

Express segment growth slows

10 February 2025

DELHIVERY (DELHIVER IN) 9M revenue growth has been mixed bag with the Part Truck Load (PTL) segment, up 25% YoY, while the express segment up by a mere 5% YoY. While both segments saw volume and realization growth, PTL volume growth surpassed with +18% YoY while express at 1.7% YoY. eCommerce demand slowed, competition from qCommerce and insourcing from platforms dragged the growth rates in express. Segment margin at 3% for PTL and 16% for express are set to rise gradually, led by pickup in utilization via line-haul optimization. Volume growth remains crucial amid a challenging macro environment; we expect revenue CAGR of 10% (from 16%) during FY24-27E and lower our TP to INR 387 based on a DCF method. We reiterate **Buy**.

Margin miss on high cost during festival and commissioning of Bengaluru facility: Q3 revenue was in line at INR 23.7bn, up 8% YoY, led by PTL, up 22% YoY, and supply chain, up 28% YoY, while express parcel segment (63% of revenue) grew moderately at 3% YoY as volume cooled off post festival bump-up in October. EBITDA margin of 4.3%, down 70bp, missed our estimates of 5.5%, due to the rise in fleet hiring cost, up INR 500mn, in key metro cities, due to shortages, the commissioning of Bengaluru hub and festival demand, led to the rise in freight cost. Management targets to enter in fixed price contracts for fleet vs spot contract for better cost management. Net profit stood at INR 250mn, up 1.1x YoY, aided by lower depreciation (change in method in Q1FY25).

Focus on PTL revenue growth: PTL revenue grew 22% YoY in Q3 and management targets higher growth of 25-30% on account of: 1) increase yield, 2) improving utilization of tractor-trailer network due to heavier loads, 3) target SME & retail clients to hike utilization of reverse line haul, 4) expand reseller program (a franchise network), and 5) partnership with Hindustan Petroleum Corporation (HPCL) for lubricants distribution. Express revenue grew by a mere 3% in Q3 on slow growth in eCommerce and increased volume insourcing by platforms, such as Meesho. Management expects insourcing has reached optimal levels for *Valmo* (Meesho's in-house app) and is unlikely to impact third-party volumes further. It expects ultra-low pricing by such firms as unsustainable in the long term as they continue to face losses and will have funding constraints. Express margin is likely to remain in the range of 17-20% (Q3: 16%).

Rapid commerce opportunity emerging, but not huge: The company has entered rapid commerce delivery with a pilot presence at Bengaluru, Chennai, and Hyderabad. In the initial 45 days, it onboarded two customers and is in process of adding another 15. It clocked in 500 orders/day and expects to reach 700-800 in the near term, leading to break-even levels. Plans are underway to add 50 stores in the Top 8 cities and revenue of INR 0.8-1bn in the near term with margin in the range of 17-20%.

Reiterate Buy with a lower TP of INR 387: We lower our growth expectations for express and PTL segments, leading to a lower TP to INR 387 from INR 570 on a DCF valuation, assuming a WACC of 11% (unchanged), and terminal growth of 7% (unchanged), implies 2.6x FY27E EV/sales. We expect a revenue CAGR of 10% and EBITDA CAGR of 88% during FY24-27E. In near term, earnings for FY26E/27E raised by 16% and 7% due to lower depreciation. We reiterate **Buy**.

Key financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	72,253	81,415	90,255	98,739	108,146
YoY (%)	5.0	12.7	10.9	9.4	9.5
EBITDA (INR mn)	(4,516)	1,266	3,976	5,867	8,350
EBITDA margin (%)	(6.3)	1.6	4.4	5.9	7.7
Adj PAT (INR mn)	(10,070)	(2,504)	1,846	3,437	5,374
YoY (%)	(0.4)	(75.1)	(173.7)	86.2	56.4
Fully DEPS (INR)	(13.8)	(3.4)	2.5	4.7	7.3
RoE (%)	(13.3)	(2.7)	2.0	3.6	5.3
RoCE (%)	(11.6)	(1.4)	3.4	5.0	7.0
P/E (x)	(22.8)	(92.7)	125.8	67.5	43.2
EV/EBITDA (x)	(46.6)	167.0	52.4	34.5	23.5

Note: Pricing as on 7 February 2025; Source: Company, Elara Securities Estimate

Rating: **Buy**

Target Price: **INR 387**

Upside: **23%**

CMP: **INR 315**

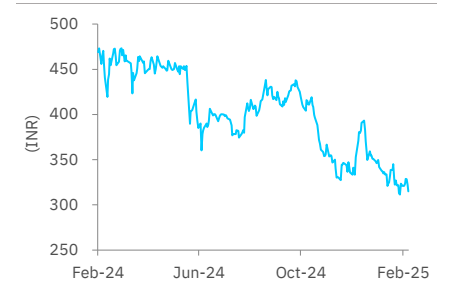
As on 7 February 2025

Key data

Key data	DELHIVER IN
Bloomberg	DELH.NS
Reuters Code	DELH.NS
Shares outstanding (mn)	743
Market cap (INR bn/USD mn)	234/2,679
Enterprise Value (INR bn/USD mn)	221/2,528
Avg daily volume 3M (INR mn/USD mn)	799/9
52 week high/low	485/307
Free float (%)	100

Note: as on 7 February 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Promoter	0.0	0.0	0.0	0.0
% Pledged	0.0	0.0	0.0	0.0
FII	63.6	61.1	55.1	53.8
DII	19.8	22.2	28.6	28.9
Others	16.6	16.7	16.3	17.3

Source: BSE

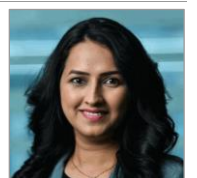
Price performance (%)	3M	6M	12M
Nifty	(2.6)	(3.0)	7.4
Delhivery	(11.0)	(23.1)	(33.0)
NSE Midcap	(6.1)	(5.7)	8.6
NSE Smallcap	(9.4)	(7.5)	2.7

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	72,253	81,415	90,255	98,739	108,146
EBITDA	(4,516)	1,266	3,976	5,867	8,350
Add:- Non operating Income	3,049	4,527	4,572	4,664	4,757
OPBIDTA	(1,467)	5,793	8,549	10,531	13,107
Less :- Depreciation & Amortization	8,311	7,216	4,969	5,068	5,170
EBIT	(9,778)	(1,422)	3,580	5,462	7,938
Less:- Interest Expenses	893	893	1,193	1,112	1,135
Less:- Exceptional item	0	224	51	0	0
PBT	(10,671)	(2,539)	2,336	4,350	6,803
Less :- Taxes	(466)	51	491	914	1,429
Reported PAT	(10,206)	(2,591)	1,846	3,437	5,374
Adjusted PAT	(10,070)	(2,504)	1,846	3,437	5,374
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	729	737	737	737	737
Reserves	91,043	90,710	93,404	97,221	102,655
Net worth	91,771	91,446	94,141	97,958	103,392
Borrowings	1,989	1,256	1,716	1,823	1,936
Deferred Tax (Net)	(229)	0	0	0	0
Other non-current liabilities	6,167	9,217	10,063	11,038	12,097
Total Liabilities	99,698	101,919	105,921	110,819	117,424
Net Block	16,345	20,095	19,964	20,099	20,548
Add:- Capital work in progress	215	286	286	286	286
Goodwill on consolidation	13,621	13,442	13,442	13,442	13,442
Investments	20,942	27,762	27,762	27,762	27,762
Cash & bank balances	6,455	4,032	7,537	13,876	20,220
Net Working Capital	36,151	25,077	25,576	23,863	23,534
Other Assets	5,970	11,225	11,355	11,491	11,634
Total Assets	99,698	101,919	105,921	110,819	117,424
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash profit adjusted for non-cash items	(4,145)	3,068	3,435	4,953	6,922
Add/Less:- Working Capital changes	(25,989)	11,209	(495)	1,759	368
Operating Cash Flow	(30,134)	14,277	2,939	6,712	7,289
Less:- Capex	7,547	11,036	4,838	5,204	5,618
Free Cash Flow	(37,681)	3,242	(1,898)	1,509	1,671
Financing Cash Flow	40,074	3,734	960	303	58
Investing Cash Flow	1,771	(9,397)	4,443	4,528	4,614
Net change in Cash	4,165	(2,422)	3,505	6,340	6,343
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios (%)					
Revenue Growth	5.0	12.7	10.9	9.4	9.5
EBITDA Growth	(4.3)	(128.0)	214.0	47.5	42.3
PAT Growth	0.4	75.1	(173.7)	86.2	56.4
EBITDA Margin	(6.3)	1.6	4.4	5.9	7.7
Net Margin	(13.9)	(3.1)	2.0	3.5	5.0
Return & Liquidity Ratios (%)					
Net Debt/Equity (x)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
ROE (%)	(13.3)	(2.7)	2.0	3.6	5.3
ROCE (%)	(11.6)	(1.4)	3.4	5.0	7.0
Per Share data & Valuation Ratios					
Reported EPS (INR)	(13.8)	(3.4)	2.5	4.7	7.3
Adjusted EPS (INR)	(13.8)	(3.4)	2.5	4.7	7.3
EPS Growth (%)	12.2	75.4	173.7	(86.2)	(56.4)
DPS (INR)	0.0	0.0	0.0	0.0	0.0
P/E (x)	(22.8)	(92.7)	125.8	67.5	43.2
EV/EBITDA (x)	(46.6)	167.0	52.4	34.5	23.5
EV/Sales (x)	2.9	2.6	2.3	2.0	1.8
Core Price/Book (x)	2.5	2.5	2.5	2.4	2.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Revenue CAGR of 10% and an EBITDA CAGR of 88% during FY24-27E

Margin is likely to improve on improved utilization and synergy in the PTL segment

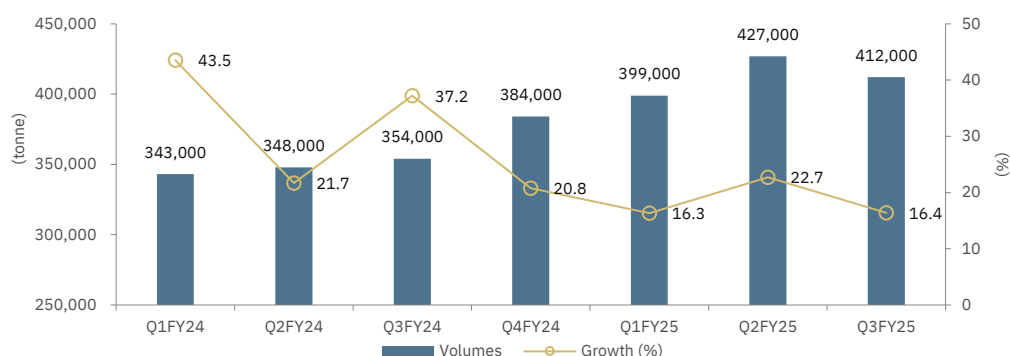
Note: Pricing as on 7 February 2025; Source: Company, Elara Securities Estimate

Quarterly financials

YE March (INR mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E	Variance (%)
Net sales	23,783	21,945	8.4	21,897	8.6	23,917	(0.6)
EBITDA	1,024	1,094	(6.3)	573	78.8	1,303	(21.4)
EBITDA Margin (%)	4.3	5.0		2.6		5.5	
Other income	987	1,308	(24.6)	1,196	(17.5)	1,291	(23.5)
Interest	333	222	50.1	305	9.1	294	13.4
Depreciation	1,417	1,826	(22.4)	1,313	8.0	1,364	3.9
Extraordinary Items	0	(78)		0		0	
Profit Before Tax	260	354	(26.4)	151	72.8	936	(72.2)
Tax	(12)	117	(110.0)	(16)	(25.5)	234	(105.0)
Effective Tax Rate (%)	(4.5)	33.2		(10.5)		25.0	
PAT	250	117	113.2	102	144.6	638	(60.9)
NPM (%)	1.0	0.5		0.5		2.7	
Basic EPS (INR)	0.3	0.2	113.2	0.1	144.6	0.9	(60.9)

Source: Company, Elara Securities Estimate

Exhibit 1: PTL segment continues to grow in healthy double digits



Source: Company, Elara Securities Research

Exhibit 2: Valuation summary

Particulars	FY27E
PV of Cashflow upto FY35	58,447
PV of terminal cashflow	208,547
EV	266,994
(Net debt)/ cash	-18,284
Equity value	285,278
No.of shares (in mn)	737
Equity value (INR/ share)	387
Implied EV/Sales	2.6

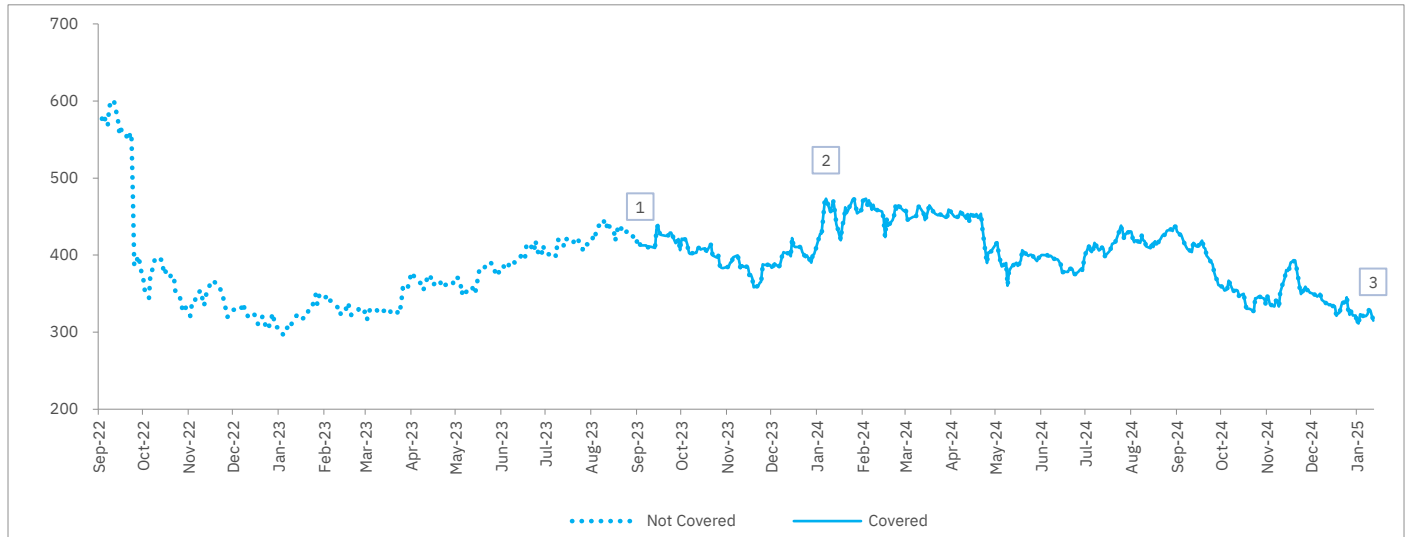
Source: Elara Securities Estimate

Exhibit 3: Change in estimate

(INR mn)	Old			New			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net Sales	94,894	110,190	127,324	90,255	98,739	108,146	(4.9)	(10.4)	(15.1)
EBITDA	4,227	6,591	9,842	3,976	5,867	8,350	(5.9)	(11.0)	(15.2)
PAT	2,349	2,972	5,000	1,846	3,437	5,374	(21.4)	15.6	7.5
Target Price (INR)	570			387			(32.1)		

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
1	29-Sep-2023	Reduce	INR 405	INR 413
2	2-Feb-2024	Buy	INR 570	INR 473
3	7-Feb-2025	Buy	INR 387	INR 315

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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