

Company Overview

Delhivery Ltd. was incorporated on 22nd June 2011. Delhivery is India's largest and fastest-growing fully-integrated logistics services player by revenue as of FY 2021. The company aim to build an operating system for commerce. Their business is guided by three principles i) people centricity; ii) growth through partnership; iii) efficiency. Delhivery provided supply chain solutions to a diverse base of 23,113 Active Customers such as e-commerce marketplaces, direct-to-consumer e-tailers and enterprises and SMEs across several verticals. Their in-house logistics technology stack is built to meet the dynamic needs of modern supply chains. They have over 80 applications through which they provide various services. Delhivery operates a pan-India network and provides its services in 17,488 postal index number ("PIN") codes, as of Dec 31, 2021. Company's express parcel delivery network, which serviced 17,488 PIN codes in the 9 months ended Dec 31, 2021, covering 90.61% of the 19,300 PIN codes in India.

Objects of the issue

The IPO aims to utilize the net proceed for the following objectives;

- ⇒ Funding organic growth initiatives.
- ⇒ Funding inorganic growth through acquisitions and other strategic initiatives.
- ⇒ General corporate purposes.

Investment Rationale

Proprietary logistics operating system

Their in-house logistics technology stack is built to meet the dynamic needs of modern supply chains. They have over 80 applications through which they provide various services, orchestrated by their platform to govern transaction flows from end to end. Their platform is designed as a set of foundational layers, libraries and APIs that form the building blocks for logistics applications and provides a configurable framework and tools to enable both internal and external developers to build custom applications. Delhivery is in the process of integrating the Spoton and Delhivery infrastructure and technology systems, in order to enable them to deepen synergies between their part truckload and express parcel businesses, while also creating larger base volumes for their truckload freight exchange. This will allow them to expand critical infrastructure nodes and expand tractor-trailer operations and truck utilization across their network. As these initiatives deliver cost savings, in keeping with their overall aim of reducing their customers' total supply chain spending, they will continue to pass on efficiency gains to their partners and customers, which in turn will help them increase share of wallet and volumes, leading to further cost savings.

Unified Infrastructure and pan-India Network

Delhivery operates a pan-India network and provide their services in 17,488 postal index number ("PIN") codes, as of December 31, 2021. Their logistics platform, data intelligence and automation enable their network to be seamlessly interoperable and allow them to share infrastructure and operational capacity across business lines and set new service standards, such as providing e-commerce like turnaround times to traditional part-truckload shippers on several lanes. The company expects to build new integrated facilities and mega-gateways in major cities, further expand capacity at existing automated sort centers, commission new sorters at strategic locations and invest in portable automation to enhance capacity at collection and return centers and intermediate processing centers. They will also continue to expand their network of fulfillment centers and in-city microfulfillment centers to expand their "Fulfilled by Delhivery" and "Delhivery Flash" offerings to vertical e-commerce, D2C and brand customers.

Valuation and Outlook

Delhivery is the largest integrated and fastest growing fully integrated logistics services player in India by revenue as of FY21. Their revenue from contracts with customers has grown from INR16.5bn in FY19 to INR 36.5bn in FY21, or a CAGR of 48.5%. Further, the revenue from contracts with customers has improved from INR 26.4bn for the 9MFY21 to INR 48.1bn for the 9MFY22, or an increase of 81.9%. The company's network structure, quality of engineering and technology and data intelligence capabilities have helped them establish scale in all of their business lines and ensure synergies across them. This has driven higher network utilization, resulting in cost efficiencies while maintaining service speed and reliability. At the upper end of the price band, the issue is valued at a Price/Sales of 5.5x based on FY22 annualized sales, which we believe is aggressively priced. Moreover, despite improvement in the topline, the company continues to make losses. As we are witnessing the negative market sentiment towards the similar category stocks (Zomato, PayTM), we suggest investors to "Avoid" this issue.

Issue Details

Offer Period	11 th May - 13 th May 2022
Price Band	INR.462 to INR.487
Bid Lot	30
Listing	BSE&NSE
Issue Size (no. of shares in mn)	107.
Issue Size (INR. in bn)	52.3
Face Value	1

Issue Structure

QIB	50 %
NIB	15 %
Retail	35 %
BRLM	Kotak Mahindra Capital, Morgan Stanley, BofA Securities, Citigroup Global

Registrar	Link Intime India Pvt Ltd.
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Particulars Pre Issue % Post Issue %

Public Selling	39.80%	31.79%
Public others	60.20%	68.21%
Total	100%	100%

(Assuming issue subscribed at higher band)



Income Statement (In mn)

Particulars	FY19	FY20	FY21	9MFY22
Revenue				
Revenue from operations	16,539	27,806	36,465	48,105
Total Revenue	16,539	27,806	36,465	48,105
Expenses				
Freight, handling and servicing cost	12,507	21,838	27,781	34,786
Purchased of traded goods		58	102	1,750
Changes in inventories of finished goods and by products				(29)
Fair Value (FV) loss on financial liabilities at FV through profit or loss	14,807		92	2,997
Employee benefit expenses	3,446	4,909	6,109	9,726
Other expenses	1,964	2,722	3,610	4,226
Total Operating Expenses	32,724	29,526	37,695	53,457
EBITDA	(16,185)	(1,720)	(1,229)	(5,352)
Depreciation and amortisation expense	1,700	2,556	3,546	3,882
Other income	410	2,081	1,918	1,009
EBIT	(17,475)	(2,196)	(2,858)	(8,225)
Exceptional Items			(413)	
Finance Costs	358	492	886	762
Profit before tax	(17,833)	(2,688)	(4,157)	(8,987)
Current tax		1		100
Deferred Tax Charge/ (charge)				(177)
Total Tax	-	1	-	(77)
PAT	(17,833)	(2,687)	(4,157)	(9,064)
Diluted EPS	(25)	(4)	(6)	(13)

Source: RHP, BP Equities Research

Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21	9MFY22
Cash flow from operating activities	(2,427)	(6,339)	48	(5,091)
Cash flow from investing activities	(9,394)	(9,325)	3,383	(26,391)
Cash flow from financing activities	28,584	(167)	(1,467)	31,838
Net increase/(decrease) in cash and cash equivalents	16,763	(15,831)	1,964	356
Cash and cash equivalents at the beginning of the period	(137)	16,626	795	2,759
Cash and cash equivalents on acquisition of subsidiary	-	-	-	-
Cash and cash equivalents at the end of the period	16,626	795	2,759	3,114

Source: RHP, BP Equities Research



Balance Sheet (In mn)

Particulars	FY19	FY20	FY21	9MFY22
Liabilities				
Share capital	10	10	16	217
Other equity	33,482	31,303	27,998	59,157
Instruments entirely equity in nature	392	392	354	425
Net worth	33,883	31,704	28,368	59,798
Borrowings	356	998	1,316	1,005
Lease liabilities	2425	3871	6538	6913
Trade Payables	25	1		
Provisions	109	166	219	407
Deferred tax liabilities (net)				735
Total Non current liabilities	2,915	5,036	8,074	9,060
Borrowings	580	1,570	1,697	2,703
Lease liabilities	744	1,108	1,617	2,211
Trade payables	1,582	2,734	4,422	7,838
Other financial liabilities	684	1,097	1,306	1,450
Other current liabilities	169	220	371	1,042
Provisions	68	104	122	192
Liabilities for current tax (net)		1	1	
Total Current liabilities	3,828	6,833	9,536	15,437
Total Liabilities	40,625	43,573	45,978	84,295
Assets				
Property, plant & equipment	1,610	2,359	2,380	5,517
Right-of-use asset	2,975	4,781	7,828	8,487
Capital work in progress	9	267	768	648
Goodwill	164	186	186	13,861
Other intangible assets	131	114	140	4,074
Intangible assets under development		48		21
Financial assets				
(i) Investments	247	3,772	4,206	4,074
(ii)Loans	27			
(iii) Other financial assets	2,036	5,254	887	2,627
Deferred tax assets (net)				
Income tax assets (net)	596	1,050	1,232	1,389
Other non-current assets	134	14	47	237
Total Non Current Assets	7,930	17,846	17,673	40,934
Inventories	226	178	259	318
Investments	11,304	8,104	7,076	17,375
Trade receivables	2,147	6,013	5,946	8,918
Cash and cash equivalents	16,626	1,200	2,759	3,610
Bank balances other than above	8	2,887	16	
Loans	2	27	264	90
Other financial assets	1,951	6,444	10,815	10,310
Others current assets	431	874	1,170	2,741
Total Current Assets	32,696	25,728	28,305	43,361
Net Current Assets	28,868	18,894	18,769	27,924
Total Assets	40,625	43,573	45,978	84,295

Source: RHP, BP Equities Research

Key Risks

- ⇒ Any disruptions to their logistics and transportation facilities could have a material adverse effect on their business, financial condition, cash flows and results of operations .
- ⇒ The company rely on network partners and other third parties for certain aspects of their business, which poses additional risks.
- ⇒ Their long-term growth and competitiveness are highly dependent on their ability to control costs and pass on any increase in operating expenses to customers, while continuing to offer competitive pricing.



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