

**Delhivery announced the acquisition of Ecom Express – the second largest 3PL B2C operator, for a cash consideration of Rs14bn, valuing the company at 0.6x EV/sales (on FY24 numbers). The combined entity would command ~55-60% market share of the 3PL B2C express market, dwarfing the immediate peer by ~3x. Apart from scale benefits, given that both operators service ~97% of pin-codes in India, we believe there are significant cost synergies to be realized over the next 12-18 months. Improvement in network utilization, especially in the last mile (~50% of linehaul costs in the B2C express segment), should aid profitability in our view, once networks are integrated. While valuations are fairly attractive, the acquisition is unlikely to be earnings accretive in the near term. With majority of customers being common between the two and given the learnings from the Spoton acquisition, we expect sales retention and network integration to be relatively smooth. However, concerns around Meesho increasing insourcing of logistics would continue to cast a shadow on the volume trajectory in the near term. We retain BUY on Delhivery while cutting our DCF-based TP by ~6% to Rs400 (Dec-25E).**

#### Significant cost synergies on the anvil

Given the pan-India presence of both operators, we expect significant cost synergies to accrue over the next 12-18 months, as Delhivery could rationalize the overlapping network infrastructure like sorting hubs, processing, delivery centers, etc. While immediate cost synergies could accrue via rationalization of corporate overheads (~45-50% of Ecom's employee costs of Rs6bn in FY24), higher utilization of network especially in the last mile (~50% of linehaul costs) owing to scale benefits would be the major driver of cost synergies once the networks are integrated, in our view. Delhivery's throughput per last mile agent is ~33% higher than that of Ecom Express as of FY24, suggesting ample headroom for improvement in network utilization on the combined network. However, we do not expect the acquisition to be earnings accretive in the near term, as Ecom Express reported net loss of Rs2.6bn in FY24 (likely losses would have widened over FY25).

#### Industry consolidation – End of pricing wars?

While concerns on insourcing by Meesho and other platform businesses persist (Flipkart, Amazon), the acquisition would entail significant pricing discipline on the supply front, in our view. The 3PL B2C express logistics industry (as a whole) has never been profitable due to irrational pricing by participants, mainly owing to the well capitalized nature of their balance sheets. Such distressed valuations for an established player are likely to limit any deep discounting in a bid to scale up, thus firming up the industry's profit pool.

**Key risks:** Network integration issues resulting in loss of volume; captive logistics unit enters the 3PL space, reigniting competitive intensity; consumption slowdown.

Target Price – 12M	Dec-25
<b>Change in TP (%)</b>	<b>(5.9)</b>
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	54.4

Stock Data	DELHIVER IN
52-week High (Rs)	478
52-week Low (Rs)	237
Shares outstanding (mn)	745.6
Market-cap (Rs bn)	193
Market-cap (USD mn)	2,264
Net-debt, FY25E (Rs mn)	(55,190.2)
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	706.8
ADTV-3M (USD mn)	8.3
Free float (%)	0.0
Nifty-50	22,904.4
INR/USD	85.2

#### Shareholding, Dec-24

Promoters (%)	0.0
FPIs/MFs (%)	53.7/29.0

#### Price Performance

(%)	1M	3M	12M
Absolute	4.7	(24.3)	(43.7)
Rel. to Nifty	0.9	(20.6)	(44.7)

#### 1-Year share price trend (Rs)



#### Delhivery: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	72,253	81,415	90,248	105,283	122,060
EBITDA	(4,686)	1,264	3,576	7,149	10,580
Adj. PAT	(10,235)	(2,274)	1,364	3,019	4,796
Adj. EPS (Rs)	(14.0)	(3.1)	1.8	4.1	6.5
EBITDA margin (%)	(6.5)	1.6	4.0	6.8	8.7
EBITDA growth (%)	0	0	182.9	99.9	48.0
Adj. EPS growth (%)	0	0	0	121.2	58.9
RoE (%)	(13.5)	(2.5)	1.5	3.1	4.7
RoIC (%)	(36.1)	(16.8)	(4.8)	2.2	7.3
P/E (x)	(18.4)	(83.8)	140.9	63.7	40.1
EV/EBITDA (x)	(31.1)	109.8	38.7	19.2	12.5
P/B (x)	2.1	2.1	2.0	1.9	1.8
FCFF yield (%)	(5.4)	(2.1)	1.5	0.3	2.0

Source: Company, Emkay Research

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**Exhibit 1: Ecom Express – Consolidated Profit & Loss statement**

Particulars (Rs mn)	FY22	FY23	FY24	YoY
<b>Net sales</b>	<b>20,919</b>	<b>25,539</b>	<b>26,092</b>	<b>2%</b>
Operating Expenses	20,086	25,507	25,056	-2%
Freight, handling, and servicing cost	11,339	13,867	13,899	0%
Employee Benefit Expense	5,130	6,427	5,671	-12%
Share based expense	6	213	362	70%
Other operating Expenses	3,610	4,999	5,124	2%
<b>EBITDA</b>	<b>833</b>	<b>33</b>	<b>1,036</b>	<b>NA</b>
<b>Margins</b>	<b>4%</b>	<b>0%</b>	<b>4%</b>	
Depreciation	1,325	2,116	2,216	5%
EBIT	-492	-2,084	-1,180	-43%
Other Income	290	216	437	103%
Interest	408	876	860	-2%
Net loss on fair valuation of financial liability carried at fair value	-	529	1,084	105%
PBT	-611	-3,273	-2,687	-18%
Tax	-147	325	-202	-162%
Exceptional Items	-451	-683	-74	-89%
<b>PAT</b>	<b>-914</b>	<b>-4,281</b>	<b>-2,559</b>	<b>-40%</b>
Adj. PAT	-463	-3,599	-2,485	-31%
<b>Margins</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>YoY (bps)</b>
Gross margin	45.8%	45.7%	46.7%	103
EBITDA margin	4.0%	0.1%	4.0%	384
EBIT margin	-2.4%	-8.2%	-4.5%	363
EBT margin	-2.9%	-12.8%	-10.3%	252
PAT margin	-4.4%	-16.8%	-9.8%	696
Effective Tax rate	24.1%	-9.9%	7.5%	

Source: Company, Ecom Express DRHP, Emkay Research

**Exhibit 2: Ecom Express – Operational and network metrics**

Operational metrics	FY22	FY23	FY24	YoY
Volumes (mn)	372	468	514	10%
Realizations	56	55	51	-7%
Gateways and delivery centers	3,185	3,413	3,738	10%
Total employees	53,273	36,693	38,171	4%
Gig workers (last mile agents)	15,479	24,545	32,029	30%

Source: Company, Ecom Express DRHP, Emkay Research

**Exhibit 3: Delhivery– Operational and network metrics**

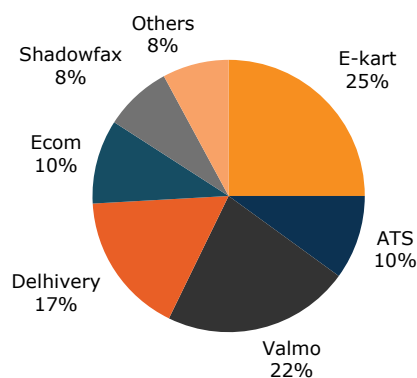
Operational metrics	FY22	FY23	FY24	YoY
Volumes (mn)	582	663	740	12%
Realizations	72	69	69	0%
Gateways and delivery centers	3,529	3,289	3,906	19%
Total employees	60,373	57,307	63,713	11%
Gig workers (last mile agents)	34,360	34,987	34,422	-2%

Source: Company, Emkay Research

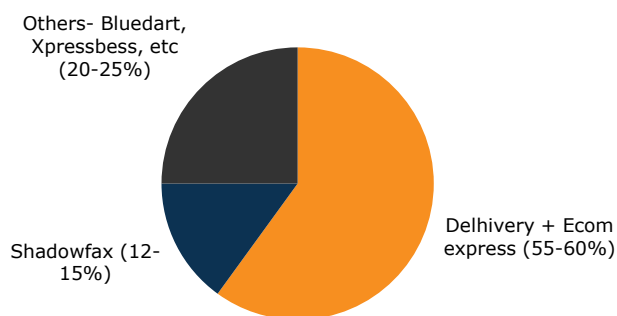
**Exhibit 4: Ecom Express – Abridged balance sheet**

Abridged balance sheet	FY22	FY23	FY24
Gross block	4,427	8,498	7,689
Net block	3,168	6,409	5,005
Net ROUA	3,444	6,169	4,864
Other non-current assets	3,262	1,760	1,956
Cash and Equivalents	6,554	5,216	5,829
Other current assets	4,031	3,694	3,250
<b>Total Assets</b>	<b>20,458</b>	<b>23,248</b>	<b>20,904</b>
Total Equity	8,781	4,770	2,560
Total Borrowings	3,396	8,037	8,242
Other Current liabilities	5,091	4,513	5,528
Other non-current liabilities	3,191	5,928	4,574
<b>Total Liabilities</b>	<b>20,458</b>	<b>23,248</b>	<b>20,904</b>

Source: Company, Ecom Express DRHP, Emkay Research

**Exhibit 5: FY25E Industry structure – B2C express (volume share)**

Source: Industry, Emkay Research

**Exhibit 6: Industry structure – 3PL B2C express (volume share)**

Source: Industry, Emkay Research

**Exhibit 7: Change in estimates**

Particulars	FY25E			FY26E			FY27E		
	Old	New	Change	Old	New	Change	Old	New	Change
(Rs mn)									
Revenue	90,832	90,248	-0.6%	104,435	105,283	0.8%	122,274	122,060	-0.2%
EBITDA	3,623	3,576	-1.3%	8,102	7,149	-11.8%	11,653	10,580	-9.2%
EBITDA margin (%)	4.0	4.0	-3 bps	7.8	6.8	-97 bps	9.5	8.7	-86 bps
PAT	1,348	1,312	-2.6%	3,467	3,019	-12.9%	5,292	4,796	-9.4%

Source: Company, Emkay Research

**Exhibit 8: We value Delhivery at Rs400**

Particulars (Rs mn)	FY24	FY25e	FY26e	FY27e	FY35e	FY45e
Revenues	81,415	90,248	105,283	122,060	288,144	764,513
NOPLAT	(4,446)	(1,418)	782	2,699	22,785	60,453
Non-cash items	9,476	6,782	7,637	8,260	15,241	40,439
Change in WC	151	3,855	(439)	(489)	(740)	(2,028)
Capex	(5,650)	(5,085)	(5,339)	(5,446)	(9,221)	(24,464)
FCF	(469)	4,134	2,641	5,024	28,065	74,400
WACC	13%					
Terminal growth	5%					
PV of CFs FY24-45E	142,088					
PV of terminal value	87,348					
Total EV	229,436					
Less Net debt	(53,756)					
Total Equity Value	283,192					
Total shares	743					
# of shares (dilution owing to ESOPs)	61					
Total # of diluted shares	804					
Target price / share (Dec-25E; Rs)	400					

Source: Company, Emkay Research

Delhivery: Consolidated Financials and Valuations

Profit & Loss					
Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	72,253	81,415	90,248	105,283	122,060
Revenue growth (%)	5.0	12.7	10.8	16.7	15.9
EBITDA	(4,686)	1,264	3,576	7,149	10,580
EBITDA growth (%)	0	0	182.9	99.9	48.0
Depreciation & Amortization	8,311	7,216	5,475	6,102	6,967
EBIT	(12,997)	(5,951)	(1,898)	1,047	3,613
EBIT growth (%)	0	0	0	0	245.2
Other operating income	-	-	-	-	-
Other income	3,049	4,527	4,301	3,871	3,793
Financial expense	888	885	839	876	986
PBT	(10,836)	(2,310)	1,563	4,041	6,420
Extraordinary items	170	(224)	(51)	0	0
Taxes	(466)	51	100	1,022	1,624
Minority interest	-	-	-	-	-
Income from JV/Associates	136	87	(99)	0	0
Reported PAT	(10,065)	(2,498)	1,313	3,019	4,796
PAT growth (%)	0	0	0	129.9	58.9
Adjusted PAT	(10,235)	(2,274)	1,364	3,019	4,796
Diluted EPS (Rs)	(14.0)	(3.1)	1.8	4.1	6.5
Diluted EPS growth (%)	0	0	0	121.2	58.9
DPS (Rs)	0	0	0	0	0
Dividend payout (%)	0	0	0	0	0
EBITDA margin (%)	(6.5)	1.6	4.0	6.8	8.7
EBIT margin (%)	(18.0)	(7.3)	(2.1)	1.0	3.0
Effective tax rate (%)	4.3	(2.2)	6.4	25.3	25.3
NOPLAT (pre-IndAS)	(12,439)	(6,084)	(1,777)	782	2,699
Shares outstanding (mn)	729	737	743	743	743

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	729	737	737	737	737
Reserves & Surplus	91,043	90,710	93,330	97,883	103,972
Net worth	91,771	91,446	94,066	98,620	104,709
Minority interests	-	-	-	-	-
Non-current liab. & prov.	(2,073)	(2,456)	(2,456)	(2,456)	(2,456)
Total debt	9,234	11,694	8,458	6,297	5,289
Total liabilities & equity	106,178	111,122	107,271	107,503	111,575
Net tangible fixed assets	8,166	9,606	10,483	11,221	11,358
Net intangible assets	1,707	892	892	892	892
Net ROU assets	6,667	9,882	10,394	10,452	9,839
Capital WIP	215	286	286	286	286
Goodwill	13,621	13,442	13,442	13,442	13,442
Investments [JV/Associates]	-	-	-	-	-
Cash & equivalents	68,221	61,798	63,648	64,807	69,873
Current assets (ex-cash)	20,942	26,157	23,726	25,731	27,968
Current Liab. & Prov.	10,575	11,257	12,679	14,244	15,991
NWC (ex-cash)	10,367	14,901	11,047	11,487	11,977
Total assets	106,178	111,122	107,271	107,503	111,575
Net debt	(58,986)	(50,104)	(55,190)	(58,509)	(64,584)
Capital employed	106,178	111,122	107,271	107,503	111,575
Invested capital	33,665	38,555	35,579	36,756	37,383
BVPS (Rs)	125.9	124.1	126.6	132.8	141.0
Net Debt/Equity (x)	(0.6)	(0.5)	(0.6)	(0.6)	(0.6)
Net Debt/EBITDA (x)	12.6	(39.6)	(15.4)	(8.2)	(6.1)
Interest coverage (x)	(11.2)	(1.6)	2.9	5.6	7.5
RoCE (%)	(13.1)	(5.9)	(1.9)	1.0	3.3

Source: Company, Emkay Research

Cash flows					
Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT (ex-other income)	(13,750)	(6,750)	(2,836)	171	2,627
Others (non-cash items)	-	-	-	-	-
Taxes paid	(716)	(373)	(100)	(1,022)	(1,624)
Change in NWC	133	(4,916)	3,854	(440)	(490)
Operating cash flow	(273)	4,724	8,488	7,222	9,759
Capital expenditure	(7,642)	(7,642)	(6,352)	(6,840)	(7,103)
Acquisition of business	0	0	0	0	0
Interest & dividend income	1,049	2,400	4,301	3,871	3,793
Investing cash flow	(34,107)	(991)	(1,563)	(3,027)	(2,698)
Equity raised/(repaid)	87	8	0	0	0
Debt raised/(repaid)	(1,781)	2,459	(3,236)	(2,161)	(1,008)
Payment of lease liabilities	35	(22)	(3,748)	(2,219)	(396)
Interest paid	(888)	(885)	(839)	(876)	(986)
Dividend paid (incl tax)	-	-	-	-	-
Others	37,967	(5,243)	0	0	-
Financing cash flow	35,420	(3,683)	(7,822)	(5,256)	(2,390)
Net chg in Cash	1,040	50	(898)	(1,061)	4,671
OCF	(273)	4,724	8,488	7,222	9,759
Adj. OCF (w/o NWC chg.)	(406)	9,640	4,634	7,662	10,250
FCFF	(7,915)	(2,918)	2,136	383	2,656
FCFE	(7,754)	(1,404)	5,597	3,377	5,463
OCF/EBITDA (%)	5.8	373.7	237.3	101.0	92.2
FCFE/PAT (%)	77.0	56.2	426.3	111.9	113.9
FCFF/NOPLAT (%)	63.6	48.0	(120.2)	49.0	98.4

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	(18.4)	(83.8)	140.9	63.7	40.1
P/CE(x)	(98.1)	38.6	28.1	21.1	16.3
P/B (x)	2.1	2.1	2.0	1.9	1.8
EV/Sales (x)	2.0	1.7	1.5	1.3	1.1
EV/EBITDA (x)	(31.1)	109.8	38.7	19.2	12.5
EV/EBIT(x)	(11.2)	(23.3)	(72.9)	131.2	36.6
EV/IC (x)	4.3	3.6	3.9	3.7	3.5
FCFF yield (%)	(5.4)	(2.1)	1.5	0.3	2.0
FCFE yield (%)	(4.1)	(0.7)	2.9	1.8	2.8
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	(14.2)	(2.8)	1.5	2.9	3.9
Total asset turnover (x)	0.8	0.8	0.9	1.0	1.2
Assets/Equity (x)	1.2	1.1	1.1	1.0	1.0
RoE (%)	(13.5)	(2.5)	1.5	3.1	4.7
DuPont-RoIC					
NOPLAT margin (%)	(17.2)	(7.5)	(2.0)	0.7	2.2
IC turnover (x)	2.1	2.3	2.4	2.9	3.3
RoIC (%)	(36.1)	(16.8)	(4.8)	2.2	7.3
Operating metrics					
Core NWC days	52.4	66.8	44.7	39.8	35.8
Total NWC days	52.4	66.8	44.7	39.8	35.8
Fixed asset turnover	2.2	2.2	2.2	2.2	2.3
Opex-to-revenue (%)	28.0	25.1	22.5	20.8	19.8

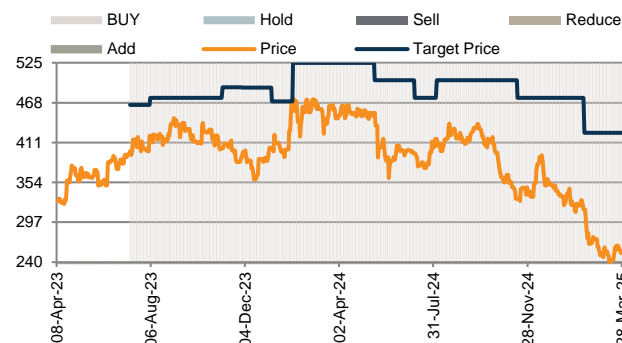
Source: Company, Emkay Research

## RECOMMENDATION HISTORY – DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
08-Feb-25	315	425	Buy	Anshul Agrawal
15-Nov-24	331	475	Buy	Anshul Agrawal
08-Oct-24	417	500	Buy	Anshul Agrawal
04-Aug-24	416	500	Buy	Anshul Agrawal
07-Jul-24	396	475	Buy	Anshul Agrawal
17-May-24	454	500	Buy	Anshul Agrawal
08-Apr-24	455	525	Buy	Anshul Agrawal
22-Mar-24	465	525	Buy	Anshul Agrawal
03-Feb-24	473	525	Buy	Anshul Agrawal
07-Jan-24	403	470	Buy	Anshul Agrawal
30-Nov-23	391	490	Buy	Anshul Agrawal
05-Nov-23	402	490	Buy	Anshul Agrawal
05-Aug-23	421	475	Buy	Anshul Agrawal
10-Jul-23	399	465	Buy	Anshul Agrawal

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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<b>SELL</b>	<15% downside

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