355)	2,880	3,855	5,639
Less: Minority Interest	-	-	-	-
Extraordinary (Net)	-	-	-	-
Net Income (Reported)	(2,492)	2,880	3,855	5,639
Net Income (Adjusted)	(2,492)	2,880	3,855	5,639

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	54,578	41,729	42,409	47,373
of which cash & cash eqv.	6,462	4,040	5,291	4,919
Total Current Liabilities & Provisions	10,063	10,610	12,214	14,678
Net Current Assets	44,515	31,118	30,196	32,695
Investments	20,942	27,762	27,762	27,762
Net Fixed Assets	7,951	9,321	13,292	16,264
ROU Assets	6,667	9,882	9,882	9,882
Capital Work-in-Progress	235	286	286	900
Total Intangible Assets	17,180	14,334	14,334	13,892
Other assets	4,419	11,226	11,122	9,446
Deferred Tax Assets	-	-	-	-
Total Assets	1,01,829	1,03,920	1,06,866	1,10,833
Liabilities				
Borrowings	1,989	1,256	1,256	1,256
Deferred Tax Liability	313	134	134	134
provisions	511	647	712	824
other Liabilities	-	-	-	-
Equity Share Capital	729	737	737	737
Reserves & Surplus	91,042	90,710	93,590	97,445
Total Net Worth	91,771	91,446	94,327	98,181
Minority Interest	-	-	-	-
Total Liabilities	1,01,829	1,03,920	1,06,866	1,10,833

Source Company data, I-Sec research

Exhibit 11: Quarterly trend

(INR mn, year ending March)

	Mar-24	Jun-24	Sep-24	Dec-24
Net Sales	20,755	21,723	21,897	23,783
% growth (YOY)	11.6	12.6	12.8%	8.4
EBITDA	459	971	573	1,024
Margin %	2.2	4.5	2.6	4.3
Other Income	1,193	1,099	1,196	987
Adjusted Net Profit	(685)	544	102	250

Source Company data, I-Sec research

Exhibit 12: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	(273)	4,724	11,655	9,796
Working Capital Changes	665	151	2,342	(1,082)
Capital Commitments	(6,005)	(5,650)	(6,500)	(6,287)
Free Cashflow	-	-	-	-
Other investing cashflow	(28,102)	4,659	(2,796)	(2,914)
Cashflow from Investing Activities	(34,107)	(991)	(9,296)	(9,202)
Issue of Share Capital	39,100	54	-	-
Interest Cost	(206)	(134)	(1,108)	(966)
Inc (Dec) in Borrowings	(1,203)	(735)	-	-
Dividend paid	-	-	-	-
Others	-	-	-	-
Cash flow from Financing Activities	35,113	(3,583)	(1,108)	(966)
Chg. in Cash & Bank balance	732	150	1,251	(372)
Closing cash & balance	732	150	1,251	(372)

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	(3.4)	4.0	5.3	7.7
Adjusted EPS (Diluted)	(3.4)	4.0	5.3	7.7
Cash EPS	6.1	10.2	12.3	16.0
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	125.5	129.4	134.7	142.5
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	12.7	13.2	17.7	14.8
EBITDA	(127.9)	242.2	54.8	45.3
EPS (INR)	(76.0)	(215.6)	33.8	46.3
Valuation Ratios (x)				
P/E	(92.1)	79.7	59.6	40.7
P/CEPS	51.5	31.0	25.7	19.7
P/BV	2.5	2.4	2.3	2.2
EV / EBITDA	220.8	64.2	31.2	21.5
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	26.7	26.9	27.6	27.9
EBITDA Margins (%)	1.6	4.7	6.2	7.8
Effective Tax Rate (%)	(2.1)	-	25.3	25.3
Net Profit Margins (%)	(2.9)	3.1	3.6	4.5
Net Debt / Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Net Debt / EBITDA (x)	(20.1)	(7.0)	(4.7)	(3.2)
Total Asset Turnover (x)	-	-	-	-
Inventory Turnover Days	45	60	44	42
Receivables Days	31	17	19	15
Payables Days	9	9	8	7
Profitability Ratios				
RoE (%)	(2.7)	3.1	4.1	5.7
RoCE (%)	(5.2)	2.5	3.5	5.6
RoIC (%)	(1.9)	4.3	4.9	6.5

Source Company data, I-Sec research

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