

May 20, 2024

Q4FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		ACCUMULATE	
Target Price	530		510	
Sales (Rs. m)	94,672	1,10,067	96,604	1,12,265
% Chng.	(2.0)	(2.0)		
EBITDA (Rs. m)	3,320	6,602	3,232	5,630
% Chng.	2.7	17.3		
EPS (Rs.)	(1.5)	0.3	(1.5)	-
% Chng.	1.9	NA		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	72,253	81,415	94,672	1,10,067
EBITDA (Rs. m)	(4,516)	1,266	3,320	6,602
Margin (%)	(6.3)	1.6	3.5	6.0
PAT (Rs. m)	(10,082)	(2,262)	(1,106)	211
EPS (Rs.)	(13.8)	(3.1)	(1.5)	0.3
Gr. (%)	NA	NA	NA	NA
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	NA	NA	NA	0.2
RoCE (%)	NA	NA	NA	NA
EV/Sales (x)	4.3	3.9	3.3	2.9
EV/EBITDA (x)	NA	248.6	95.1	48.3
PE (x)	NA	NA	NA	NA
P/BV (x)	3.4	3.5	3.5	3.6

Key Data DELH.BO | DELHIVER IN

52-W High / Low	Rs.488 / Rs.341
Sensex / Nifty	74,027 / 22,506
Market Cap	Rs.318bn/ \$ 3,815m
Shares Outstanding	737m
3M Avg. Daily Value	Rs.1079.91m

Shareholding Pattern (%)

Promoter's	-
Foreign	63.63
Domestic Institution	19.63
Public & Others	16.75
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.5)	7.8	17.9
Relative	(5.7)	(4.4)	(1.7)

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PTL steering Delhivery to profitability

Quick Pointers:

- TT utilization jumped to 65% from 62.5% (QoQ)
- All business segments have reached service EBITDA breakeven

Delhivery cons revenue/EBITDA grew by 12%/2.4x YoY to Rs.20,755mn/Rs.459mn in Q4FY24 (PLe: Rs.20,651mn/Rs-0.63mn). PAT loss narrowed to Rs.685mn against Rs.1,874mn in Q4FY23. (PLe: -1009mn). B2C segment's volume stood 176mn in Q4FY24 (down 2% YoY) with realization increasing by 6% YoY to Rs.69/parcel due to favorable product mix, thereby leading to 3% growth in B2C segment revenue YoY to Rs.12,170mn. PTL segment saw volume/revenue growth of 21%/27% YoY to 0.38mn/Rs.4,180mn in Q4FY24. While the realization improved by 6% YoY to Rs.10,885/tonne. The management expects continued volume growth in the segment in FY25E. We change our stance to BUY rating with a TP of Rs.530 based on DCF, on the back of faster than expected recovery in the PTL margins.

- Express parcel segment:** Flattish Q4 volumes can be attributed to higher insourcing by Meesho and a general softness in online deliveries. We expect the impact of higher insourcing to moderate for Delhivery in the medium term, as the captive volumes reaches an equilibrium with other 3PL players. Delhivery anticipates a 15-20% growth in the e-com sector for FY25E as it renegotiates contracts with its customers for FY25E. We expect Delhivery to maintain its market share at 21-22% and grow its volumes at 18% CAGR in the long run (FY25-35E)
- PTL and Supply chain:** The strong growth in the PTL network is leading to a continuous improvement in the asset utilization (TT utilization at 65% in Q4 vs 62.5% in Q3). The management expects utilization to further improve in FY25E (est 70%+), driven by expansion into new markets as chemicals and batteries. Supply chain services showed a recovery towards FY23 run-rate (flat YoY), however, quarter run-rate (up 25% YoY) suggest improved FY25E outlook
- Positive service EBITDA contribution from major segments:** Express parcel segment remains the leader in generating service EBITDA margins (~18%) and the management expects to pass on the incremental margin benefits to clients. PTL (~at 2.2%) is expected to follow suit, on the back of higher loads and improved asset utilization. Overall, Delhivery is poised to further optimize its cost structure, driving enhanced profitability.
- Strong balance sheet and cash position to provide an edge:** Delhivery remains net debt free (Rs.53.2 bn net cash) and a favourable working cap position (31 days vs earlier 73 days in FY20). Delhivery is expected to maintain an edge over competitors given 1) unique low cost business model (B2B+B2C in same infra), 2) continued investments in building infrastructure (tractor trailers, automated hubs etc), 3) focus on cost optimization and 4) strong proprietary tech infra.

Exhibit 1: Q4FY24 Result Overview

Y/e March (Rs mn)	4QFY24	4QFY23	YoY gr.	3QFY24	QoQ gr.	FY24	FY23	YoY gr.
Revenue	20755	18596	11.6%	21945	-5.4%	81415	72253	12.7%
Operating expense	15187	13715	10.7%	15718	-3.4%	59707	56711	5.3%
<i>% of revenue</i>	<i>73.2%</i>	<i>73.8%</i>		<i>71.6%</i>		<i>73.3%</i>	<i>78.5%</i>	
Employee expense	3572	3574	-0.1%	3597	-0.7%	14368	14000	2.6%
<i>% of revenue</i>	<i>17.2%</i>	<i>19.2%</i>		<i>16.4%</i>		<i>17.6%</i>	<i>19.4%</i>	
Other expense	1537	1173	31.0%	1536	0.0%	6074	6058	0.3%
<i>% of revenue</i>	<i>7.4%</i>	<i>6.3%</i>		<i>7.0%</i>		<i>7.5%</i>	<i>8.4%</i>	
Total expense	20297	18462	9.9%	20851	-2.7%	80149	76769	4.4%
EBITDA	459	134	242.5%	1094	-58.0%	1266	-4516	NA
<i>EBITDA Margin (%)</i>	<i>2.2%</i>	<i>0.7%</i>		<i>5.0%</i>		<i>1.6%</i>	<i>-6.3%</i>	
Depreciation	2004	2425	-17.3%	1826	9.7%	7216	8316	-13.2%
EBIT	-1545	-2291	-32.5%	-733	110.9%	-5949	-12832	-53.6%
Interest expense	271	189	43.4%	222	22.3%	885	888	-0.3%
Other income	1193	746	60.0%	1308	-8.7%	4527	3049	48.5%
Exceptional item	-147	0	NA	-78	NA	-224	0	NA
Profit from associates	63	8	NA	-42	NA	87	136	-35.9%
PBT	-707	-1726	NA	234	NA	-2444	-10535	NA
Total tax	-22	-140	NA	117	NA	46	-453	NA
PAT	-685	-1587	NA	117	NA	-2491	-10082	NA
<i>PAT Margin (%)</i>	<i>-3.3%</i>	<i>-8.5%</i>		<i>0.5%</i>		<i>-3.1%</i>	<i>-14.0%</i>	

Source: Company, Bloomberg, PL

Exhibit 2: Service line wise profitability

Rs bn	Q4FY4	Q3FY24	Q2FY24	Q1FY24	Q4FY23	Q3FY23	Q2FY23	Q1FY23	FY24	FY23
Total service EBITDA	2.4	3.1	2.0	2.0	2.1	1.4	0.9	-0.1	9.4	4.2
<i>% margin</i>	<i>11.5%</i>	<i>14.0%</i>	<i>10.4%</i>	<i>10.2%</i>	<i>11.0%</i>	<i>7.6%</i>	<i>4.8%</i>	<i>-0.3%</i>	<i>11.6%</i>	<i>5.8%</i>
Express parcel	2.1	3.0	2.0	2.2	2.2	1.9	1.3	0.9	9.3	6.36
<i>% margin</i>	<i>17.6%</i>	<i>20.6%</i>	<i>16.8%</i>	<i>18.1%</i>	<i>18.6%</i>	<i>15.9%</i>	<i>11.9%</i>	<i>8.9%</i>	<i>18.4%</i>	<i>14.0%</i>
Part truck load	0.0	-0.0	-0.2	-0.3	-0.3	-0.5	-0.5	-1.1	-0.5	-2.4
<i>% margin</i>	<i>2.2%</i>	<i>-1.8%</i>	<i>-4.9%</i>	<i>-8.5%</i>	<i>-8.0%</i>	<i>-17.3%</i>	<i>-17.9%</i>	<i>-42.8%</i>	<i>-3.0%</i>	<i>-20.5%</i>
Supply chain services	0.1	0.1	0.1	0.1	0.1	-0.1	0.1	0.1	0.5	0.3
<i>% margin</i>	<i>6.0%</i>	<i>7.3%</i>	<i>8.5%</i>	<i>5.9%</i>	<i>5.4%</i>	<i>-2.8%</i>	<i>3.7%</i>	<i>5.5%</i>	<i>6.8%</i>	<i>3.2%</i>
Others	0.0	0.0	0.0	-0.0	0.0	0.0	-0.0	-0.0	0.0	-0.0

Source: Company, PL

Conference Call Highlights:

B2C Express

- The margins for B2C segment are expected to stay in the range of 18-20%, with the benefits of cost efficiencies being passed on to the customer.
- Average small parcel weight increased to 780gms vs 700 gms YoY (11%)

B2B- PTL

- The management anticipates that going forward B2B margins will be in the similar range of B2C margins at 18-20%.
- Average heavy parcel weight increased to 21.4kgs vs 19.9kgs YoY (8%).
- The company began catering new markets of chemicals and batteries which will lead to higher volume growth

Others

- Supply chain services saw revenue growth of 25% YoY to Rs.234mn in Q4FY24.
- Truck utilization for trailer network stood at 65% for Q4FY24 vs 62-63% in Q3FY24 due to pickup in PTL volumes.
- Meesho and Valmo have reached a stabilized state in terms of growth, according to the management. The company and Meesho have signed agreement, and are enjoying a positive healthy relation with Meesho.
- Capex for FY24 stood at Rs.6bn which was 7.4% of the revenue.

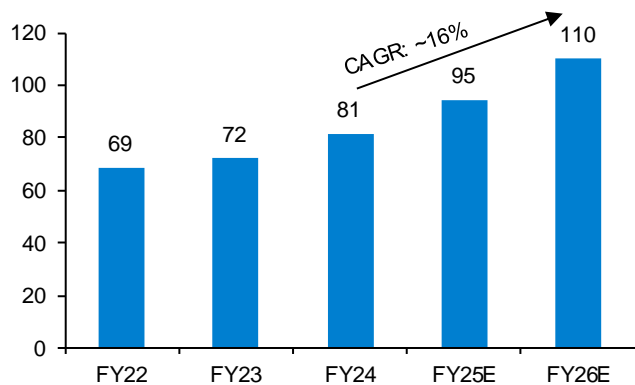
FY25E Outlook

- The company does not anticipate any significant pricing movement in the market
- In terms of % to revenue Capex is expected to drop to 6.6-6.9% of revenue in FY25E which will majorly focus on vehicle spends. Infrastructure related Capex will be for Bengaluru mega facility which will be a consolidation of existing facilities.
- The company incorporated WOS 'Delhivery Robotics' with the objective of offering drone as a service (DaaS) for shipment and engaging in drone production and third party manufacturing.

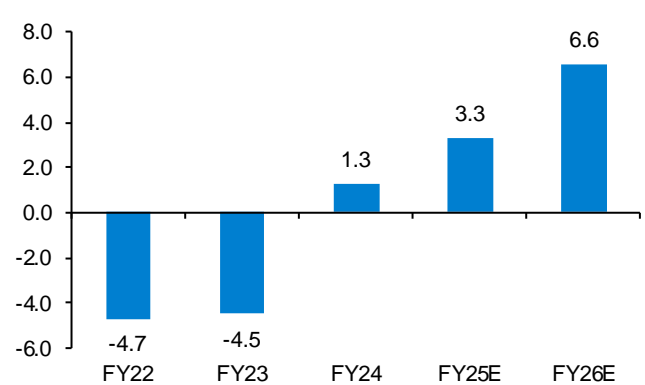
Exhibit 3: Revenue/EBITDA to grow at 16% CAGR/1.3x over FY24-26E

(Rs in bn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	68.8	72.3	81.4	94.7	110.1
<i>Growth</i>		5.0%	12.7%	16.3%	16.3%
Gross profit	17.2	15.6	21.7	26.0	31.7
<i>Gross margins</i>	25.1%	21.6%	26.7%	27.5%	28.8%
Operational cost	73.5	76.8	80.1	91.4	103.5
<i>% of sales</i>	106.9%	106.3%	98.4%	96.5%	94.0%
EBITDA	-4.7	-4.5	1.3	3.3	6.6
<i>Margins</i>			1.6%	3.5%	6.0%
<i>Growth</i>				162.1%	98.9%
Other income	1.6	3.0	4.5	4.8	4.4
Depreciation	6.1	8.3	7.2	8.2	9.5
Interest	1.0	0.9	0.9	1.2	1.4
Profit from associates	0.0	0.1	0.1	0.1	0.1
Exceptional item	0.0	0.0	-0.2	0.0	0.0
PBT	-10.3	-10.7	-2.5	-1.2	0.1
Tax	0.2	0.5	0.0	0.0	0.0
PAT	-10.1	-10.1	-2.5	-1.1	0.2
EPS	-13.9	-13.8	-3.4	-1.5	0.3

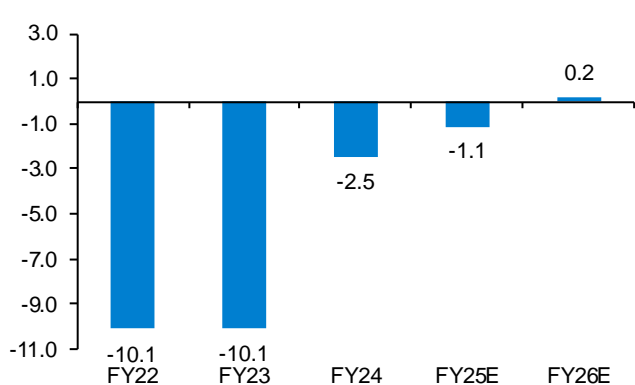
Source: Company, PL

Exhibit 4: Revenue to grow at ~16% CAGR FY24-26E (Rs bn)


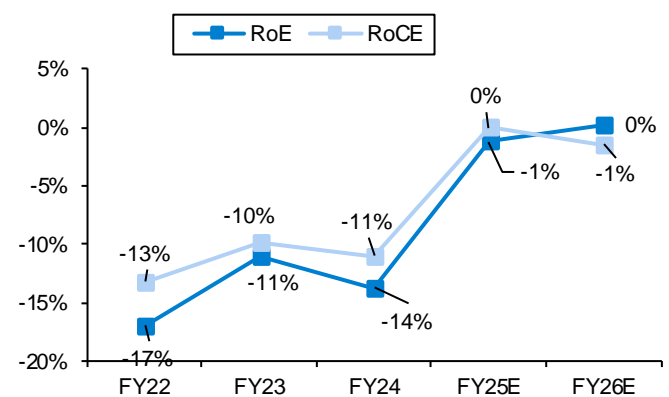
Source: Company, PL

Exhibit 5: EBITDA positive from FY24 (Rs bn)


Source: Company, PL

Exhibit 6: PAT losses narrow down from FY24


Source: Company, PL

Exhibit 7: RoE/RoCE to stabilize from FY25E


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	72,253	81,415	94,672	1,10,067
YoY gr. (%)	5.0	12.7	16.3	16.3
Cost of Goods Sold	56,711	59,707	68,685	78,368
Gross Profit	15,542	21,708	25,988	31,699
Margin (%)	21.5	26.7	27.5	28.8
Employee Cost	14,000	14,368	16,041	17,833
Other Expenses	6,058	6,074	6,627	7,264
EBITDA	(4,516)	1,266	3,320	6,602
YoY gr. (%)	(4.3)	(128.0)	162.1	98.9
Margin (%)	(6.3)	1.6	3.5	6.0
Depreciation and Amortization	8,316	7,216	8,150	9,530
EBIT	(12,832)	(5,949)	(4,831)	(2,928)
Margin (%)	(17.8)	(7.3)	(5.1)	(2.7)
Net Interest	888	885	1,163	1,373
Other Income	3,049	4,527	4,797	4,416
Profit Before Tax	(10,671)	(2,531)	(1,197)	115
Margin (%)	(14.8)	(3.1)	(1.3)	0.1
Total Tax	(453)	46	-	-
Effective tax rate (%)	4.2	(1.8)	-	-
Profit after tax	(10,218)	(2,578)	(1,197)	115
Minority interest	-	-	-	-
Share Profit from Associate	136	87	91	96
Adjusted PAT	(10,082)	(2,262)	(1,106)	211
YoY gr. (%)	(0.3)	(77.6)	(51.1)	(119.1)
Margin (%)	(14.0)	(2.8)	(1.2)	0.2
Extra Ord. Income / (Exp)	-	(228)	-	-
Reported PAT	(10,082)	(2,491)	(1,106)	211
YoY gr. (%)	(0.3)	(75.3)	(55.6)	(119.1)
Margin (%)	(14.0)	(3.1)	(1.2)	0.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(10,082)	(2,491)	(1,106)	211
Equity Shares O/s (m)	729	737	743	749
EPS (Rs)	(13.8)	(3.1)	(1.5)	0.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	19,279	23,841	30,796	38,107
Tangibles	17,572	22,949	29,949	37,449
Intangibles	1,707	892	846	658
Acc: Dep / Amortization	9,621	13,628	18,420	24,412
Tangibles	9,621	13,628	18,420	24,412
Intangibles	-	-	-	-
Net fixed assets	9,658	10,213	12,375	13,695
Tangibles	7,951	9,321	11,529	13,037
Intangibles	1,707	892	846	658
Capital Work In Progress	235	286	257	232
Goodwill	13,621	13,442	13,442	13,442
Non-Current Investments	6,125	27,762	24,762	22,262
Net Deferred tax assets	(84)	(134)	(136)	(139)
Other Non-Current Assets	12,637	21,107	22,198	23,793
Current Assets				
Investments	-	-	-	-
Inventories	194	164	191	222
Trade receivables	9,436	14,297	13,747	15,982
Cash & Bank Balance	6,455	4,032	5,796	5,401
Other Current Assets	53,242	23,187	24,925	26,903
Total Assets	1,11,893	1,14,530	1,17,734	1,21,973
Equity				
Equity Share Capital	729	737	743	749
Other Equity	91,043	90,710	89,604	89,815
Total Network	91,771	91,446	90,347	90,564
Non-Current Liabilities				
Long Term borrowings	1,144	402	502	602
Provisions	511	647	711	782
Other non current liabilities	5,343	8,436	9,920	11,816
Current Liabilities				
ST Debt / Current of LT Debt	845	854	854	854
Trade payables	7,874	7,974	10,375	12,062
Other current liabilities	4,093	4,637	4,889	5,154
Total Equity & Liabilities	1,11,893	1,14,530	1,17,734	1,21,973

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	(11,247)	(2,491)	(1,106)	211
Add. Depreciation	8,311	7,216	8,150	9,530
Add. Interest	883	132	1,163	1,373
Less Financial Other Income	3,049	4,527	4,797	4,416
Add. Other	1,115	-	-	-
Op. profit before WC changes	(937)	4,857	8,208	11,114
Net Changes-WC	664	(133)	2,611	(2,646)
Direct tax	-	-	-	-
Net cash from Op. activities	(273)	4,724	10,819	8,468
Capital expenditures	(6,007)	(4,684)	(6,926)	(7,286)
Interest / Dividend Income	-	-	-	-
Others	(24,940)	3,695	(71)	(310)
Net Cash from Inv. activities	(30,948)	(989)	(6,997)	(7,596)
Issue of share cap. / premium	39,100	(23)	6	6
Debt changes	(1,203)	(735)	100	100
Dividend paid	-	-	-	-
Interest paid	(206)	(134)	(1,163)	(1,373)
Others	(2,306)	(2,766)	-	-
Net cash from Fin. activities	35,385	(3,658)	(1,057)	(1,267)
Net change in cash	4,165	77	2,764	(395)
Free Cash Flow	(6,280)	40	3,893	1,182

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	19,298	19,418	21,945	20,755
YoY gr. (%)	10.5	8.1	20.3	11.6
Raw Material Expenses	14,381	14,421	15,718	15,187
Gross Profit	4,917	4,996	6,227	5,568
Margin (%)	25.5	25.7	28.4	26.8
EBITDA	(130)	(156)	1,094	459
YoY gr. (%)	(94.9)	(88.7)	(249.2)	242.5
Margin (%)	(0.7)	(0.8)	5.0	2.2
Depreciation / Depletion	1,673	1,712	1,826	2,004
EBIT	(1,804)	(1,868)	(733)	(1,545)
Margin (%)	(9.3)	(9.6)	(3.3)	(7.4)
Net Interest	195	197	222	271
Other Income	1,013	1,012	1,308	1,193
Profit before Tax	(986)	(1,052)	276	(770)
Margin (%)	(5.1)	(5.4)	1.3	(3.7)
Total Tax	(27)	(21)	117	(22)
Effective tax rate (%)	2.7	2.0	42.5	2.9
Profit after Tax	(959)	(1,031)	159	(747)
Minority interest	-	-	-	-
Share Profit from Associates	64	2	(42)	63
Adjusted PAT	(895)	(1,029)	563	738
YoY gr. (%)	(77.6)	(59.5)	(128.8)	(146.5)
Margin (%)	(4.6)	(5.3)	2.6	3.6
Extra Ord. Income / (Exp)	-	-	(446)	(1,423)
Reported PAT	(895)	(1,029)	117	(685)
YoY gr. (%)	(77.6)	(59.5)	(106.0)	(56.9)
Margin (%)	(4.6)	(5.3)	0.5	(3.3)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(895)	(1,029)	117	(685)
Avg. Shares O/s (m)	729	729	729	729
EPS (Rs)	(1.2)	(1.4)	0.8	1.0

Source: Company Data, PL Research

Key Financial Metrics

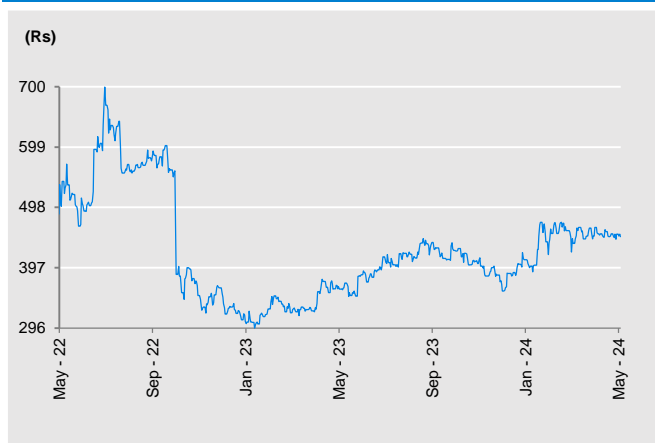
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	(13.8)	(3.1)	(1.5)	0.3
CEPS	(2.4)	6.7	9.5	13.0
BVPS	125.9	124.1	121.6	120.9
FCF	(8.6)	0.1	5.2	1.6
DPS	-	-	-	-
Return Ratio(%)				
RoCE	(16.4)	(6.4)	(5.2)	(3.2)
ROIC	(17.1)	(6.8)	(5.6)	(3.4)
RoE	(13.3)	(2.5)	(1.2)	0.2
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	0.0	0.0
Net Working Capital (Days)	9	29	14	14
Valuation(x)				
PER	(31.2)	(140.4)	(289.5)	1,529.8
P/B	3.4	3.5	3.5	3.6
P/CEPS	(177.9)	64.1	45.5	33.1
EV/EBITDA	(68.6)	248.6	95.1	48.3
EV/Sales	4.3	3.9	3.3	2.9
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
B2B revenue per tonne	10,509	10,616	10,722	10,829
B2C revenue per shipment	69	69	68	67

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-24	Accumulate	510	450

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Delhivery	Accumulate	510	450
2	Mahindra Logistics	Accumulate	500	452
3	TCI Express	BUY	1,410	1,105

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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(Indian Clients)

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