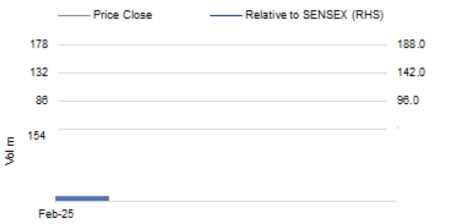
India

REDUCE

Consensus ratings*:	Buy 18 Hold 3 Sell 2
Current price:	Rs468
Target price:	Rs300
Previous target:	NA
Up/downside:	-35.9%
EIP Research / Consensus:	-39.0%
Reuters:	
Bloomberg:	DELHIVER IN
Market cap:	US$3,962m
	Rs349,502m
Average daily turnover:	US$15.4m
	Rs1362.4m
Current shares o/s:	0.0m
Free float:	100.0%

Source: Bloomberg

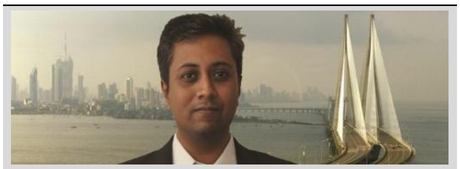


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.9	30.0	12.3
Relative (%)	12.0	32.6	15.9

Major shareholders	% held
SVF Doorbell (Cayman) Ltd	18.5
Nexus Ventures Ltd.	7.9
SBI MF	5.2

Research Analyst(s)



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Delhivery

Headwinds on the horizon

- Ecom Express (Ecom) acquisition may be a damp squib in the near term.
- Delhivery to be hamstrung by the foray into 3PL cargo by Amazon & Flipkart.
- Marginal operating leverage was witnessed over FY20-25. We reinitiate coverage on Delhivery with a REDUCE rating and a target price of Rs300.

Ecom Express (Ecom) acquisition may be a damp squib (FY26F-27F)

Ecom had a 9% market share (express) in FY25, implying that post-acquisition, if all of Ecom's volume is retained, then Delhivery's express volume could rise by 60%. However, the combined express volume of Delhivery & Ecom in 1QFY26 was 21% below the FY25 level. Thus, Delhivery's FY26F volume may rise by just 25-30% (vs. FY25). We are skeptical about the margin growth for Delhivery due to (a) limited volume benefit, (b) low operating leverage & (c) the foray of Ekart & Amazon into 3PL cargo. In FY27F, we expect Delhivery's PBT to be Rs1.6bn lower when compared ex-Ecom.

Delhivery to be hamstrung by foray into 3PL by Amazon & Flipkart

Over FY20-23, the market share of 3PL express players rose from 42% to 48% due to the ramp-up of Meesho (outsourced logistics till FY23). In FY24, the market share of 3PL express players dipped to 44% due to the commencement of captive logistics by Meesho. We expect the market share of 3PL express players to dip in FY25-27F as Meesho raises insourcing (from zero in FY23 to 70% in FY27F). More importantly, there is a threat to pure 3PL players (volume & profit margin) from the foray into 3PL cargo by Amazon & Flipkart.

Marginal operating leverage witnessed in FY20-25

The improvement in EBT vs. FY22/23 was due to a weak base (FY22/23 marred by issues with SpotOn). The EBT margin rose over FY20-25, but absolute EBT in FY25 (adj. for a change in depreciation) was like the FY20 level. Delhivery's FY24 sales are ~3x that of Ecom & it has synergies via PTL & TL, but the FY24 EBT margin (-8%) was similar for Delhivery & Ecom. Over CY17-23, there was no discernible rise in margin for express companies in China & the US (implying low operating leverage).

Recent performance has been insipid

Express cargo volume rise (organic) in the last six quarters was 1-2% yoy. Strong PTL cargo growth in FY23-1QFY26 is misleading – over FY22-25, PTL cargo rose at just a 2% CAGR. PTL service EBITDA margin rose from (-) 20.5% in FY23 to 10.6% in 1QFY26, but the rise in the overall service EBITDA margin was just from 11.5% (FY24) to 13% (1QFY26) because of the dip in express EBITDA margin. We note that VRL Logistics (PTL company) has EBITDA margin of 16%+. Further, in 9MFY22, SpotOn's EBITDA margin was 10.8%.

Reinitiate coverage on the stock with a REDUCE rating &TP of Rs300

We estimate 12% service EBITDA margin in FY26F & a 50bp p.a. rise over FY26F-28F. We expect 170bp/150bp/110bp rise yoy in adj. EBITDA margin (post-ESOP). Since Mar 2023, the median forward EV/sales ratio is 2.8x; it is now trading at 2.7x FY27F EV/ sales. We have valued Delhivery using the DCF methodology, at an 11% discount rate. Post FY28F, we factor in 14% p.a. sales growth and a 130bp p.a. rise in the EBITDA margin. We consider an 18x EV/ EBITDA exit multiple on FY31F EBITDA. Upside risk: Higher-than-expected margin.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	81,415	89,319	104,009	119,167	133,349
Operating EBITDA (Rsm)	(1,503)	326	2,193	4,286	6,322
Net Profit (Rsm)	(2,580)	1,647	590	1,611	3,112
Core EPS (Rs)	(3.3)	2.1	0.8	2.2	4.2
Core EPS Growth	(77.3%)	(161.8%)	(61.6%)	173.1%	93.1%
FD Core P/E (x)	(133.15)	210.74	591.99	216.79	112.25
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	(232.13)	1,097.04	167.21	86.20	58.58
P/FCFE (x)	(1,025.51)	(93.60)	153.89	(708.83)	204.90
Net Gearing	5.7%	11.5%	18.3%	20.9%	21.1%
P/BV (x)	3.77	3.70	3.68	3.62	3.51
ROE	(2.7%)	1.6%	0.6%	1.7%	3.2%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Headwinds on the horizon

Ecom Express acquisition may be a damp squib in the near term

Figure 1: The EBT loss of Ecom Express widened to Rs3.1bn in FY25F from a Rs2bn loss in FY24; Delhivery acquired Ecom Express (express logistics player) for Rs13.7bn on 18 Jul 2025 (announced on 6 Apr 2025); this implies 1.6x EV/assets (Dec 2024) and 0.4x EV/sales (FY25); however, assuming a retention of ~50% volume post-Ecom acquisition, it would imply 0.8x EV/sales (FY26F) – at a discount to Delhivery (2.8x EV/ sales FY26F)

(Rs bn)	FY22	FY23	FY24	FY25F
Income statement				
Revenue	20.9	25.5	26.1	25.5
Parcels adjusted (m)	310	390	429	450
Tariff (Rs/ parcel)	67	65	61	57
Service EBITDA	2.1	2.1	3.3	1.9
EBITDA adj. before ESOPS	(0.1)	(1.1)	(0.1)	(1.4)
EBITDA adj. after ESOPS	(0.1)	(1.3)	(0.5)	(1.7)
EBT	(0.9)	(3.0)	(2.0)	(3.1)
Adj. PAT	(0.3)	(3.0)	(1.4)	(2.4)
Balance sheet				
Net Fixed assets ex-ROU assets	6.0	8.3	6.8	8.0
Goodwill	0.2	-	-	-
NWC ex-cash	(0.1)	0.2	(0.8)	(1.6)
Cash	6.3	4.9	5.5	5.1
Equity including CCPS	8.8	8.5	8.6	10.0
Debt	3.6	4.9	3.0	1.5
Valuations				
EV/ Sales (x)				0.4
EV/ Assets (x)				1.6

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Ecom Express or Ecom had a 9% market share (express parcels) in FY25, implying that post-acquisition, if all of Ecom's volume was retained, then for Delhivery (a) the volume could rise by 60% & (b) its market share could rise to 25% (from ~16% in FY25); however, the combined express cargo volume of Delhivery & Ecom in 1QFY26 was 21% below the FY25 level – this could be due to the loss of volume to Valmo (Meesho's in-house logistics) or other players; Meesho contributed 52% to Ecom's FY24 sales, but Meesho started its in-house logistics in FY25; thus, Delhivery's FY26F volume may rise by just 25-30% (vs. FY25) and its market share may rise to only 20%

(m)	FY24	FY25	1QFY26
Delhivery - Express parcels	740	751	208
Ecom Express - Express parcels (ex-returns)	428	450	30
Total	1,168	1,201	238

SOURCE: INCRED RESEARCH, COMPANY REPORTS

The acquisition of Ecom Express led to expectations of a rise in Delhivery's profit margin. However, we are skeptical because of the following reasons:

- Delhivery's volume benefit from the acquisition is likely to be just 25-30%.
- Low operating leverage limits the potential reduction in costs/parcel (despite the rise in scale post-acquisition of Ecom).
- In express parcels, the market shares of Amazon Transportation/Ekart/ Delhivery are 33%/33%/20%, respectively (post-Ecom acquisition). ATS & Ekart forayed into 3PL cargo and compete directly with pure 3PL players – detrimental to industry profit.

Figure 3: In FY27F, we factor in that the inclusion of Ecom would raise Delhivery's express service EBITDA by 15% or Rs1.5bn (vs. ex-Ecom) and adj. EBITDA (post-ESOP) to rise by Rs1.1bn (vs. ex-Ecom); this is despite Ecom-adjusted EBITDA (post-ESOP) loss of (-)Rs1.7bn in FY25F; we expect depreciation & interest costs (ex-lease) to rise by Rs1.5bn (vs. Rs1.6bn in FY24 & Rs1.4bn in FY25F for Ecom); we expect the acquisition to reduce Delhivery's cash and liquid investments by Rs13.7bn and thus reduce its other income by Rs1.2bn; as a result, we expect Delhivery's FY27F PBT (incl. Ecom) to be Rs1.6bn lower than ex-Ecom.

(Rs bn)	FY26F			FY27F		
	Ex-Ecom	Incl. Ecom	Chg	Ex-Ecom	Incl. Ecom	Chg
Sales	98.2	104.0	5.9	109.8	119.2	9.4
Service EBITDA	11.6	12.5	0.9	13.4	14.9	1.5
Ecommerce service EBITDA	8.9	9.8	0.9	10.3	11.8	1.5
Overheads	(8.9)	(9.2)	(0.4)	(9.6)	(10.1)	(0.4)
Adj EBITDA before ESOP	2.7	3.2	0.6	3.8	4.8	1.1
Adj EBITDA post ESOP	1.6	2.2	0.6	3.2	4.3	1.1
Depreciation (ex-Lease)	(3.8)	(4.7)	(0.9)	(4.2)	(5.4)	(1.3)
Interest (ex-Lease)	(0.0)	(0.2)	(0.1)	(0.0)	(0.2)	(0.2)
Other Income	4.2	3.3	(0.9)	4.2	3.0	(1.2)
PBT	2.0	0.6	(1.5)	3.2	1.6	(1.6)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

India e-commerce business: Fast-growing but loss-making

Figure 4: India's retail sector CAGR (FY20-24) was 5% but online retail CAGR was ~30%; despite the rapid rise, online penetration in India was 6.5% (FY24); the market share of top 3 players at 80%; Meesho gained market share rapidly during FY20-25 to 10% in FY25

	FY20	FY23	CAGR % FY20-23	FY24	yoy rise %	CAGR % FY20-24
India retail (Rs tr)	66	73	3	79	8	5
India online retail (Rs tr)	1.7	4.5	38	5.2	14	32
Online retail penetration %	2.6	6.2		6.5		
India Ecom ex-hyperlocal (Rs tr)	1.5	3.9	36	4.4	13	30
Top 3 market share by GMV%	81	78		79		
Meesho market share by GMV %	0.9	7.0		8.5		
Tier 2+ market share by GMV %	~40	na		56		
Tier 2+ market share by shipments %	na	61		62		
Cash on delivery % of GMV	52	42		41		
India Ecom parcel (ex-hyperlocal) bn	1.4	3.7	38	4.4	19	33
Reverse shipments as % of total	13	17		16		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Despite the rapid rise, India's online penetration is much lower than that of China (31%) & the US (16%). India's e-commerce market (ex-hyperlocal) is ~4.6bn parcels per annum. The e-commerce sector (ex-hyperlocal) grew by 35%+ p.a. over FY20-23. However, the growth moderated to 15% p.a. in FY24-25, partly due to the disruption from hyperlocal, where deliveries are much faster.

The market share of top 3 players (Amazon, Flipkart & Meesho) is similar to that of the top 3 players in China (77%) and more than in the US (45%). Small towns are critical (56%/62% of GMV/ shipments, respectively, in FY24).

Figure 5: The e-commerce industry lacks pricing power; to make profits, companies need (a) scale to reduce costs/ unit, & (b) pricing discipline by main players; however, leading e-commerce players are loss-making; the focus on growth and deep pockets of Amazon & Flipkart (70% market share in GMV terms; loss-making FY15-24) is likely to lead to weak industry pricing & continued industry losses

(Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24
Amazon sellers India						
Sales	76	108	162	215	222	254
growth yoy %		43	49	32	3	14
PAT	-57	-58	-47	-36	-49	-35
Flipkart						
Sales	306	342	429	510	558	705
growth yoy %		12	26	19	9	26
PAT	-38	-32	-24	-34	-48	-42
Meesho						
Sales	1	3	8	34	57	76
growth yoy %		262	158	324	71	33
PAT	-1	-3	-5	-32	-17	-3

SOURCE: INCRED RESEARCH, COMPANY REPORTS

E-commerce provides a marketplace for customers to purchase products. The nature of the industry implies a lack of pricing power for companies, as customers are likely to choose products from companies which provide products at the cheapest price.

Weak finances of e-commerce companies are likely to dent their ability to pay 3PL express players. Market share gains by Amazon & Flipkart are a further risk for 3PL express volume. Currently, ~85% of Amazon and ~90% of FlipKart's volumes are handled in-house.

Note: Our negative view on 3PL express players would change if Amazon and/or Flipkart change their strategy and focus on profits.

We expect predominantly 3PL express players (like Delhivery) to be hamstrung (volume & margin) by rising captive logistics (Meesho) and foray into 3PL cargo by Amazon & Flipkart ➤

Figure 6: B2C express industry sales CAGR (FY20-24) was healthy (25%); over FY20-23, the market share of 3PL express players rose from 42 to 48% due to ramp-up of Meesho (outsourced logistics till FY23); in FY24, the market share of 3PL express players dipped to 44% due to the commencement of captive logistics by Meesho

	FY20	FY23	CAGR % FY20-23	FY24	yoy rise %	CAGR % FY20-24
B2C Express logistics (Rs bn) #	102	225	30	250	11	25
3 PL B2C express logistics (Rs bn) #	43	108	36	110	2	27
market share of 3PL %	42	48		44		
Delhivery - Express (Rs bn)	19	46	33	51	12	27
Ecom Express sales (Rs bn)	12	26	27	26	2	21

estimated for FY23

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Express cargo growth (FY24-1QFY26) of Delhivery & Ecom Express was low; we expect the market share of 3PL express players to dip in FY25-27F as Meesho raises insourcing – risk for 3PL cargo (even beyond FY27F) if other e-commerce players start/increase captive logistics

	FY24	FY25	1QFY26
Delhivery - Express volume (m)	740	751	208
yoy rise %	12	1	14
Ecom Express volume ex-returns (m)	429	450	30
yoy rise %	10	5	na
Total	1,169	1,201	238
yoy rise %	11	3	na

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: While we estimate 17% express parcel CAGR, we expect 3PL cargo to grow lower (13%) as Meesho raises insourcing (zero in FY23 to 50%+ in FY25 to 70% in FY27F); Amazon + Flipkart insourced volume is 61% of e-commerce – we expect this to continue at the same level as Amazon/ Flipkart already insource 85%/ 90%, respectively

		3PL opportunity			
	Market share %	FY23	FY25	FY27F	CAGR % (FY25-27F)
Amazon + Flipkart	70	12.3	8.8	8.8	
Meesho	10	10.0	5.0	2.5	
Others	20	20.0	20.0	20.0	
Total	100	42.3	33.8	31.3	
3PL shipments		1.5	1.6	2.0	13
3PL market share of Amazon & Flipkart		4.0	6.0	8.0	
3PL market share of purely 3PL players like Delhivery		38.3	27.8	23.3	
India Online shipments (bn)		3.5	4.8	6.6	17
3PL shipments for purely 3PL players like Delhivery (bn)		1.3	1.3	1.5	7

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Secondly, there is a direct threat to pure 3PL cargo players from the foray into 3PL cargo by Amazon & Flipkart. As a result, we expect pure 3PL cargo players' volume to rise at just 7% over FY25-27F. Further, Amazon & Flipkart's presence in 3PL cargo is likely to exert pressure on industry tariff & profit margin.

Ekart handles 3% of industry volume via 3PL. This segment is growing at 40-50% per annum (as per Ekart). We expect Amazon+ Flipkart 3PL volume to rise to 8% of industry cargo (from 5-6% in FY25).

Delhivery's market share in India online shipments is ~16%. Note: If funding to 3PL express players dries up, Delhivery would benefit. However, the positive impact would be short-lived, and we expect Amazon/Flipkart's logistics arms to benefit more.

InCred Equities

Marginal operating leverage witnessed in FY20-25

Key question: Is there a case that as the scale of operations rises, does (a) cargo /truck/trip rises, (b) cargo/employee p.a. rises, and (c) cargo/area of land rises. We believe a major portion of Delhivery's costs is variable (capping operating leverage).

Figure 9: We look at EBT to circumvent any change in the business model; EBT loss in FY25 was Rs3bn, boosted by a change in the depreciation policy from WDV to SLM; adjusted for the same, EBT loss was Rs5.1bn; sales rose by 222% (FY20-25), costs (EBT level) rose by 190%; the improvement vs. FY22/23 was due to a weak base (FY22/23 was marred by SpotOn's integration issue); the EBT margin rose from FY20, but absolute EBT (FY25) was similar

(Rs bn)	FY20	FY21	FY22	FY23	FY24	FY25
Sales	27.7	36.4	67.1	72.4	81.4	89.3
Sales growth %		31	84	8	13	10
Blended tariff growth %		4	-18	6	0	4
Blended Volume growth %		26	125	2	12	6
adj. EBITDA before ESOPs	-2.5	-2.4	0.6	-3.9	0.7	1.5
margin %	-9.1	-6.6	0.9	-5.3	0.9	1.7
adj. EBITDA post ESOPs (A)	-3.0	-3.1	-4.2	-6.8	-1.5	0.3
margin %	-10.9	-8.6	-6.3	-9.3	-1.8	0.4
Cost (A) level	30.8	39.5	71.3	79.1	82.9	89.0
% of Sales	111	109	106	109	102	100
EBT adjusted for lower depreciation in FY25	-4.8	-5.4	-8.7	-13.4	-6.8	-5.1
margin %	-17.2	-14.9	-12.9	-18.5	-8.4	-5.8
Total cost (EBT level)	32.5	41.8	75.7	85.7	88.2	94.5
% of Sales	117	115	113	118	108	106

SOURCE: INCRED RESEARCH, COMPANY REPORTS

FY20-23: Despite 161% sales growth, adjusted EBITDA margin (post-ESOPs) rose by just 154bp and the EBT margin declined by 130bp. This was due to integration issues with SpotOn (acquired on 24 Aug 2021). In FY23, PTL volume declined by 30% yoy. Note: In 9MFY22, SpotOn's sales/EBITDA was Rs7.6bn/ Rs0.8bn, respectively (10.8% margin).

FY23-25 (sales up 32%): Adj. EBITDA margin (post-ESOPs) rose by 970bp and the EBT margin (adjusted for a change in the depreciation policy) rose by 1,274bp. We believe this was mainly due to stabilization of SpotOn's operations, as PTL cargo rose by 54%.

Figure 10: Cost breakdown: Opex, ex-lease & salaries, is a variable cost; as a % of sales, it improved in FY23-24 due to stabilization of SpotOn; there is some operating leverage in salaries, lease rentals, interest costs & depreciation

(Rs bn)	FY20	FY21	FY22	FY23	FY24	FY25
Opex ex-Lease & Salary	24.6	31.3	55.5	62.5	65.8	71.8
As % of sales	89	86	83	86	81	80
Contract manpower	4.0	4.7	7.5	8.9	10.0	11.6
As % of sales	15	13	11	12	12	13
Salary	4.9	6.1	13.1	14.0	14.4	13.8
As % of sales	18	17	20	19	18	15
ESOPs	0.5	0.7	4.9	2.9	2.2	1.2
As % of sales	2	2	7	4	3	1
Salary ex-ESOPs	4.4	5.4	8.3	11.1	12.1	12.6
As % of sales	16	15	12	15	15	14
Interest & Depreciation (adj)	3.0	4.4	7.1	9.2	8.1	8.9
As % of sales	11	12	11	13	10	10

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Delhivery's FY24 sales are ~3x of Ecom Express & Delhivery has synergies via PTL & TL, but FY24 EBT margin (-8%) was the same for both Delhivery & Ecom Express

	Ecom Express			Delhivery		
(Rs bn)	FY22	FY23	FY24	FY22	FY23	FY24
Sales	20.9	25.5	26.1	67.1	72.4	81.4
Sales growth %	29	22	2	84	8	13
Blended tariff growth %	na	-3	-7	-18	6	0
Blended Volume growth %	na	26	10	125	2	12
Growth in clients %	na	58	68	41	15	22
Growth in Sales/ clients %	na	-23	-39	31	-7	-8
% sales top 5 clients	79	82	75	41	39	38
adj. EBITDA before ESOPs	-0.1	-1.1	-0.1	0.6	-3.9	0.7
margin %	-0.2	-4.2	-0.4	0.9	-5.3	0.9
adj. EBITDA post ESOPs (A)	-0.1	-1.3	-0.5	-4.2	-6.8	-1.5
margin %	-0.3	-5.1	-1.8	-6.3	-9.3	-1.8
Cost (A) level	21.0	26.8	26.6	71.3	79.1	82.9
% of Sales	100	105	102	106	109	102
EBT	-0.9	-3.0	-2.0	-8.7	-13.4	-6.8
margin %	-4.3	-11.6	-7.8	-12.9	-18.5	-8.4
Total cost (EBT level)	21.8	28.5	28.1	75.7	85.7	88.2
% of Sales	104	112	108	113	118	108

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Ecom Express asset/sales (FY24) better than that of Delhivery, as the goodwill/sales ratio was 17% for Delhivery (nil for Ecom Express); the NWC/sales ratio for Ecom Express was negligible

	Ecom Express			Delhivery		
As a % of Sales	FY22	FY23	FY24	FY22	FY23	FY24
Assets ex-RoU assets	29	33	23	59	57	51
NFA ex-ROU assets	29	32	26	18	18	16
Goodwill	1	-	-	21	19	17
NWC	-0	1	-3	20	21	18
Current assets ex-cash	22	15	14	38	36	32
Receivables & Inventories	18	10	10	15	13	10
Unbilled receivable	-	-	-	10	9	7
Other current assets	4	5	4	13	14	14
Current Liabilities	22	14	17	18	15	14
Equity incl CCPS as % Assets	144	100	143	149	242	236

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Ecom Express includes reverse shipments in total shipments while Delhivery does not; on a like-to-like basis, Ecom Express had 58% of Delhivery's parcel volume in FY24; costs/shipment (adjusted) is similar for both; Note: Costs/shipment is an imperfect metric for comparison, as (a) the lead distance could be different across companies, and (b) average weight/parcel could be different across companies

	Ecom Express			Delhivery		
	FY22	FY23	FY24	FY22	FY23	FY24
Express Sales (Rs bn)	20.9	25.5	26.1	41.9	45.5	50.8
Volume reported (m)	372	468	514	582	663	740
Volume adjusted (m)	313	393	432	582	663	740
Tariff (Rs/ shipment)	56	55	51	72	69	69
Tariff adjusted (Rs/ shipment)	67	65	60	72	69	69
Service EBITDA - Express	2.1	2.1	3.3	na	6.4	9.3
Cost at service EBITDA level	18.8	23.5	22.8	na	39.2	41.4
Cost/ shipment (Rs)	51	50	44	na	59	56
Cost/ shipment adjusted (Rs)	**60**	**60**	**53**	**na**	**59**	**56**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Over CY17-23, there was no discernible rise in the margin for express companies in China & the US despite an 18% sales CAGR - this suggests low operating leverage

	Revenue	Revenue CAGR %	EBITDA margin			PAT margin		
	CY23 (USD bn)	(CY17-23)	CY17	CY23	Average	CY17	CY23	Average
ZTO Express	6.0	20	33.0	34.5	29.6	24.2	22.8	21.4
SF Holdings	40.6	24	11.3	11.2	9.9	6.7	3.0	3.8
YTO Express	9.1	19	9.5	11.8	10.7	7.2	6.5	6.1
STO Express	6.4	22	16.7	5.8	8.9	11.8	0.8	4.0
Yunda	7.1	29	25.3	11.3	14.9	15.9	3.6	8.2
FedEx *	90.2	7	13.9	13.9	13.7	5.0	4.4	4.2
UPS	91.0	5	14.7	15.5	15.4	7.4	7.4	7.7
Average		**18**	**17.8**	**14.9**	**14.7**	**11.2**	**6.9**	**7.9**

* year ending is in May

SOURCE: INCRED RESEARCH, BLOOMBERG, COMPANY REPORTS

The recent performance has been insipid ›

Figure 15: Sales growth yoy in the last nine quarters was just 11%; the contribution of express parcel/ part truck load to overall sales was 61%/22%, respectively, in 1QFY26 (similar over FY24-1QFY26); express volume growth (organic) in the last six quarters was just 1-2% yoy (1QFY26 was boosted by the shift of cargo from Ecom Express); the strong PTL volume growth over FY23-1QFY26 is misleading – over FY22-25, PTL cargo rose at just a 2% CAGR

					yoy growth %			
(Rs bn)	**FY23**	**FY24**	**FY25**	**1QFY26**	**FY23**	**FY24**	**FY25**	**1QFY26**
Sales	72	81	89	23	8	13	10	6
Express	46	51	53	14	9	12	5	10
PTL	12	15	19	5	(14)	31	25	17
Supply chain	8	8	9	2	42	(1)	17	(21)
Others	7	8	8	2	21	3	6	(14)
Revenue contribution %								
Express	63	62	60	61				
PTL	16	19	21	22				
Supply chain	11	10	10	9				
Others	10	9	9	8				
Express volume (m)	663	740	751	208	14	12	1	14
PTL volume (kt)	1,101	1,429	1,696	458	(30)	30	19	15

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 16: Over FY23-24, the EBT loss almost halved, as FY23 was marred by integration issues with SpotOn; PTL service EBITDA margin improved from (-)20.5% in FY23 to (-)3% in FY24 and to 10.6% in 1QFY26; however, the improvement in Delhivery's overall service EBITDA margin was just from 11.5% (FY24) to 13% (1QFY26) because of the decline in express service EBITDA margin; we note that VRL Logistics (a PTL company) has EBITDA margin (post overheads) of 16-20%; further, in 9MFY22, SpotOn's EBITDA margin was 10.8%

					yoy growth %			
(Rs bn)	**FY23**	**FY24**	**FY25**	**1QFY26**	**FY23**	**FY24**	**FY25**	**1QFY26**
Service EBITDA	4.2	9.4	9.8	3.0		122	4	16
Adj. EBITDA post ESOPs	(6.8)	(1.5)	0.3	0.5				
EBT adj for chg in depreciation policy	(13.4)	(6.8)	(5.0)	(1.4)				
Service EBITDA margin %					yoy change (bps)			
Overall	5.8	11.5	11.0	13.0		570	(55)	111
Express	14.0	18.4	16.2	16.3		439	(221)	(193)
PTL	(20.5)	(3.0)	5.4	10.6		1,746	843	741
Supply chain	3.2	6.8	2.1	7.3		363	(474)	307
Others	(0.3)	-	0.1	4.2		27	12	184

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 17: Asset/sales improved (reduced) over FY23-25

(as % of Sales)	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**
NWC	45	27	20	21	18	17
NFA incl. RoU assets	27	31	26	23	25	29
NFA ex-RoU assets	10	9	15	14	13	14
Assets	77	61	70	66	63	64
Assets ex-RoU assets	59	40	59	57	51	49

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 18: Capex in FY22 was mainly on SpotOn acquisition; over FY24-25, FCFF was (-) Rs5bn p.a.; cash burn has reduced recently with the decline in volume growth; cash & investments (Mar 2025) stood at Rs51bn, which are likely to dip by Rs14bn post-acquisition of Ecom Express

(Rs bn)	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**
Adj EBITDA post ESOP	(3)	(3)	(4)	(7)	(2)	0
Less Capex	(3)	(2)	(24)	(5)	(4)	(5)
Less incremental NWC	(8)	3	(4)	(1)	0	(0)
Cash Flow	**(14)**	**(3)**	**(33)**	**(13)**	**(5)**	**(5)**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 19: Main fund raising by Delhivery: Total fund infusion in Delhivery was Rs121bn (equity & preference shares); net worth (Mar 2025) was Rs94bn due to historic losses; the IPO (May 2022) valued Delhivery at 5x FY22 EV/ sales (Rs354bn post-money); the IPO size was Rs52.4bn (including Rs12.4bn offer for sale or OFS)

(Rs bn)		**Investors**	**Amount infused**	**% shareholding post conversion**	**Implied Equity value**	**EV/ Sales**	
IPO	May 22	Various	40.0	11.3	354	5.0	x FY22
Series I Preference shares	Sep 21	Suedasien	5.6	2.0	276	7.3	x FY21
Series H Preference shares	May 21	Fidelity	20.1	7.8	259	6.8	x FY21
Series F Preference shares	Mar 19	Softbank, Carlyle, China Momentum fund	28.9	20.1	144	7.1	x FY19
Series E Preference shares	Mar 17	Tiger global, Carlyle, China Momentum fund	8.7	11.0	79		
Series D Preference shares	May 15	Multiples, Nexus	5.1	9.0	57		
Others			12.6	38.8	32		
Total			**121.0**	**100.0**	**121**		

SOURCE: INCRED RESEARCH, DELHIVERY DRHP

We reinitiate coverage on Delhivery with a REDUCE rating and a target price of Rs300

Express: We expect 21%/14% yoy volume rise in FY26F/27Fdriven by the acquisition of Ecom Express & a 10% organic volume growth in FY28F. We expect a 15.5% service EBITDA margin (FY26F) for Delhivery, despite Ecom Express' estimated just a 7.6% service EBITDA margin in FY25F. For FY27F/28F, we estimate a 50bp margin growth per annum.

PTL: We expect 13%/10%/10% yoy volume growth in FY26F/27F/28F, respectively. We factor in a 10% service EBITDA margin in FY26F and a 50bp p.a. improvement over FY26F-28F. This is despite just a 5.4% margin in FY25 and close to 10.6% margin in 1QFY26.

Others: We expect 10% sales growth per annum (FY25-28F). We factor in 2.7% service EBITDA margin (FY26-28F) vs. 1.2% margin in FY25.

Figure 20: We estimate 12% service EBITDA margin in FY26 (vs. 11%/ 13% in FY25/ 1QFY26, respectively) and a 50bp p.a. rise over FY26F-28F; we expect 170bp/150bp/110bp rise yoy in adjusted EBITDA margin (post -ESOP) driven by (a) a rise in service EBITDA margin & (b) reduction in overheads & ESOP/ sales; we expect (a) a rise in interest costs & depreciation over FY25-26F due to the Ecom Express acquisition (Rs1.4bn in FY25F), and (b) Rs1bn p.a. reduction in other income in FY26F due to a Rs13.7bn reduction in cash & investment post-acquisition of Ecom Express

						yoy growth %			
(Rs bn)	**FY24**	**FY25**	**FY26F**	**FY27F**	**FY28F**	**FY25**	**FY26F**	**FY27F**	**FY28F**
Sales	**81.4**	**89.3**	**104.0**	**119.2**	**133.3**	**10**	**16**	**15**	**12**
Express Sales	50.8	53.2	63.2	73.7	82.7	5	19	17	12
Express parcel (m)	740	751	910	1,041	1,145	1	21	14	10
PTL Sales	15.2	18.9	21.8	24.4	27.4	25	15	12	12
PTL volume (kt)	1,429	1,696	1,916	2,108	2,319	19	13	10	10
Other sales	15.5	17.2	19.1	21.0	23.3	11	10	10	11
Service EBITDA	**9.4**	**9.8**	**12.5**	**14.9**	**17.3**	**4**	**27**	**20**	**16**
% margin	11.5	11.0	12.0	12.5	13.0				
Express service EBITDA	9.3	8.6	9.8	11.8	13.6	(8)	14	20	16
% margin	18.4	16.2	15.5	16.0	16.5				
PTL service EBITDA	(0.5)	1.0	2.2	2.6	3.0	na	114	18	18
% margin	(3.0)	5.4	10.0	10.5	11.0				
Others service EBITDA	0.5	0.2	0.5	0.6	0.6	(62)	154	10	10
% margin	3.4	1.2	2.7	2.7	2.6				
Overheads	8.7	8.3	9.2	10.1	10.7				
% sales	10.7	9.3	8.9	8.5	8.1				
ESOP	2.2	1.2	1.1	0.6	0.2				
Adj EBITDA post ESOP	(1.5)	0.3	2.2	4.3	6.3	na	572	95	47
% margin	(1.8)	0.4	2.1	3.6	4.7				
Interest & Depreciation (ex-Lease)	5.3	3.2	4.9	5.6	6.2				
% sales	6.5	3.6	4.7	4.7	4.6				
EBT	(6.8)	(2.8)	(2.7)	(1.4)	0.1				
% sales	(8.4)	(3.2)	(2.6)	(1.1)	0.1				
Other income	4.4	4.3	3.3	3.0	3.0				
Adj PAT	(2.4)	1.5	0.6	1.6	3.1				

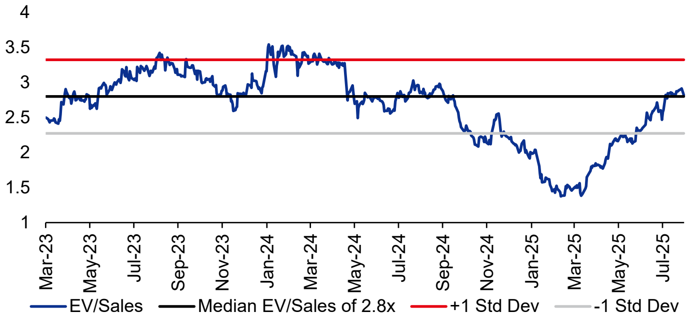
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 21: Asset/sales is likely to rise (deteriorate) over FY25-26F due to the addition of all Ecom Express assets with only 75% of FY26F earnings; post-FY26F, we expect asset/sales in FY28F to be similar to FY24/25 levels

(as % of Sales)	**FY24**	**FY25**	**FY26F**	**FY27F**	**FY28F**
NWC	18	17	17	17	17
NFA incl. RoU assets	25	29	43	39	36
NFA ex-RoU assets	13	14	25	21	18
Assets	63	64	79	73	68
Assets ex-RoU assets	51	49	61	55	50

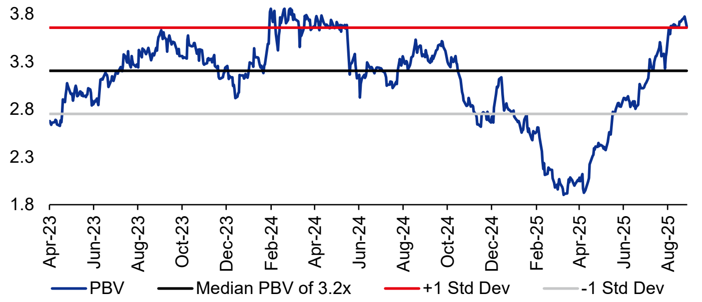
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 22: Since Mar 2023, median forward EV/sales at 2.8x; it is now trading at 2.7x FY27F EV/sales



SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 23: Since Mar 2023, median P/BV at 3.2x; it is now trading at 3.7x FY26F P/BV



SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 24: We value Delhivery using the discounted cash flow method at an 11% discount rate. Post-FY28F, we factor in a 14% p.a. sales growth and a 130bp p.a. rise in the EBITDA margin; we consider an 18x EV/ EBITDA exit multiple on FY31F EBITDA; we reinitiate coverage on Delhivery with a REDUCE rating and a target price of Rs300

(Rs bn)	FY27F	FY28F	FY29F	FY30F	FY31F
Sales	119	133	152	173	198
yoy growth %		12	14	14	14
Adj EBITDA post ESOP	4.3	6.3	9.2	12.7	17.1
Margin %	3.6	4.7	6.0	7.3	8.6
Less Incremental NWC	(2.5)	(2.4)	(2.7)	(3.1)	
Less Capex	(5.0)	(5.0)	(5.0)	(5.0)	
FCFF	(3.2)	(1.0)	1.5	4.7	307.3
Exit EV/ EBITDA	**18**				
Discount rate %	11				
Discount factor	0.9	0.9	0.8	0.7	0.6
DCF	(3)	(1)	1	3	191
Target EV	192				
Add net cash & investment FY26F	32				
Target Equity	**224**		**Rs/ share**		**300**

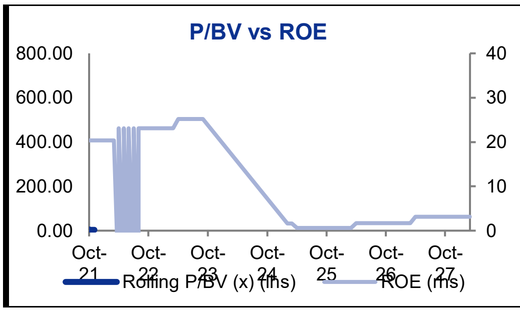
SOURCE: INCRED RESEARCH, COMPANY REPORTS

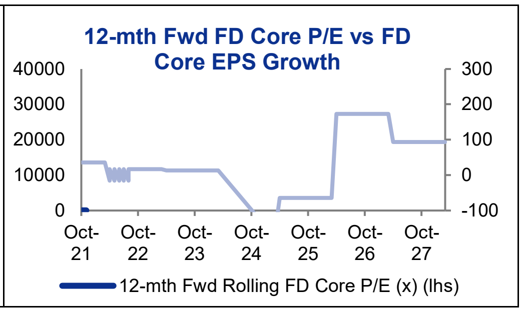
Figure 25: Peer comparison

Company Name	Mkt Cap	P/BV (x)		ROE (%)		EV/EBITDA		EV/SALES	
	(Rs bn)	FY26F	FY27F	FY26F	FY27F	FY26F	FY27F	FY26F	FY27F
Delhivery	351	3.7	3.6	0.6	1.7	144.0	74.0	3.0	2.7
VRL Logistics	48	3.8	3.4	18.0	15.4	8.9	9.0	1.6	1.5
Blue Dart Express	130	7.1	6.2	15.4	15.7	14.0	12.5	2.2	2.0
Median		**3.8**	**3.6**	**15.4**	**15.4**	**14.0**	**12.5**	**2.2**	**2.0**

SOURCE: INCRED RESEARCH, COMPANY REPORTS,

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	**81,415**	**89,319**	**104,009**	**119,167**	**133,349**
Gross Profit	**31,658**	**35,545**	**42,431**	**49,807**	**57,068**
Operating EBITDA	**(1,503)**	**326**	**2,193**	**4,286**	**6,322**
Depreciation And Amortisation	(5,192)	(3,102)	(4,696)	(5,411)	(5,946)
Operating EBIT	**(6,695)**	**(2,776)**	**(2,503)**	**(1,125)**	**376**
Financial Income/(Expense)	4,299	4,252	3,093	2,736	2,736
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	**(2,396)**	**1,475**	**590**	**1,611**	**3,112**
Exceptional Items	(137)	122			
Pre-tax Profit	**(2,533)**	**1,597**	**590**	**1,611**	**3,112**
Taxation	(47)	50			
Exceptional Income - post-tax					
Profit After Tax	**(2,580)**	**1,647**	**590**	**1,611**	**3,112**
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**(2,580)**	**1,647**	**590**	**1,611**	**3,112**
Recurring Net Profit	(2,443)	1,525	590	1,611	3,112
Fully Diluted Recurring Net Profit	**(2,443)**	**1,525**	**590**	**1,611**	**3,112**

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	(1,503)	326	2,193	4,286	6,322
Cash Flow from Invt. & Assoc.					
Change In Working Capital	401	(370)	(2,437)	(2,515)	(2,353)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	137	(122)			
Other Operating Cashflow					
Net Interest (Paid)/Received	4,299	4,252	3,093	2,736	2,736
Tax Paid	(47)	50			
Cashflow From Operations	**3,287**	**4,136**	**2,849**	**4,507**	**6,705**
Capex	(3,973)	(4,783)	(19,991)	(5,000)	(5,000)
Disposals Of FAs/subsidiaries	1,106	(2,472)	18,000		
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	**(2,867)**	**(7,254)**	**(1,991)**	**(5,000)**	**(5,000)**
Debt Raised/(repaid)	(756)	(589)	1,412		
Proceeds From Issue Of Shares	2,255	1,228			
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(1,783)	(737)	(1,286)		
Cash Flow From Financing	**(283)**	**(98)**	**126**		
Total Cash Generated	137	(3,217)	984	(493)	1,705
Free Cashflow To Equity	**(335)**	**(3,708)**	**2,270**	**(493)**	**1,705**
Free Cashflow To Firm	**560**	**(3,046)**	**1,040**	**(261)**	**1,937**

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	6,455	3,360	4,344	3,851	5,556
Total Debtors					
Inventories					
Total Other Current Assets	25,719	26,914	31,340	35,908	40,181
Total Current Assets	**32,173**	**30,274**	**35,684**	**39,759**	**45,737**
Fixed Assets	20,381	25,758	44,847	46,727	48,347
Total Investments	45,606	48,077	30,077	30,077	30,077
Intangible Assets	13,442	13,442	17,033	17,033	17,033
Total Other Non-Current Assets	2,807	3,080	3,080	3,080	3,080
Total Non-current Assets	**82,236**	**90,357**	**95,038**	**96,918**	**98,538**
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	11,268	12,094	14,083	16,135	18,055
Total Current Liabilities	**11,268**	**12,094**	**14,083**	**16,135**	**18,055**
Total Long-term Debt	11,693	14,216	21,728	24,019	26,585
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	**11,693**	**14,216**	**21,728**	**24,019**	**26,585**
Total Provisions					
Total Liabilities	**22,962**	**26,310**	**35,810**	**40,154**	**44,640**
Shareholders Equity	91,446	94,322	94,912	96,523	99,635
Minority Interests					
Total Equity	**91,446**	**94,322**	**94,912**	**96,523**	**99,635**

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	12.5%	9.7%	16.4%	14.6%	11.9%
Operating EBITDA Growth	(77.8%)	(121.7%)	572.1%	95.5%	47.5%
Operating EBITDA Margin	(1.8%)	0.4%	2.1%	3.6%	4.7%
Net Cash Per Share (Rs)	(7.11)	(14.55)	(23.29)	(27.02)	(28.18)
BVPS (Rs)	124.12	126.39	127.18	129.34	133.51
Gross Interest Cover	(47.98)	(38.20)	(13.71)	(4.85)	1.62
Effective Tax Rate					
Net Dividend Payout Ratio					
Accounts Receivables Days					
Inventory Days					
Accounts Payables Days					
ROIC (%)	(14.0%)	(5.4%)	(4.4%)	(1.4%)	0.4%
ROCE (%)	(6.6%)	(2.6%)	(2.2%)	(0.9%)	0.3%
Return On Average Assets	(6.0%)	(2.3%)	(2.0%)	(0.8%)	0.3%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.