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Logistics

THEMATIC		December 07, 2023

Fast and efficient will win the race

B2C/B2B express industries offer ample opportunity for growth given under-penetration and increasing GDP growth. B2C express industry posted 47% CAGR in FY18-23 on share improvement of online retail (~3ppt to 6%). We expect ~16% growth over the next decade driven by retail ecommerce share improvement. Ecom platforms are adding vendors to derisk, which could fuel fragmentation. Whilst PE funding slowed in CY23, most large players have ample cash to continue pushing growth (many could IPO soon). B2B express has grown at median 2x GDP growth with steady profitability; market share is steady except individual exceptions. We expect 12% CAGR for the industry in the next 10 years. Valuations of Indian express players corrected recently but internal efficiencies (mainly margins) will be key to drive outperformance and RoCE, which Indian players have lacked unlike global peers. We initiate Blue Dart with BUY and Delhivery with SELL.

Express industry slowdown temporary; China and US good examples

Over the last 12 months, B2C and B2B segments slowed as Covid gains normalized. This decreased margins of both segments (adverse operating leverage). But this is temporary. China/US examples show growth is volatile across timeframes but both segments have grown 1.5-3x GDP growth.

B2C express: High growth + consolidated customers -> rising competition

India is a unique country as captives hold 60% of B2C express market. This means newer platforms like Meesho (35-50% of 3PL shipments) have become key customers in B2C. It's in their interest to continue de-risking and drown realizations by adding new 3PL partners; Meesho added 3 vendors in FY23 leading to new players outperforming Delhivery on growth. The industry should post 16% revenue CAGR over next decade. Rise in competition (witnessed in other countries) given attractiveness of growth in this segment may occur. Delhivery has an edge over peers given its scale. But that can reduce if competition (BDE/Ecom/Xpressbees/Shadowfax) continues to build capabilities/growth.

B2B express: Steady growth with profitability

Over FY17-23, B2B express clocked 13% CAGR, implying ~2x GDP growth multiplier. We expect this to continue over the next decade. A key difference vs the B2C express market is a non-consolidated customer base which has aided price hikes (2% average hikes). Despite competition, market share and profitability have been steady (baring individual player disruption), implying sticky business and criticality of service levels to gain market share. Safex is the clear leader here owing to superior profitability; BDE is catching up on reach.

RoCE improvement through scale, working capital and cost savings

Indian B2B/B2C express companies have 13ppt/14ppt lower margins than global peers on account of higher other expenses (possibly lower scale). Whilst Indian express companies have higher WC days vs global peers, their asset-light model implies similar CE T/O. Hence, RoCE improvement for Indian players would need to be driven by margin improvement. Globally, companies with higher RoCE demonstrate sustainably higher P/E multiples, which Indian companies need to demonstrate. We like BDE (BUY) and initiate Delhivery with SELL.

Key Recommendations

Delhivery	SELL
Target Price: ₹329	Downside: (16%)
Blue Dart	**BUY**
Target Price: ₹8,405	Upside: 17%

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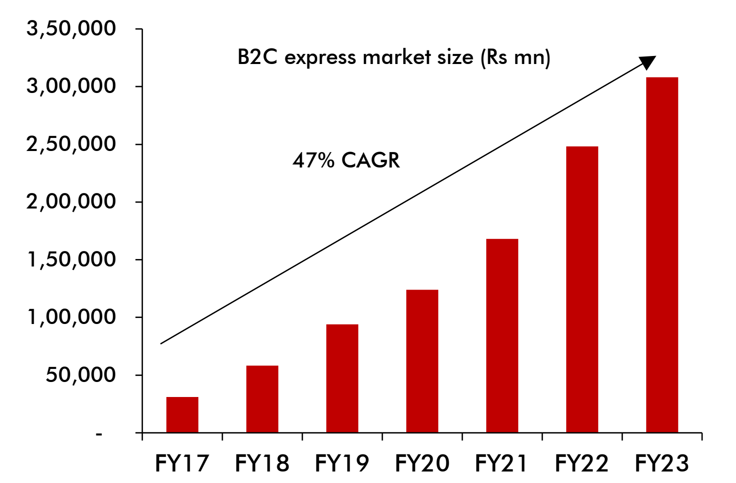
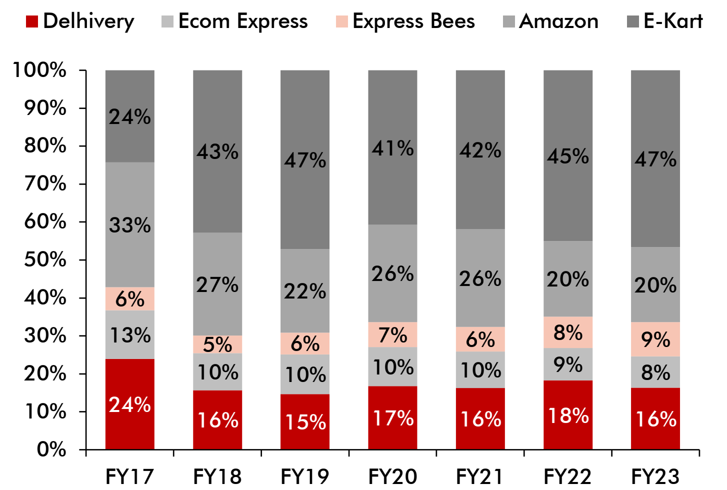
The Narrative in Charts

Exhibit 1: B2C express market has grown at a rapid 47% CAGR over the last 6 years



Source: Company, Ambit Capital research; #s based on Ambit estimates, actual #s could differ

Exhibit 2: Captives continue to hold majority share -> larger players like Delhivery losing share as customers diversify



Source: Company, Ambit Capital research, MCA; This is revenue share, parcel share could be different

Exhibit 3: We expect B2C express market to clock 16% CAGR over the next decade, but competitive intensity could continue to be higher

₹ mn	Actual					Forecasts	
	FY19	FY20	FY21	FY22	FY23	FY34E	CAGR
Current Market size (Top 6 cos)	**99,318**	**123,942**	**168,172**	**248,291**	**308,160**	1,337,130	16%
Assumed realization (Similar to Delhivery)			**88**	**72**	**69**	**61**	-1%
YoY (%)				-18%	-5%	-1%	
# of shipments (mn)			**1,906**	**3,448**	**4,488**	**25,857**	17%
YoY (%)				81%	30%		
Retail Market size (USD bn)	770	817	765	886	975	2,495	
YoY (%)		6%	-6%	16%	10%	9%	
GDP growth (x)		4%	-6%	9%	7%	6%	
GDP growth multiplier (x)		1.6	1.1	1.7	1.4	1.5	
Online retail market (USD bn)	22	25	36	49	60	346	17%
Revenue/Shipment			19	14	13	13	
Online share of retail market (%)	2.9%	3.1%	4.7%	5.5%	6.2%	14%	

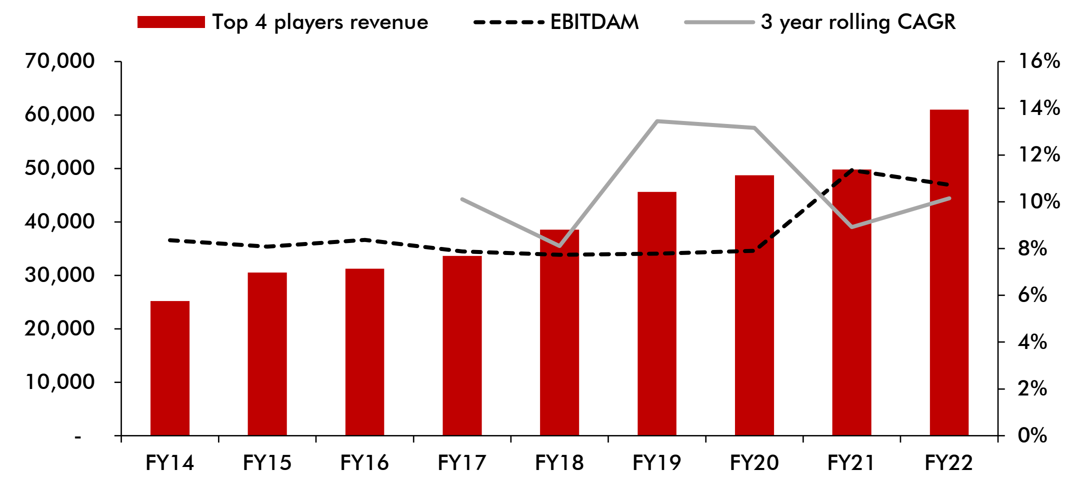
Source: Company, Ambit Capital research, Industry reports

Exhibit 4: Delhivery has a slight edge over peers owing to its scale/reach

	Operational metrics			Financial metric			Overall	Remarks
	Reach	**Higher share of D2C brands**	**End to end capabilities**	**Scale**	**EBITM**	**Capital structure - lower WC days**		
Delhivery	●	●	●	●	●	◕	●	Delhivery is the largest B2C express player in India. Over the years it has established its scale/reach and diversified customer base to differentiate itself from peers. It only loses out on its capital structure where its investment in working capital and non-current assets is far higher vs. peers.
Ecom	●	◕	●	◕	◕	●	◕	Started by ex-BDE employees, Ecom is one of the largest B2C express companies in India. Over the years it has expanded its reach and capabilities. However, it ranks lower on scale and concentrated customerbase vs. Delhivery and Xpressbees.
Xpressbees	●	◕	●	◕	◕	●	◕	Xpressbees is one of the largest B2C express companies in India. It now has a similar reach to Delhivery, but it loses out on scale vs Delhivery.
BDE	◕	◕	◕	◑	◕	●	◕	Blue Dart is one of the largest B2C express companies in India. It commands higher pricing given its brand and superior service capabilities. However, its reach is lower than peers, which is where it is attempting to catch up.

Source: Ambit Capital Research, Company, Some of our ratings are based on checks with industry expects; ● - Indicates strong positioning; ◕ - Indicates above average positioning; ◑ - Indicates average positioning; ◔- Indicates weak positioning

Exhibit 5: Over the last decade, the top 4 B2B express players managed growth along with sticky profitability



Source: Company, Ambit Capital research; Top 4 players include Delhivery (incl. Spoton), Safexpress, Gati KWE and TCI Express; #s include Ambit estimates, actual #s could vary.

Exhibit 6: Over the last 5 years, B2B express grew at ~2x multiplier to GDP growth

	B2B express growth (%)	GDP growth (%)	MFG growth (YoY)	PFCE growth
FY18	13%	7%	8%	10%
FY19	17%	6%	5%	12%
FY20	8%	4%	-3%	9%
FY21	2%	-6%	3%	-2%
FY22	27%	9%	11%	17%
FY23	16%	7%	1%	16%
Correlation to B2B express growth		**0.9**	**0.7**	**0.9**
Median Multiplier (X) to GDP growth		**2.2**	**3.5**	**1.4**

Source: Company, Ambit Capital research

Exhibit 7: We expect B2B express market to grow at 12% CAGR over the next decade

	Actual			Forecasts
	FY21	**FY22**	**FY23**	**FY34E**
Top 5 market size (₹ mn)	**58,588**	**74,216**	**86,345**	**300,354**
Growth (%)				12%
Average realization/ton	12,000	12,200	12,500	14,294
YoY (%)				1%
Tonnage (mn MTPA)	4.9	6.1	6.9	21.01
GDP growth multiplier (x)			2	2
GDP growth (%)				6%

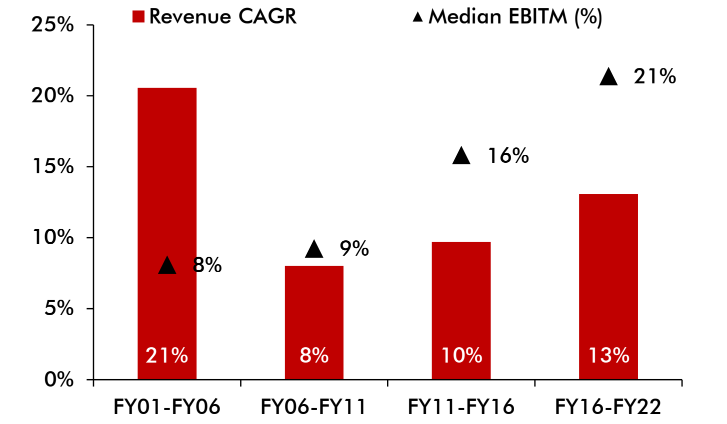
Source: Company, Ambit Capital research

Exhibit 8: Safex is the clear market leader in the B2B express space

	Operational aspects			Financial parameters		Overall	Comments
	Brand	**Reach**	**SME share**	**RoCE**	**Sales growth**		
BDE	●	◕	◑	◕	●	◕	BDE has pivoted towards B2B express and is investing aggressively in this vertical. However, it has still some time before it solidifies its reach. Its RoCE/sales growth in this vertical has been healthy
Safex	●	●	●	●	●	●	Safex has become the undisputed leader in the B2B express space and has gained market share consistently. Its pricing is higher than most peers owing to its higher VAP share. RoCE of Safex is much higher owing to significantly higher gross margins
Gati	◕	◕	◕	◑	◕	◕	Gati was the market leader till 2015. However, it suffered operational and promoter challenges which led to market share decline. However, after Allcargo's acquisition the company is improving on these fronts. But there is some time to go before it catches up with industry leaders
Delhivery-Spoton	◕	◕	◑	◑	◑	◑	Delhivery acquired Spoton in 2021. Before 2021, Spoton was a PE-owned company with focus on corporate customers. After acquisition, it faced integration challenges. Whilst growth has come back, it is yet to catch up with leaders on pricing/mix

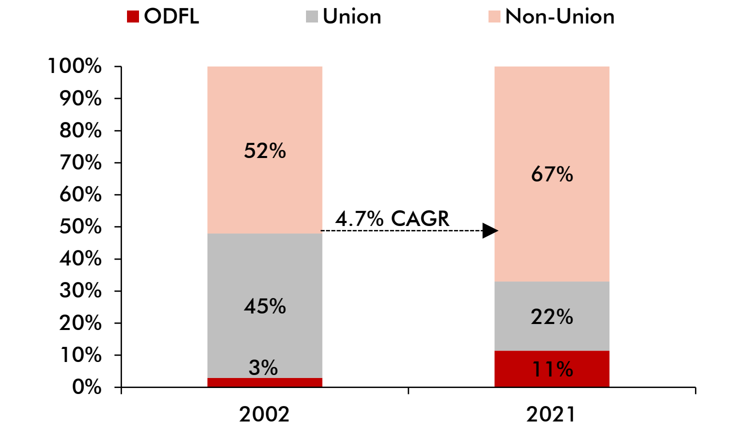
Source: Company, Ambit Capital research, Some of our ratings are based on checks with industry expects; ● - Indicates strong positioning; ◕ - Indicates above average positioning; ◑ - Indicates average positioning; ◔- Indicates weak positioning

Exhibit 9: Old Dominion, one of the largest US PTL companies, saw its margins and revenue expand at a rapid pace driven by market share expansion



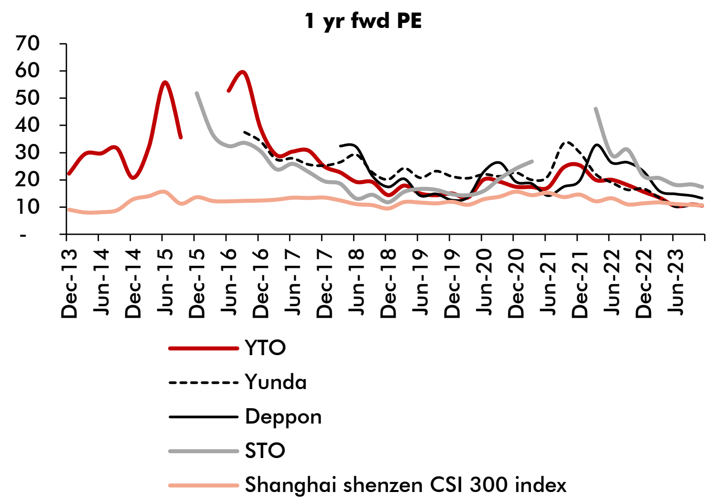
Source: Company, Ambit Capital research

Exhibit 10: Old Dominion outgrew the industry through consistent market share gains



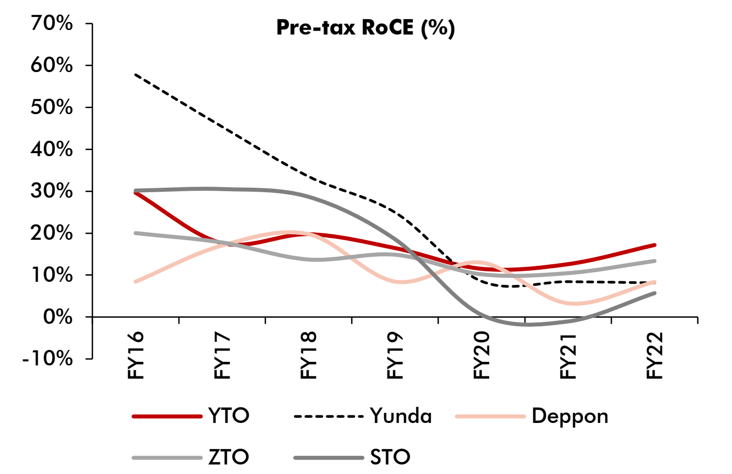
Source: Company, Ambit Capital research

Exhibit 11: Chinese B2C companies have traded at a premium to index owing to growth…



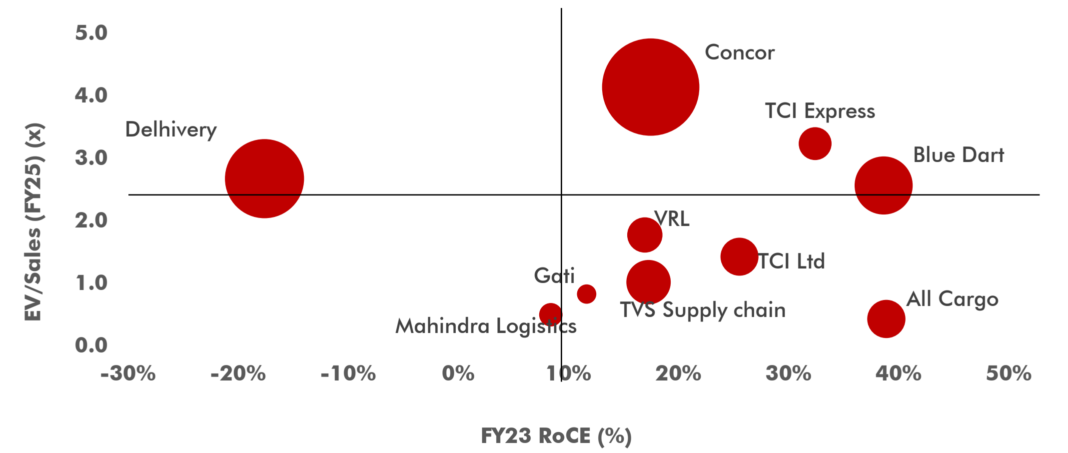
Source: Company, Ambit Capital research

Exhibit 12: …but RoCE came off owing to price wars



Source: Company, Ambit Capital research

Exhibit 13: Valuation landscape – RoCE profile has been settled for B2B express companies; B2C express yet to get there



Source: Company, Ambit Capital research

B2C Express: Customers are increasing competition

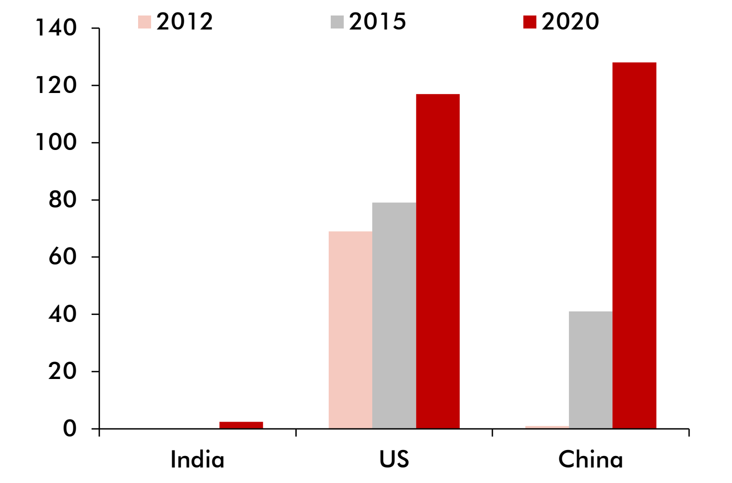
Over the last few quarters, B2C express growth slowed. However, this appears temporary as structural tailwinds (low penetration, ~6% of overall retail) remain intact. The market over the last 6 years has grown at a rapid ~47% revenue CAGR owing to improving online retail penetration (3% to 6% over FY20-23). However, unlike many other geographies, captives control ~60% of the overall market. Whilst it is possible that they may not be as cost competitive, captives continue to invest aggressively to control costs and offer better customer experience. Moreover, we notice another trend where customers are driving competition (Meesho added 3 vendors). This implies higher competitive intensity (witnessed in FY23 when larger players lost market share). We expect market to grow at 16% CAGR over the next decade driven by continue shift to e-commerce. However, individual growth could vary depending on how much competitive intensity is visible. Currently Delhivery leads the pack and has an edge owing to its scale/higher share of D2C customers which aids profitability.

E-commerce growth – a pause, not the end

Ecom fueled B2C Express growth in India; slowdown appears temporary

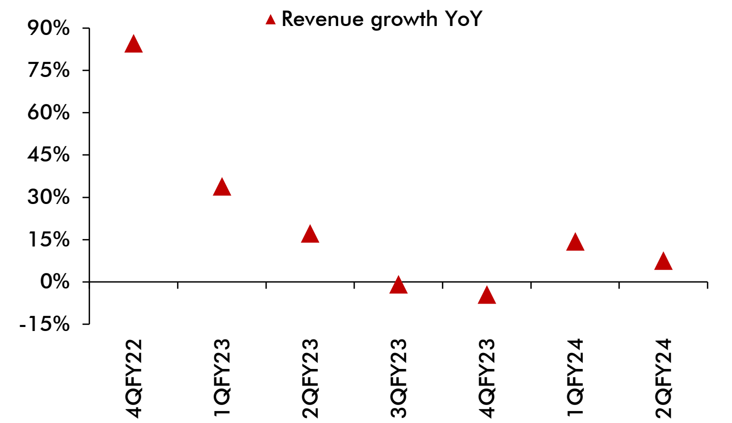
Over the last 5 years, B2C ecom express market has grown at a rapid ~47% CAGR on the back of increasing penetration of e-commerce in India and Covid-led growth. However, this slowed in FY23 as the base readjusted from the Covid-led pent-up demand. That said, e-commerce growth in India has also been hit by slowdown in discretionary and durables growth owing to inflation concerns. However, underlying growth story of Indian e-commerce remains strong with significant under-penetration (6% of retail share).

Exhibit 14: Over the last 2 decades, e-commerce has emerged as a major theme for emerging markets



Source: Company, Ambit Capital research, Industry reports

Exhibit 15: Growth rates for express parcel business have plummeted significantly



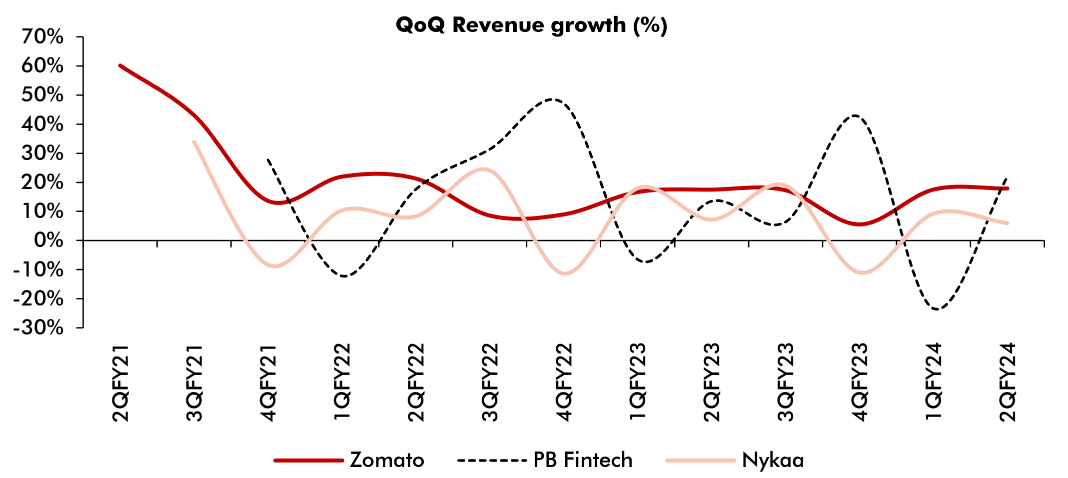
Source: Company, Ambit Capital research, Indicative #s used from Delhivery's B2C business

Exhibit 16: Many near-term challenges including inflation weighing on growth

Source	Quotes
Colliers, property - consultancy firm	E-commerce firms contributed 4% to total warehousing leasing in the first half of 2022, down from 23% in the first half of 2021.
CRE Matrix, real estate Data analytics company	The top 5 e-commerce companies alone have seen an 83% drop in leasing activity in the first eight months of 2022 through August compared to 2021 when the segment saw 107% growth in space take-up.
Zomato 2QFY23 transcript	We've seen lower app opens in the last quarter as compared to the past, which clearly demonstrates some low intent to spend on a category like ours.
Zomato 1QFY23 transcript	A couple of levers impact AOV – one, people coming back to office and hence order size going down and two, food inflation, which has been starker in the last quarter and has resulted in price increases.
Redseer Strategy Consultants	The $60-billion e-commerce market in India slowed to levels of about 22% in terms of growth in FY23 from 36% reported in FY22. The pace of growth could slow down further if the funding winter and e-commerce slowdown persist into the future (FY24)
A Gurugram based boutique investment advisory and consultancy firm	The last one year has been a challenging period for D2C brands, mainly because consumers have gone back to shopping in the physical world after the Covid-19 restrictions were completely lifted
A report by KPMG	At over 800 in number at the height of the pandemic, the D2C universe of brands has shrunk by at least 10-15% now, according to a report by KPMG, as the market consolidates and weaker brands fall by the wayside. It could shrink further as investors focus on profitability and unit economics
Counterpoint Research	India's smartphone shipments fell 19% year-on-year in the fourth quarter of FY23, at over 31 million units. This is the highest fourth-quarter decline seen by India's smartphone market, besides being the third consecutive quarterly decline. Smartphones is one of the largest segments to drive sales on marketplaces like Flipkart & Amazon.
Plum Goodness	We have to start looking at ecommerce as just another sales channel. Modern trade sales channel had seen a similar boom as ecommerce 15 years ago, but that also slowed over time. In 2021 and 2022, the conditions were right for explosive growth. Consumer expectations from ecommerce are discounts. The economics, because of reduced funding, is putting pressure on this.
Unicommerce	The beauty and personal care category has also seen a significant downturn in the March quarter, climbing about 11% on-year. In FY22, the category expanded 143%.
Global business head at Ossify Industries, which sells brands such as Compaq and Electrolux in India	Customers now prefer to shop from offline stores. Big retail shops like Reliance Retail and Croma are opening up in tier III-IV cities. These modern trades have become a better sales channel.
Redseer Strategy Consultants	The number of e-Tailing shipments in India delivered by 3PL is expected to be 13-17 billion by 2030, which is 6-8 times of 2022 levels. According to the report, as the third-party logistics (3PL) scales up, the cost per shipment is projected to decrease by 23 per cent, dropping from ₹60 in 2023 to ₹47 by 2030.

Source: Company, Ambit Capital research, Industry reports, news articles

Exhibit 17: Revenue growth slowed for new-age internet companies in recent quarters

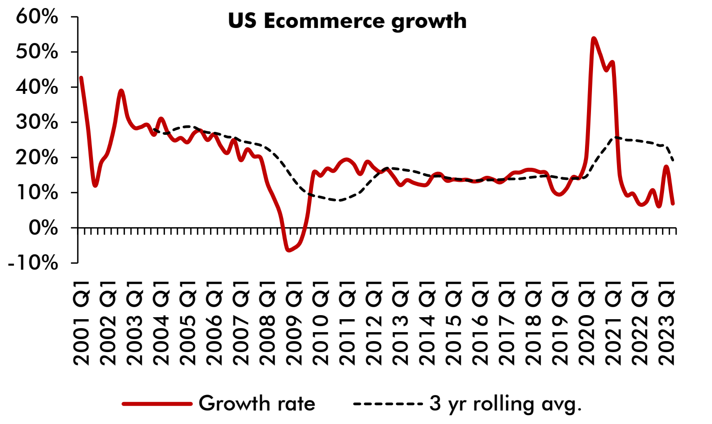


Source: Company, Ambit Capital research

Globally ecom growth has been volatile across periods

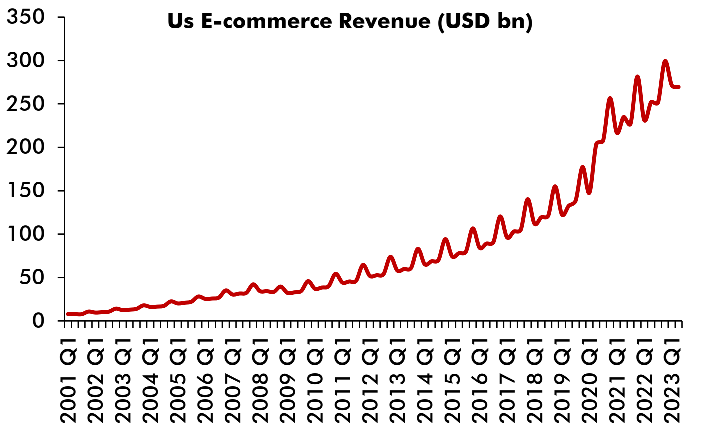
Data from USA shows that whilst e-commerce growth is volatile between periods it has always been 8-28% (average 18%) over the last 20 years. This implies that e-commerce growth potential for India remains significant despite the near-term challenges. Similarly, we have seen the Chinese e-commerce market grow at ~22% over the last 5 years. This implies that e-commerce growth in India is in a brief hiatus in the long flight ahead. The Indian e-commerce growth story remains unchanged.

Exhibit 18: Despite volatility over periods, US e-commerce growth has averaged 18% over the last 20 years



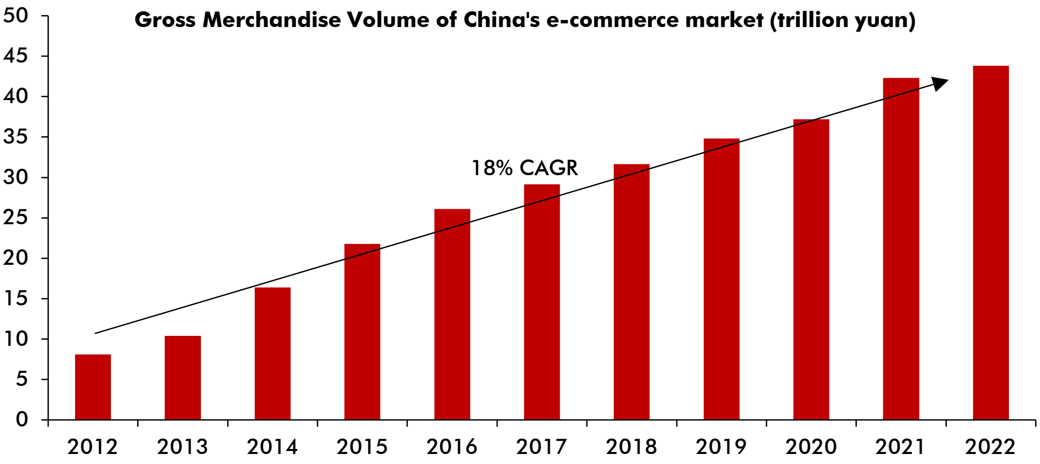
Source: Ambit Capital research, Industry reports

Exhibit 19: US e-commerce revenue has grown at a rapid pace over the last 20 years



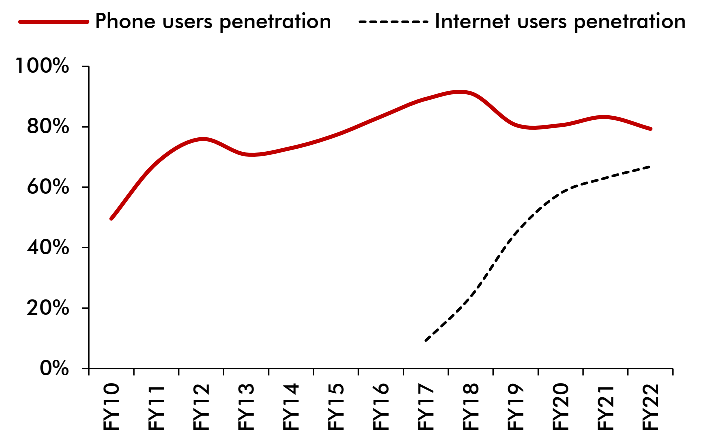
Source: Ambit Capital research, Industry reports

Exhibit 20: Chinese e-commerce market has grown at a rapid 18% CAGR over 2012-2022



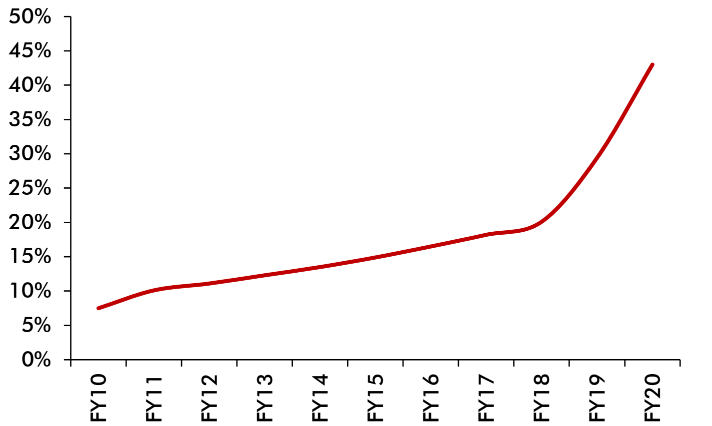
Source: Ambit Capital research, Industry reports

Exhibit 21: Internet users as a % of population is constantly increasing and still holds a lot of potential



Source: Ambit Capital research, Industry reports

Exhibit 22: Internet users as a % of population is constantly increasing



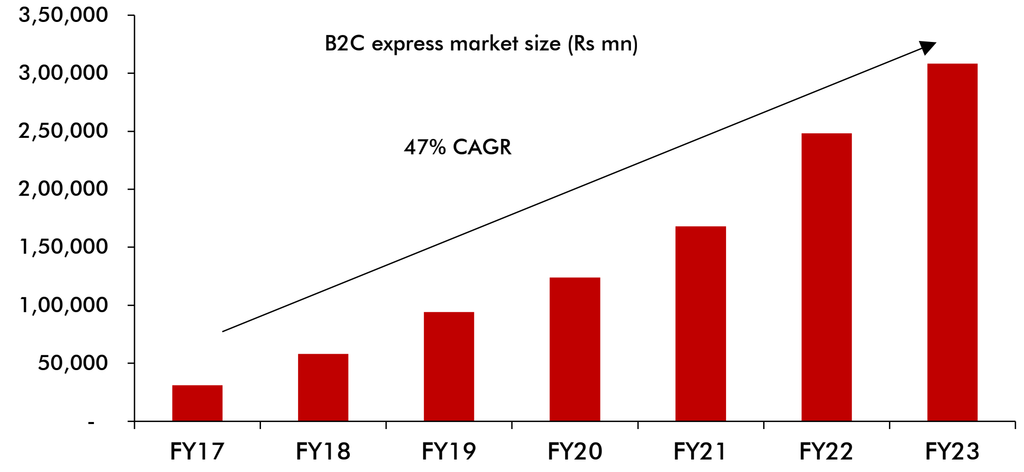
Source: Ambit Capital research, Industry reports

Customers de-risking strategy → fragmentation?

A peek at the landscape – strong growth coupled with different business models

Over the past 6 years, B2C express market grew at a rapid 47% revenue CAGR. B2C express market continues to be dominated by captive players with over ~60% share. In the 3PL space, Delhivery is the undisputed market leader in the B2C express logistics space and is already at 1.8x the size of the nearest competitor.

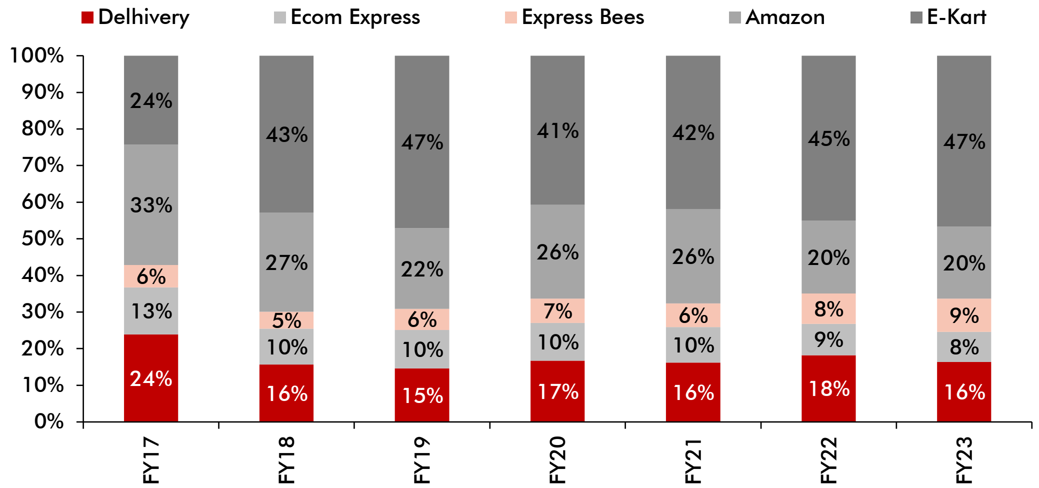
Exhibit 23: Indian B2C express space has grown rapidly over the past few years



Source: Company, Ambit Capital research, Indicative market size

A peek at the capabilities of 3PL players indicate: 1) Delhivery is the only company boasting a mesh network (through which it claims to deliver faster vs. peers and with higher precision); the rest are using hub and spoke models. 2) Larger companies have similar pincode reach in the B2C express business, smaller names don't have very high reach. 3) Most companies use their in-house tech stacks. The reported numbers of B2C ecommerce companies indicate that most players are close to achieving operational profitability. A case in point is Delhivery, which is EBITDA negative despite investing significantly in other businesses. However, the bigger difference is GB and CE T/O, which is different for different companies owing to significant working capital and capex differences.

Exhibit 24: Captives continue to hold more than 60% share in the B2C market space



Source: Company, Ambit Capital research, MCA, industry reports; revenue share is based on the revenue of various listed and unlisted players; list of players is not exhaustive; Revenue share is assuming Amazon/Flipkart revenue is entirely B2C express, Profitability for captives/3PLs cannot be comparable.

Exhibit 25: Delhivery's cons. EBITDAM is similar to peers, implying superior profitability in the express parcel business vs peers given loss-making other businesses

FY23, ₹ mn	Delhivery (Consol)	Delhivery (Express)	Ecom Express (Cons)	Ecom Express (Courier)	Xpress Bees
Net Sales	**72,253**	**45,520**	**24,582**	**23,025**	**25,315**
-3 year CAGR	37%	33%	27%	25%	50%
-5 year CAGR	48%	38%	35%	32%	56%
Costs					
Freight/Direct costs	75%		54%		82%
Employee	19%		26%		13%
Rent	4%		3%		2%
Other expenses	8%		20%		8%
EBITDA margin	-6%		-3%		-5%
Depreciation	12%		8%		4%
EBIT margin	-18%		-11%		-9%
Finance cost	3%		3%		1%
PBT margin	-15%		-13%		-7%
Pre-tax RoCE	-15%		-16%		-19%
Cash Conversion days	42		13		0
CE T/O	0.8		1.5		2.1
GB T/O	1.1		1.9		16.5

Source: Company, Ambit Capital research, VCC edge, for calculating GB T/O, Gross Block includes Gross carrying value of Fixed assets including RoU assets, and for calculating CE T/O, Capital Employed includes lease liabilities

Exhibit 26: Competitors are catching up with Delhivery's widespread network but its scale advantage remains significant

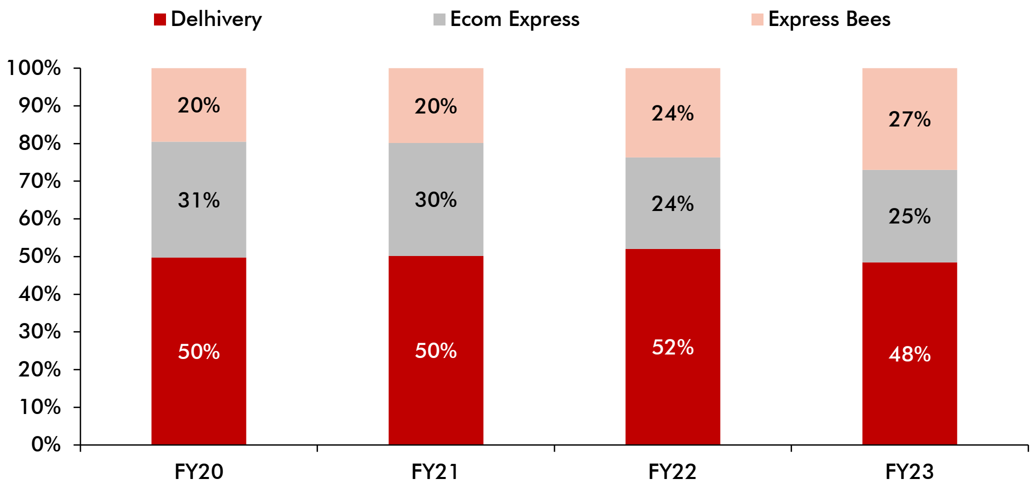
	Delhivery	Blue Dart	Ecom Express	XpressBees	Shadowfax	DTDC
Hubs	NA	NA	150+ hubs (incl. gateways, processing and fulfilment centres)	150+ hubs	NA	NA
Branches	3,500+	~2,347 (incl. hubs)	~2,834	3,500+ offices	~900	580
Fleet	~12,366 (owned/leased)	~12,000	NA	NA	NA	~1,500
PIN code reach	18,655	NA	~27,000*	~20,000	~15,000	~14,000
Technology	In-house	In-house	In-house	NA	In-house	NA
Operating Model	Mesh Network	Hub and spoke network	Hub and spoke network	Hub and spoke network	NA	NA

Source: Company, Ambit Capital research, Company websites and channel checks, other industry reports. Ecom's pincode reach could have duplication. Note: Data taken from websites and company presentations. May not be exhaustive.

Non-Amazon/Flipkart platforms are a major driver of sales for 3PL B2C Express players -> Market share losses for leaders?

With Amazon and Flipkart doing almost 75-85% (based on our channel checks) of their deliveries in-house, players like Meesho and Nykaa are the larger customers for most B2C express logistics players. With a view to de-risk themselves from having a few 3PL providers, many companies have started giving significant business to newer B2C express players like Shadowfax, DTDC and Elastic Run. Meesho last year added 3 vendors. Whilst D2C brands continue to rise, most of these platforms still contribute majority to 3PL shipments. This could mean market share losses for larger players like Delhivery (slower growth already seen vs peers in FY23).

Exhibit 27: Market share for the larger 3PL players reduced in FY23 as 3PL players looked to diversify from existing larger players



Source: Company, Ambit Capital research, Revenue share of express large B2C express players; Total revenue of Xpressbees assumed as B2C express revenue

Funding has slowed but most larger logistics companies have ample cash

PE funding in the logistics space (mainly express) slowed recently. Most recent fund-raises have been driven by Delhivery/XpressBees/Ecom. However, despite the slowdown most of these companies have ample cash to manage growth.

Exhibit 28: Funding for logistics players slowed recently

Calendar year	USD mn
CY21	711
CY22	915
CY23	155

Source: VCCedge, Ambit Capital research; data may not be exhaustive

Exhibit 29: However, larger players have enough cash on the books to manage growth

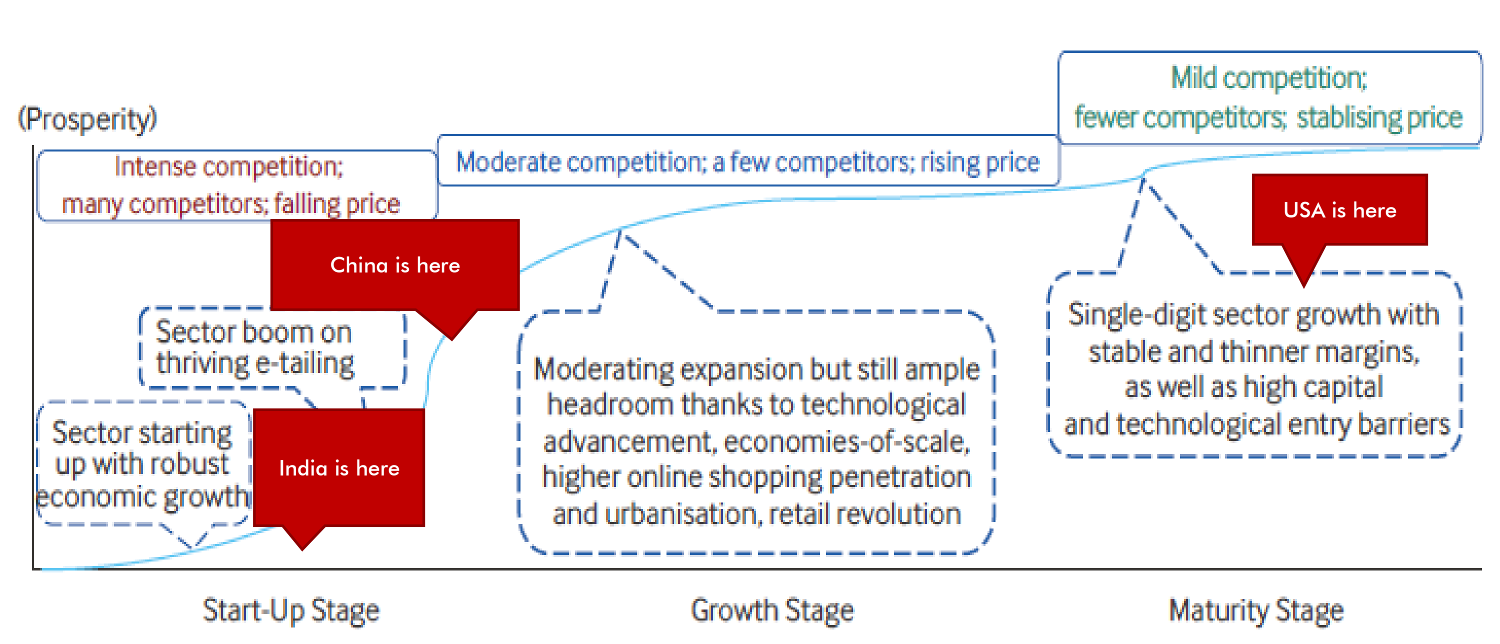
Company	Date	INR (bn)	From	Cash & bank balance (as on 31-03-23) (₹ bn)
Ecom Express	Sep-22	3.1	Warburg Pincus India Pvt Ltd, British International Investment Plc, PG Esmeralda Pte Ltd	5.0
	Feb-21	1.5	CDC group PLC	
Xpressbees	Oct-23	6.7	Ontario Teachers Pension Plan	11.1
	Aug-23	3.3	Khazanah Nasional Berhad	
	Aug-22	2	Avendus Future Leaders Fund	
	Feb-22	22.4	Blackstone Growth, Tarrant Capital IP, ChrysCapital Investment Advisors India Pvt Ltd. Investcorp Private Equity and Northwest Venture Partners	
	Oct-20	8.1	Investcorp, Norwest Venture Partners, Gaja Capital	
	Dec-19	0.7	Singapore E-commerce Pvt (Alibaba Group Holding)	
Shadowfax	Dec-19	3.7	Flipkart Pvt Ltd, Eight Roads Ventures India, Qualcomm Ventures, NGP Advisors India Pvt Ltd, Mirae Asset Global Investments India Pvt Ltd	0.9
Delhivery	Net debt free			55/55*

*Source: Company, Ambit Capital research, MCA, VCCedge; *as of 1HFY24; data may not be exhaustive*

Scale-up of new B2C express players; IPO plans also likely

Given the rapid scope for growth in this segment, it is likely that many new players continue to enter this space. New players like DTDC, BDE, Shadowfax and Elastic Run continue to push here. This implies that market shares could remain under pressure for incumbents. Also, companies like Xpressbees, Ecom Express and others are looking to go public soon. This implies that competition will continue to push growth and attempt to increase market share, which will impact the larger players.

Exhibit 30: India is at the start of its e-commerce journey; competition likely to continue surging



Source: Industry reports, Ambit Capital research

Captives too aren't letting their guard down

Over the last 12 months, players like Amazon and Meesho have been spending on and/or creating platforms for vendors to improve their logistics experience. We are already seeing Amazon investing aggressively globally on logistics. Similarly, Meesho (owing to its no-commission business model) is now looking at fulfillment to drive its revenue. All of this implies that captives' share as a % of the overall e-commerce market is unlikely to reduce anytime soon unless market shares shift drastically between platforms/social commerce.

Exhibit 31: Captives are aggressively spending capital to improve logistics experience

Amazon	
Jan-23	Infusion of ₹4bn capital
Jan-23	Launch of Amazon Air
Meesho	
Aug-23	Launch of logistics SAAS platform

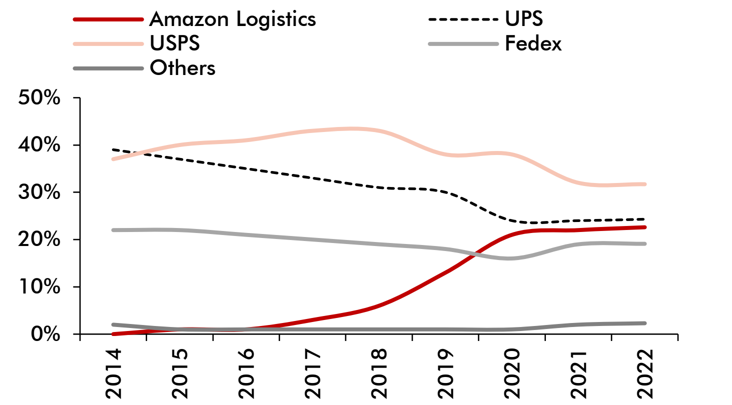
Source: Company, Ambit Capital research

Despite increased insourcing globally, many 3PL companies will continue to thrive in India

Amazon has driven insourcing of logistics in USA; Indian e-commerce companies already insourcing significant portion

Over the last few years, various global e-commerce companies like Amazon resorted to insourcing in a big way. Similarly, players like Coupang from South Korea have been investing aggressively in building up their own logistics network in a bid to improve their delivery experience with their customers. However, the risk is lower in India with 2 e-commerce giants already moving ~80% of their shipments through own logistics arm with limited exposure to 3PL players. Moreover, it would entail significant investments for new players to recreate this network in India.

Exhibit 32: Since 2017, Amazon has gained sizeable market share



Source: Company, Ambit Capital research

Exhibit 33: Indian e-commerce giants are largely using their own e-commerce networks to move ~80% of their shipments

"We continue to expand our Amazon logistics and delivery capability," said Brian Olsavsky, Amazon's CFO, in response to a question about the use of 3PL in 2019. "We have great third-party partners in the transportation space. What we like about our ability to participate in transportation is that a lot of times we can do it at the same cost or better."

The two Ecommerce giants in India ship around ~3mn parcels per day, but only 15%-20% of that is outsourced - Industry expert

Blue Dart's edge in air business to be affected as Amazon has launched two carriers of their own for metro to metro - Industry expert

Amazon has been able to cover short distances, but will need 3PL players (like Delhivery) for long distance last mile delivery. This will grow further as share of non-metro sales grow; share of non-metro has grown from 30% to 60% in last 4-5 years - Industry expert

Source: Company, Ambit Capital research

Global 3PL companies have become strategic partners of leading e-commerce platforms

Whilst we keep the risk of insourcing in mind, it is worthwhile to note that many 3PL partners have become important partners of global e-commerce partners owing to their strategic importance and lower costs. In China, Alibaba has invested in multiple 3PL partners. In South Korea, players like Naver invested significant capital in leading 3PL partners like CJ logistics. This implies that global 3PL logistics players have significant strategic value owing to their vast networks.

Exhibit 34: Leading e-commerce companies across the globe are investing in strengthening their partnership with 3PL players, which are now an integral part of their business process

Country name	Leading e-commerce platforms	Leading 3PL B2C delivery company	Market share of leading 3PL B2C company	Strategic investments/collaboration made by E-commerce players
Japan	楽天 ICHIBA; amazon.co.jp	YAMATO TRANSPORT	47%	Tie up with Paypal mall and Yahoo Japan shopping to provide full spectrum of logistics/fulfilment services
South Korea	coupang; NAVER	CJ LOGISTICS	45%	Strategic investment by Naver into CJ logistics, acquiring 7.85%.
China	Alibaba.com	ZTO 中通快递 ZTO EXPRESS	22%	Alibaba has stake in various 3PL players like ZTO Express, YTO Express, and STO Express among others.
USA	amazon.com	ups	40%	In Apr-22, Amazon Inc said it plans to invest $1bn in companies developing technologies in logistics and increasing e-commerce delivery speeds.
Germany	amazon.de	DHL	49%	NA

Source: Company, Ambit Capital research, Industry reports, media articles

Indian e-commerce delivery space very different from global peers; urbanization rates could hinder scale

Globally e-commerce is dominated across the urban regions owing to the high urbanization rate. This enables e-commerce platforms/3PL partners to gain scale in last mile delivery methods owing to their ability to complete higher number of deliveries in a specific location. Whilst currently metro cities contribute significantly to e-commerce in India, it is widely expected that incremental growth will be driven by Tier 2/3/4 cities and rural areas, which could hinder the scale of last-mile deliveries. This is a key monitorable as companies attempt to scale up.

Exhibit 35: The Indian e-commerce logistics landscape is very different to other countries

Country	Urbanisation rate	Cross border share in ecommerce (%)	Share of non-home delivery
North America			
USA	83%	7%	3%
Europe			
UK	84%	25%	7%
Germany	78%	17%	
Asia			
China	63%	14%	2%
South Korea	81%	5%	
Japan	92%	10%	
India	35%	Low	
South America			
Brazil	87%	7%	0.6%
Oceania			
Australia	86%	10%	13%
New Zealand	87%	29%	

Source: Company, Ambit Capital research, Industry reports, media articles

A peek into global peers indicates consolidated market

A trend that is evident globally is that the e-commerce logistics industry remains consolidated owing to 1) scale and 2) wide network by which they can continuously pass on the cost advantage to customers whilst maintaining profitability. This is also visible in India.

Exhibit 36: Global trends indicate B2C express market tends to become consolidated

Japan		South Korea		China		USA		Germany	
Company	**Market Share**	**Company**	**Market Share**	**Company**	**Market Share**	**Company**	**Market Share**	**Company**	**Market Share**
Japan Post	46%	CJ Logistics	45%	ZTO	22%	USPS	32%	DHL	49%
Yamato	34%			Yunda	16%	UPS	24%	Hermes	13%
Sagawa Express	16%			YTO	16%	Amazon Logistics	23%	UPS	12%
Others	4%			STO	12%	FedEx	19%	DPD	11%
				Others	34%	Others	2%	Others	15%

Source: Company, Ambit Capital research, Industry reports. Market share is based on volumes.

Indian B2C express market can grow at 16% CAGR over the next decade

We attempt to forecast the possibility of growth in the B2C express market over the next decade keeping in mind multiple variables driving the same. Key assumptions:

- GDP growth – 6%
- Retail growth – 9% (1.5x multiplier to GDP growth)
- Share of online as a % of retail – 14% by end of FY34E
- Realization decline – 1% CAGR

In the past 3 years, there was rapid growth in B2C express market due to the pandemic when the share of online retail as a % of overall retail grew by 3ppt to ~6% of overall retail. However, the steeper climb starts now where the easier share gains would be hard to come by. But the structural drivers remain intact. Over the next 11 years, we expect online share of retail to touch 14%. This would drive 16% revenue CAGR (17% shipment CAGR) for the B2C express market over the next decade.

Exhibit 37: B2C market can grow at 16% CAGR over the next decade driven by increasing online share as a % of retail

₹ mn	Actual					Forecasts	
	FY19	FY20	FY21	FY22	FY23	FY34E	CAGR
Current Market size (Top 6 cos)	**99,318**	**123,942**	**168,172**	**248,291**	**308,160**	1,337,130	16%
Assumed realization (Similar to Delhivery)			**88**	**72**	**69**	**61**	-1%
YoY (%)				-18%	-5%	-1%	
# of shipments (mn)			**1,906**	**3,448**	**4,488**	**25,857**	17%
YoY (%)				81%	30%		
Retail Market size (USD bn)	770	817	765	886	975	2,495	
YoY (%)		6%	-6%	16%	10%	9%	
GDP growth (x)		4%	-6%	9%	7%	6%	
GDP growth multiplier (x)		1.6	1.1	1.7	1.4	1.5	
Online retail market (USD bn)	22	25	36	49	60	346	17%
Revenue/Shipment			19	14	13	13	
Online share of retail market (%)	2.9%	3.1%	4.7%	5.5%	6.2%	14%	

Source: Company, Ambit Capital research, We use realization of Delhivery as industry realization - #s could be different, Industry reports

Exhibit 38: India's e-commerce landscape is very different vs rest of the world – women labour force participation and urbanization rate are a hindrance to China-like growth

	Share of retail (% of total retail sales)	Women labour force participation (%)	Urbanization rate (%)	Per capita GDP (US $ - CY22)
China	45%	61%	64%	12,720
UK	36%	59%	84%	45,850
S. Korea	30%	55%	83%	32,254
Indonesia	28%	53%	58%	4,788
Singapore	17%	63%	100%	82,807
US	15%	56%	83%	76,399
Russia	15%	55%	75%	15,345
Canada	14%	61%	82%	54,966
Japan	13%	54%	92%	33,815
Mexico	12%	46%	81%	11,091
India	6%	33%	36%	2,388

Source: Company, Ambit Capital research, World Bank, UN, Industry reports

Most large players are similar but Delhivery has an edge

A comparison of key B2C 3PL players indicates that Delhivery has a slight edge over peers. It does very well on reach/higher share of D2C brands – which implies possibility of better margins ahead but could hinder growth in the near term. However, its capital structure needs to improve. Other players like Ecom/Xpressbees have built great capabilities but have a lower scale than Delhivery. Key trackable would be: 1) ability to improve cost structure and 2) ability to diversify from large customers.

Exhibit 39: Delhivery has a slight edge over peers owing to its scale/reach

	Operational metrics			Financial metric			Overall	Remarks
	Reach	Higher share of D2C brands	End to end capabilities	Scale	EBITM	Capital structure - lower WC days		
Delhivery	●	●	●	●	●	◕	●	Delhivery is the largest B2C express player in India. Over the years it has established its scale/reach and diversified customer base to differentiate itself from peers. It only loses out on its capital structure where its investment in working capital and non-current assets is far higher vs. peers
Ecom	●	◕	●	◕	◕	●	◕	Started by ex-BDE employees, Ecom is one of the largest B2C express companies in India. Over the years it has expanded its reach and capabilities. However, it ranks lower on scale and concentrated customerbase vs. Delhivery and Xpressbees
Xpressbees	●	◕	●	◕	◕	●	◕	Xpressbees is one of the largest B2C express companies in India. It now has a similar reach to Delhivery, but it loses out on scale vs Delhivery
BDE	◕	◕	◕	◑	◕	●	◕	Blue Dart is one of the largest B2C express companies in India. It commands higher pricing given its brand and superior service capabilities. However, its reach is lower than peers, which is where it is attempting to catch up

Source: Ambit Capital Research, Company, Some of our ratings are based on checks with industry expects; ● - Indicates strong positioning; ◕ - Indicates above average positioning; ◑ - Indicates average positioning; ◔- Indicates weak positioning

B2B Express: A lot more settled space

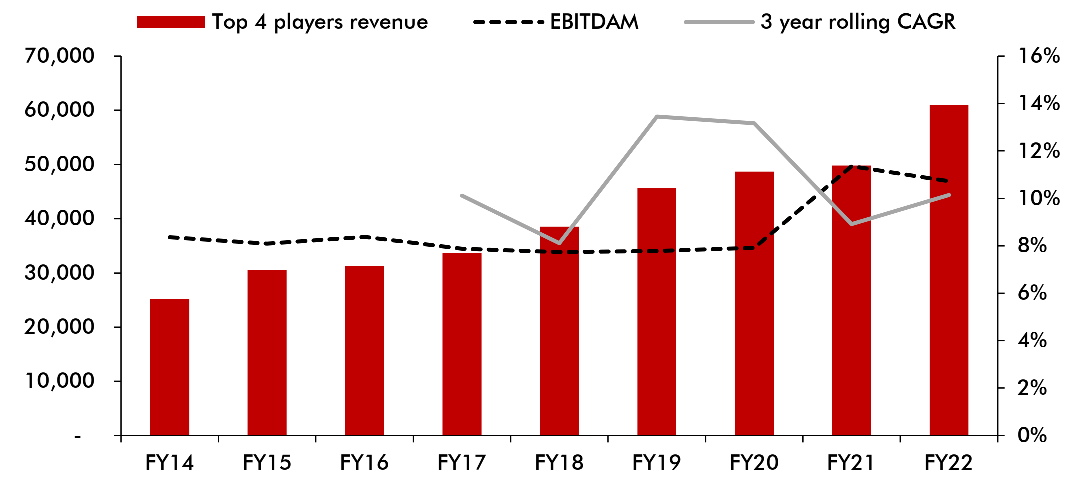
Over FY17-22, B2B express revenue registered ~13% CAGR with steady profitability. This was on the back of price hikes, volume growth and share gains from slow PTL. However, many players grew faster than this because of market share gains. This is now hard to come by as data suggests market shares have moved materially only when some individual player is impacted by internal issues. In the past, this segment showed median growth multiplier of ~2x to GDP growth. The last few quarters saw growth slowdown, partly because of GDP growth slowed. We believe this is temporary and likely to return to normal once GDP growth returns to normalcy (6-7%). We expect B2B express to post 12% CAGR over the next decade. Currently Safex is the clear leader of the pack owing to its superior customer mix and higher VAP mix.

B2B express market – sticky profitability + growth

Top 4 players dominate B2B express industry

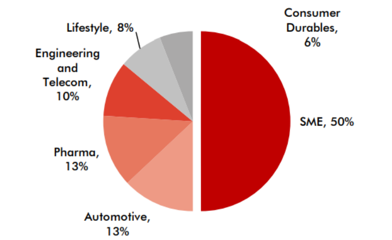
Unlike the B2C express space which was emerging over the last decade, B2B express (although smaller market) has showcased steady profitability coupled with steady revenue growth. This could be possibly owing to the incumbents attempting to fight on mix, service and efficiency rather than pricing. This is unlikely to change soon. Many news players have attempted to scale up but the top 4 players have managed their market shares. Another key reason could be the structure of the customer base where B2B express players are a lot more diversified (which de-risks themselves from individual industries 'issues and customer dependence). This is unlikely to be witnessed in B2C express anytime soon.

Exhibit 40: Over the last decade, the top 4 B2B express players managed growth along with sticky profitability



Source: Company, Ambit Capital research; Top 4 players include Delhivery (incl. Spoton), Safexpress, Gati KWE and TCI Express; #s include Ambit estimates, actual #s could vary.

Split of customers (TCI Express - indicative)



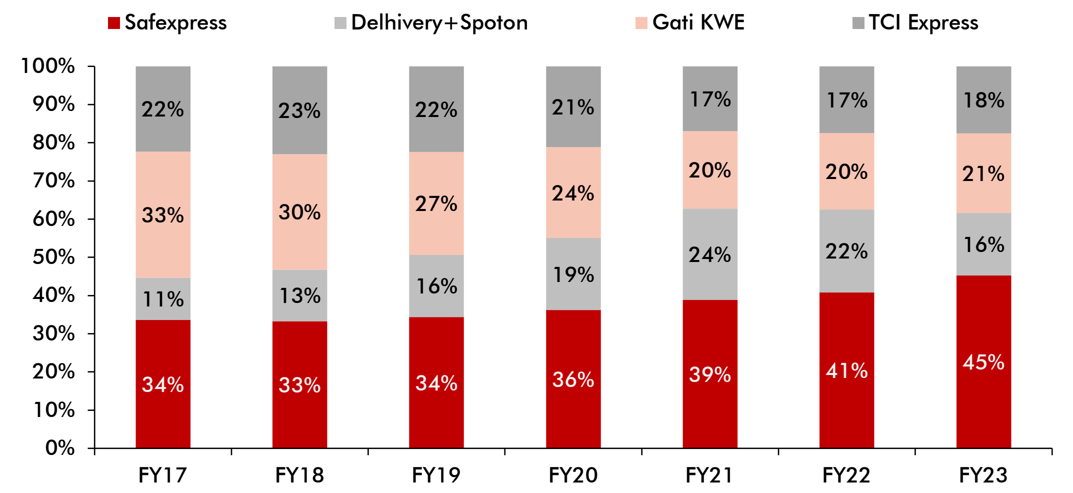
Some new players are attempting to enter this space – too early to call success

Players like E-kart and Mahindra Logistics are attempting to enter this space through organic/inorganic means. We could see other players enter this space too but it would be too early to call a success here as many players failed owing to inconsistent services/inability to scale out of core market.

Market share usually sticky unless…

Over the past few years, there have been significant market share shifts between express logistics players. Over FY18-21, companies like Safexpress and Spoton/Delhivery benefited owing to Gati's internal issues. However, this stopped once new management at Gati took over. After the Delhivery-Spoton integration in early 2022, players like Bluedart/Safex gained significant market share. Looking at the track record of material market share changes, it appears that unless there are operational/internal issues in one of the larger players a material shift in others' market shares is unlikely.

Exhibit 41: B2B Express revenue market share has been steady, except for disruptions seen with individual players



Source: Company, Ambit Capital research

Exhibit 42: Safexpress is the clear market leader amongst the PTL players

FY23, ₹ mn	BlueDart	SafeXpress	Gati KWE	Delhivery (PTL business)	TCI Express
Net Sales	**51,722**	**24,285**	**14,689**	11,570	**12,410**
-3 year CAGR	18%	16%	8%	71%	6%
-5 year CAGR	13%	17%	5%	87%	7%
Costs (% of sales)					
Freight	58%	64%	72%		69%
Employee	16%	9%	13%		10%
Rent	1%	6%	2%		0%
Other expenses	7%	7%	8%		5%
EBITDA margin	**18%**	**14%**	**5%**		**16%**
Depreciation	8%	2%	4%		1%
EBIT margin	**10%**	**12%**	**1%**		**14%**
Finance cost	1%	0%	2%		0%
PBT margin	**10%**	**12%**	**-1%**		**15%**
Pre-tax RoCE	34%	21%	3%		32%
Cash Conversion days	4	61	37		24
CE T/O	3.8	1.8	3.7		2.2
GB T/O	12.2	11.1	3.9		3.2

Source: Company, Ambit Capital research, MCA; #s for Safexpress are for FY22

Volume and realization growth slows, but temporary

Revenue growth has slowed but indicates strong correlation to GDP/PFCE growth

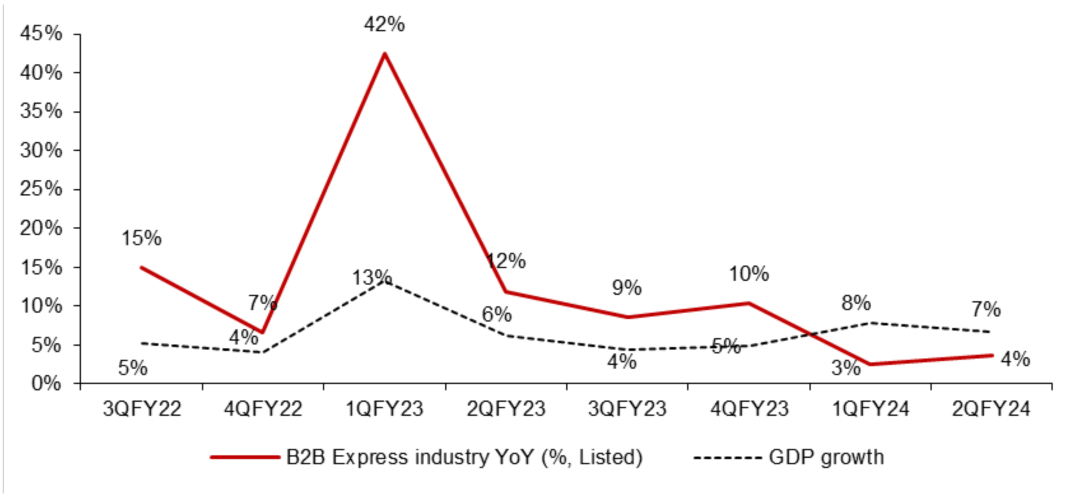
Over FY17-22, B2B express industry grew at 13% CAGR. Whilst YoY growth depended on the extent of GDP growth, B2B express industry indicated a median GDP to industry multiplier of 2x. A comparison with PFCE growth also indicates a median multiplier of 1.4x; PFCE/GDP growth has a strong correlation with B2B express growth. Recently, growth slowed owing to slowdown in GDP growth, but it appears temporary and should recover once GDP growth goes back to 5-6% levels.

Exhibit 43: B2B express growth has a strong correlation with real GDP/ PFCE growth

	B2B express growth (%)	GDP growth (%)	MFG growth (YoY)	PFCE growth
FY18	13%	7%	8%	10%
FY19	17%	6%	5%	12%
FY20	8%	4%	-3%	9%
FY21	2%	-6%	3%	-2%
FY22	27%	9%	11%	17%
FY23	16%	7%	1%	16%
Correlation to B2B express growth		**0.9**	**0.7**	**0.9**
Median Multiplier (X) to GDP growth		**2.2**	**3.5**	**1.4**

Source: Company, Ambit Capital research, B2B express market assumed as revenue of top 4 players

Exhibit 44: Industry growth slowed to high single digit owing to slowdown in GDP growth



Source: Company, Ambit Capital research, Industry growth #s here includes data from TCI express and Gati KWE.

Realization growth to follow volume growth; history suggests median 2% annual price hikes

Over FY17-23, B2B express players took a median price hike of ~2% annually. Whilst the price hikes have been different for different years, typically the higher price hikes have happened in the years when volume growth was stronger. Hence, it appears that owing to macro weakness seen in FY23, price hikes have been lower than usual. But it appears that once growth normalizes, price hikes should be back to the normal 2% levels.

B2B express – steady growth with steady margin with bouts of competition

B2B express market's share to overall road market is very low at 2-3%. This is set to grow as organized share of the market grows and manufacturing growth materializes. Unlike B2C express (where we assumed realization cuts), we expect 1% realization growth in this vertical (demonstrated in the past too). Whilst there would be bouts of higher competition, it is unlikely that major market share shifts would happen unless operational issues increase for individual players.

Exhibit 45: We expect B2B express market to grow at 12% CAGR over the next decade

	Actual			Forecasts
	FY21	FY22	FY23	FY34E
Top 5 market size (₹ mn)	**58,588**	**74,216**	**86,345**	**300,354**
Growth (%)				12%
Average realization/ton	12,000	12,200	12,500	14,294
YoY (%)				1%
Tonnage (mn MTPA)	4.9	6.1	6.9	21.01
GDP growth multiplier (x)			2	2
GDP growth (%)				6%

Source: Company, Ambit Capital research; realization/t are assumed based on our estimates, actual #s could vary.

Safex is the best of the lot – catch-up for others

Over the last few years, Safex has emerged as the clear market leader in the B2B express space on the back of market share gains. Other players are catching up in terms of pricing/mix. However, work remains be done on margins.

Exhibit 46: Safex is the clear market leader in the B2B express space

	Operational aspects			Financial parameters		Overall	Comments
	Brand	Reach	SME	RoCE	Sales growth		
BDE	●	◕	◑	◕	●	◕	BDE has pivoted towards B2B express and is investing aggressively in this vertical. However, it has still some time away before it solidifies its reach. Its RoCE/sales growth in this vertical has been healthy.
Safex	●	●	●	●	●	●	Safex has become the undisputed leader in the B2B express space and has gained market share consistently. Its pricing is higher than most firms owing to higher VAP share. RoCE of Safex is much higher owing to significantly higher gross margins.
Gati	◕	◕	◕	◑	◕	◕	Gati was market leader till 2015. However, it suffered operational/promoter challenges which led to market share decline. However, after Allcargo's acquisition the company is improving on these fronts. However, there is some time to go before it catches up with industry leaders.
Delhivery-Spoton	◕	◕	◑	◑	◑	◑	Delhivery acquired Spoton in 2021. Pre-2021, Spoton was a PE-owned company with focus on corporate customers. After its acquisition, it faced integration challenges. Whilst growth has come back, it is yet to catch up with leaders on mix of the customers and profitability.

Source: Company, Ambit Capital research, Some ratings above are based on discussions with industry experts; ● - Indicates strong positioning; ◕ - Indicates above average positioning; ◑ - Indicates average positioning; ◔- Indicates weak positioning

RoCE, not growth, is the key question

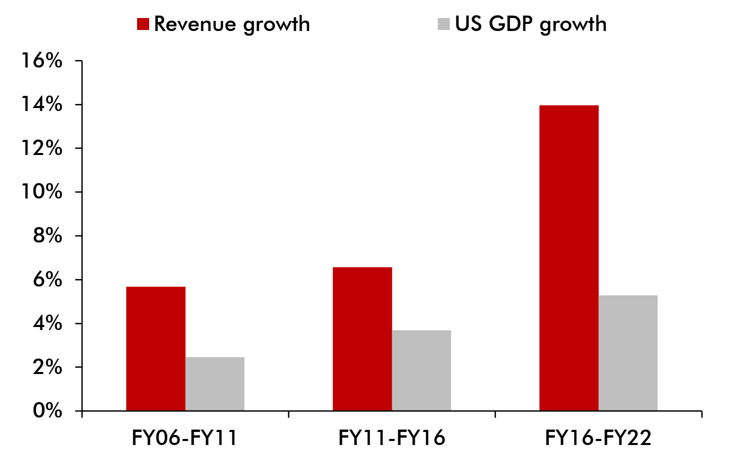
Indian express's macro opportunity remains large with scope for market share gains, efficiency improvement and manufacturing growth. However, global examples suggest that for valuations to sustain and remain at a premium to the relative index, RoCE improvement remains the key. Companies like Old Dominion, one of the largest PTL companies in the US, are a testament that 20%+ margin is possible in B2B express through GM improvement and operating expense savings. In the B2C express space, growth isn't a challenge but operating efficiency needs to be paramount to drive RoCE. A comparison with global peers suggests that scope for margin improvement exists though other expense savings/GM improvement and thus RoCE, something most Indian companies will have to demonstrate to ensure higher multiples (already at a material premium to global peers and history).

Global B2B express example indicates steady business provided efficiency in operations

US PTL companies grew consistently last 2 decades with healthy RoIC

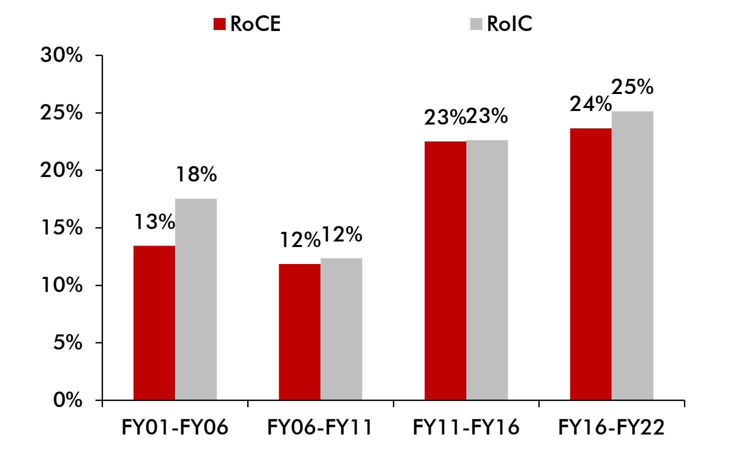
Over the last 15 years, US PTL (B2B express) companies have clocked almost 9% CAGR. Whilst doing this, these companies maintained superior profitability and RoIC of 15-18%. Most of the ROIC improvement was driven by margin improvement which came on the back of efficiency improvement and scale.

Exhibit 47: US PTL companies have grown at 9% CAGR over the last 15 years



Source: Bloomberg, Ambit Capital research, Companies included Old Dominion, Saia Inc

Exhibit 48: Median RoIC has been consistently in the high teens over the years



Source: Bloomberg, Ambit Capital research, Companies included Old Dominion, Saia Inc

Exhibit 49: Snapshot of B2B express companies

USD mn	Old Dominion	Yellow	Saia
Revenue	6,260	5,245	2,792
3 year CAGR	15%	2%	16%
5 year CAGR	13%	1%	15%
Gross margins - CY22	40%	12%	47%
Gross margins - 5 year median	37%	10%	40%
General admin and other cost - CY20	7%	6%	24%
General admin and other cost - 5 year median	8%	5%	24%
EBITDAM- CY22	34%	6%	22%
EBITDAM-5 year median	29%	6%	17%
PATM - CY22	22%	0%	13%
PATM-5 year median	17%	-1%	7%
CY22			
GB T/O	1.1	1.6	1.2
Asset T/O	1.3	2.2	1.4
WC days	28	31	23
Pre-tax RoCE (%)	48%	13%	30%
RoE (%)	38%	-6%	26%
Median			
GB T/O	1.1	1.6	1.1
Asset T/O	1.1	2.3	1.4
WC days	30	26	23
Pre-tax RoCE (%)	32%	13%	18%
RoE (%)	24%	16%	16%

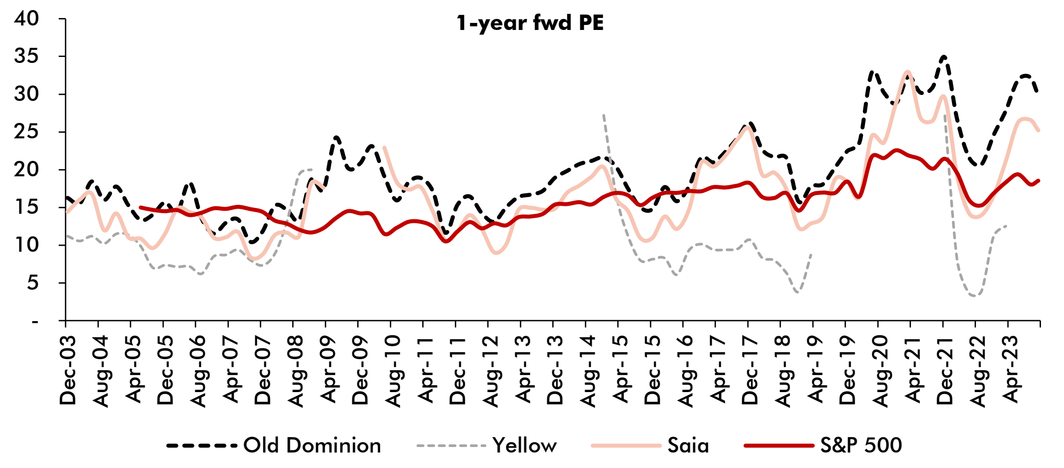
Source: Company, Ambit Capital research, Bloomberg

Exhibit 50: Margin expansion was the key driver of RoIC expansion for global B2B express

	FY06-11	FY11-16	FY16-21
Median EBITM	3%	7%	9%
Median CE T/O	2.8	3.1	1.9
Median ROIC	9%	21%	28%

Source: Company, Ambit Capital research, Bloomberg

Exhibit 51: Old Dominion and Saia traded at a premium to S&P 500 owing to strong growth and superior RoCE

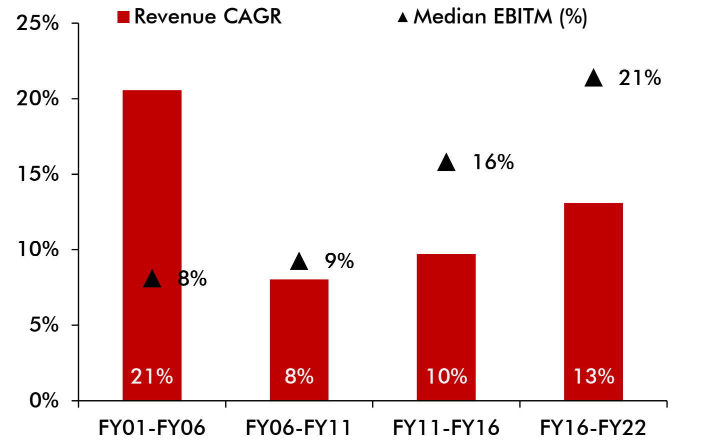


Source: Bloomberg, Ambit Capital research

Old Dominion a classic case of how B2B express companies can expand

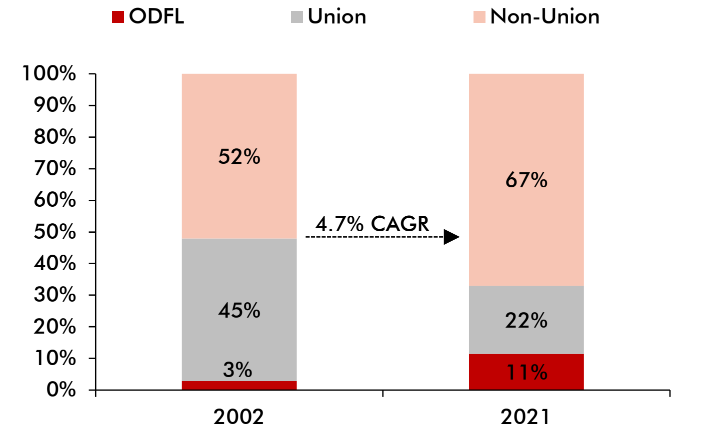
Old Dominion is one of the largest US PTL companies. Over the last 2 decades, the company posted double-digit revenue growth with EBITM improving consistently. Old Dominion managed to do that by consistently improving their quality of service (fewer damages and higher on-time deliveries). This implied that over a period of time their ROIC also improved significantly by 14ppt, driving a 16ppt premium to other peers.

Exhibit 52: Old Dominion saw its margins and revenue expand over a rapid pace driven by market share expansion



Source: Company, Ambit Capital research

Exhibit 53: Old Dominion outgrew the industry through consistent market share gains



Source: Company, Ambit Capital research

Exhibit 54: Old Dominion's capital structure over the years

	FY01-06	FY07-FY11	FY12-FY16	FY17-FY22
PPE	86%	88%	93%	85%
Investments	0%	0%	0%	0%
Other Non-current assets	5%	5%	3%	3%
Working Capital	7%	4%	4%	4%
Cash and bank	0%	3%	1%	9%

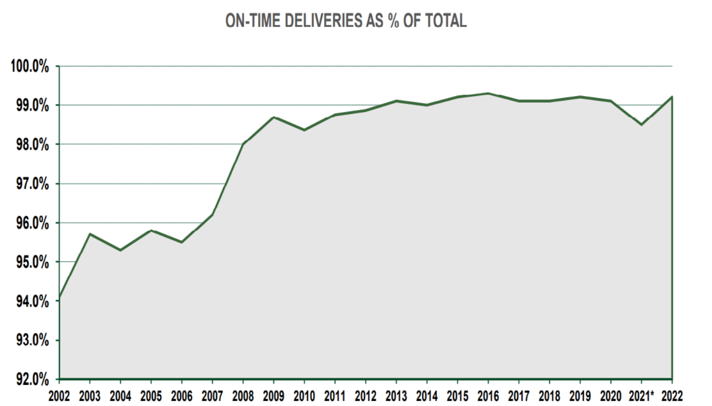
Source: Company, Ambit Capital research

Exhibit 55: Old Dominon's P&L as a % of sales over the years

	FY01-06	FY07-FY11	FY12-FY16	FY17-FY22
Gross Margin	20%	24%	30%	36%
Operating Expenses	12%	10%	9%	8%
EBITDA Margin	8%	13%	21%	28%
Depreciation	0%	6%	6%	7%
EBIT Margin	8%	9%	15%	21%
Interest Expense	1%	0%	0%	0%
PBT Margin	7%	8%	16%	21%
Taxes	3%	3%	6%	5%
PAT Margin	4%	5%	10%	16%

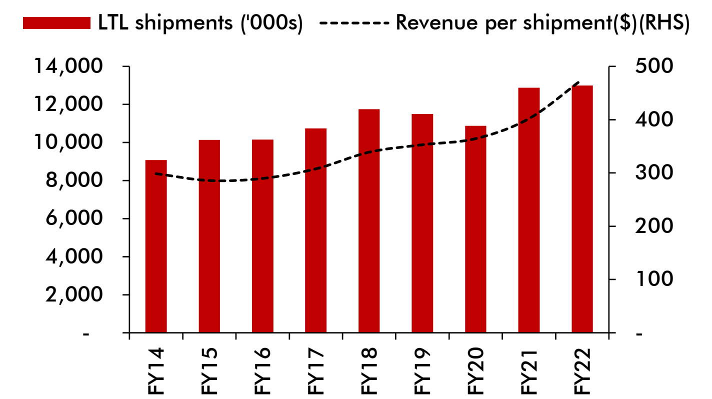
Source: Company, Ambit Capital research

Exhibit 56: Old Dominion managed by consistently improving service levels



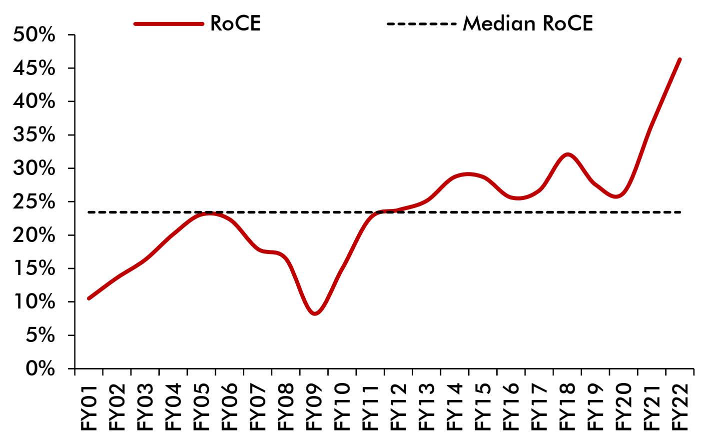
Source: Company, Ambit Capital research

Exhibit 57: Old Dominion was also able to take significant price hike in this period owing to their superior service levels



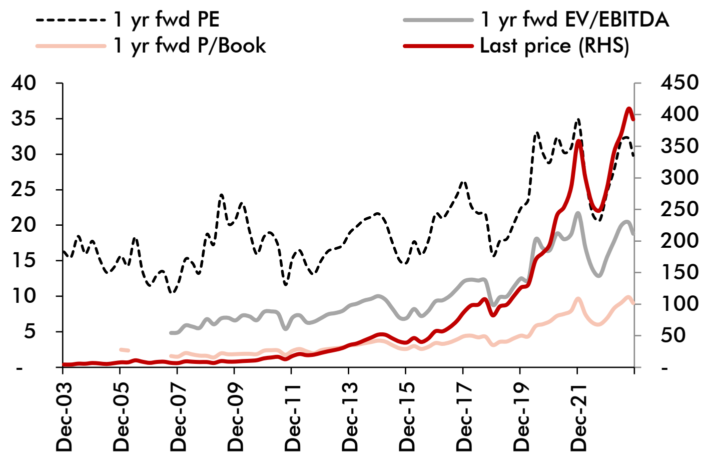
Source: Company, Visible Alpha, Ambit Capital research

Exhibit 58: Return profile of the company has consistently improved over the last 2 decades



Source: Company, Ambit Capital research

Exhibit 59: Old Dominion has re-rated over the last 2 decades



Source: Bloomberg, Ambit Capital research

Global B2C companies offer growth but are competitive

Chinese examples show us that global B2C companies offer a lot of growth. However, realizations declined consistently over the last decade owing to improvement in scale and entry of new competitors. Over the years, in China, whilst we have seen growth increase, margins have come under pressure as competitive intensity increased. This has consistently driven down pre-tax RoCE. We believe India is at the starting stage of this industry evolution. Growth is likely to be replicated in India too, but with new players already coming in owing to exciting growth prospects, it remains to be seen how overall RoCE plays out.

Exhibit 60: Snapshot of express logistics companies worldwide

USD mn	YTO	Yunda	Deppon	ZTO	STO	DHL	FedEx	UPS	Yamato	CJ Logistics
Revenue	7,962	7,054	4,668	5,261	5,007	99,467	93,512	100,338	15,973	9,416
3 year CAGR	21%	12%	8%	18%	14%	12%	10%	11%	3%	2%
5 year CAGR	22%	37%	9%	22%	22%	8%	9%	9%	3%	8%
Gross margins - CY22	15%	14%	18%	26%	8%	NA	26%	26%	8%	11%
Gross margins - 5 year median	14%	14%	17%	26%	8%	NA	26%	26%	7%	9%
General admin and other cost - CY22	5%	5%	8%	1%	3%	89%	14%	10%	3%	6%
General admin and other cost - 5 year median	6%	4%	9%	1%	3%	89%	14%	10%	3%	6%
EBITDAM- CY22	10%	9%	10%	25%	5%	11%	12%	16%	4%	6%
EBITDAM-5 year median	9%	9%	6%	25%	5%	11%	12%	14%	4%	4%
PATM - CY22	7%	3%	2%	22%	1%	6%	6%	11%	3%	2%
PATM-5 year median	6%	4%	2%	19%	1%	5%	6%	9%	2%	0%
CY22										
GB T/O	2.2	1.7	2.6	0.9	2.2	2.0	1.1	1.4	2.0	2.0
Asset T/O	1.4	1.3	2.0	0.5	1.7	1.4	1.1	1.4	1.7	1.2
WC days	(20)	(25)	(3)	12	(21)	8	34	18	15	19
Pre-tax RoCE (%)	0%	0%	9%	0%	5%	19%	11%	32%	12%	5%
RoE (%)	16%	9%	10%	16%	3%	25%	16%	68%	10%	5%
5 year median										
GB T/O	2.3	2.2	4.3	1.0	2.6	2.0	1.1	1.4	1.7	2.0
Asset T/O	1.5	1.3	2.8	0.5	1.7	1.4	1.1	1.4	1.5	1.2
WC days	(20)	(31)	(3)	12	(21)	7	34	18	27	19
Pre-tax RoCE (%)	13%	9%	9%	10%	5%	15%	11%	29%	8%	5%
RoE (%)	13%	10%	10%	16%	3%	22%	16%	141%	4%	4%

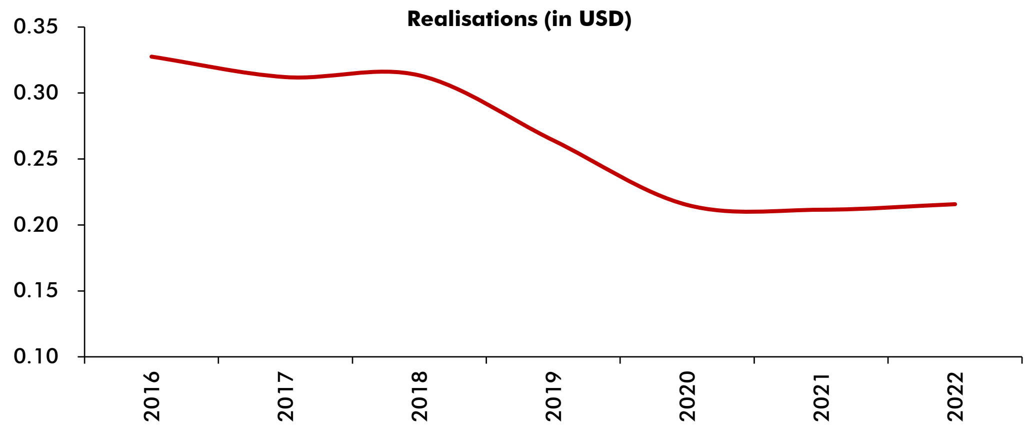
Source: Ambit Capital research, Industry reports

Exhibit 61: Snapshot of capital structure of B2C express logistics companies

	YTO	Yunda	Deppon	ZTO	STO	DHL	FedEx	UPS	Yamato	CJ Logistics
PPE	75%	87%	79%	56%	113%	63%	76%	73%	59%	70%
Investments	7%	6%	15%	14%	4%	2%	0%	0%	5%	6%
Other Non-current assets	8%	7%	8%	17%	17%	36%	15%	20%	19%	26%
Working Capital	-29%	-31%	-17%	-15%	-51%	-12%	-1%	-7%	-7%	-16%
Cash and Bank	40%	31%	15%	28%	17%	11%	10%	14%	25%	14%

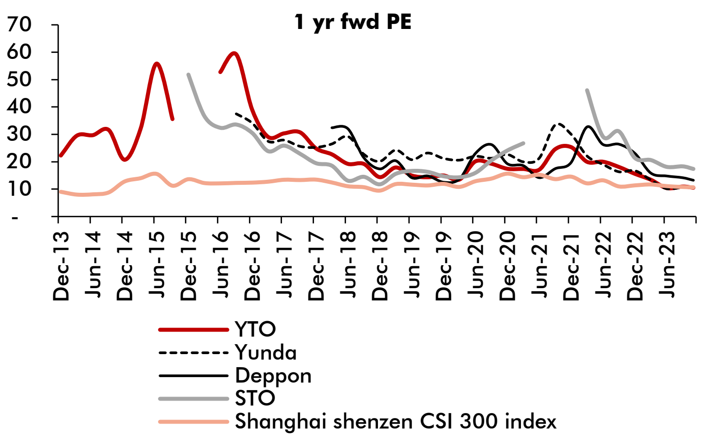
Source: Ambit Capital research, Industry reports

Exhibit 62: Realisations/unit has consistently dropped in China over the years for B2C express companies



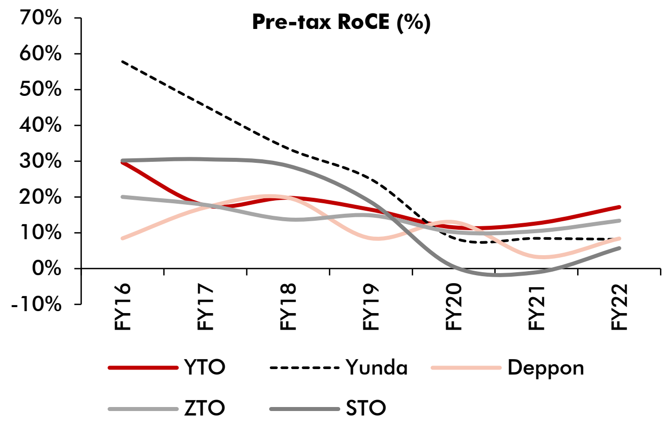
Source: Ambit Capital research, Industry reports, Data from ZTO used as indicative #

Exhibit 63: Chinese logistics companies have traded above the index owing to their superior growth



Source: Company, Bloomberg, Ambit Capital research

Exhibit 64: Returns for Chinese logistics companies have come off in recent years owing to price wars



Source: Company, Bloomberg, Ambit Capital research

How different are Indian express companies?

#1 Asset intensity much lower, working capital intensity higher

Across B2B and B2C express, Indian express companies have significantly lower capital intensity (owing to limited investments in vehicles) than global peers.

In the B2B express space, companies like…

- Safexpress have significant investments in working capital owing to their low payable days. Safexpress has considerably low payable days owing to its policy to pay suppliers immediately to drive preferential truck rates. Part asset ownership is transferred to a sister concern, which also dilutes the asset intensity.
- Gati KWE has high trade receivables but high investment in intangible assets means working capital makes up a smaller portion of the total capital structure.
- Blue Dart is an exception owing to its unique business mix and need for heavy investment in aircrafts making it capital intensive.

In the B2C express space, companies like…

- Ecom Express has high capital investment in PPE. Investment in working capital is limited owing to high trade payable days
- Delhivery has high working capital owing to its high unbilled receivables and other current investments. Limited investments in capital assets like warehouses and vehicles reduce capital intensity.
- XpressBees holds a huge amount of cash and has limited capital investment. Investment in working capital reduced as trade payables almost doubled in FY22.

Exhibit 65: Capital structure for companies in the express space is dominated by working capital, except for companies like Blue Dart and Ecom Express

	B2B Companies			B2C Companies		
	Blue Dart	**Safexpress**	**Gati KWE**	**Delhivery**	**Ecom Express**	**Xpressbees**
PPE	103%	3%	63%	20%	49%	9%
Investments	5%	2%	3%	9%	0%	0%
Other Non-current assets	6%	12%	65%	29%	23%	25%
Working Capital	-42%	69%	-34%	31%	-17%	-16%
Cash and Bank	28%	15%	3%	10%	46%	82%

Source: Company, Bloomberg, Ambit Capital research

#2 other operating costs are higher

A comparison of B2B express companies indicates that gross margins of global B2B express companies are higher (possibly owing to higher asset yield). There is only a 7ppt difference between these companies.

Gross margins of global B2B companies increased over the last decade owing to price hikes and efficiency improvement. Indian companies have improved over the last few years, but still marginally lower vs. global peers.

However, other expenses are higher for Indian companies. Indian B2B express companies' other expenses are 7-10ppt higher vs global peers. This difference is possibly owing to cost differential, but a cross-cycle comparison with Old Dominion suggests that global companies' costs have been lower even when their scale was materially lower. This suggests tremendous scope of improvement for Indian companies.

A comparison with the Indian and global B2C express space indicates that gross margins for Indian companies are higher vs global peers. But other expenses are significantly higher by 25ppt. This is something the Indian companies need to work on to improve their margins.

Old Dominion

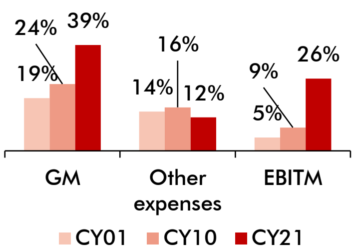
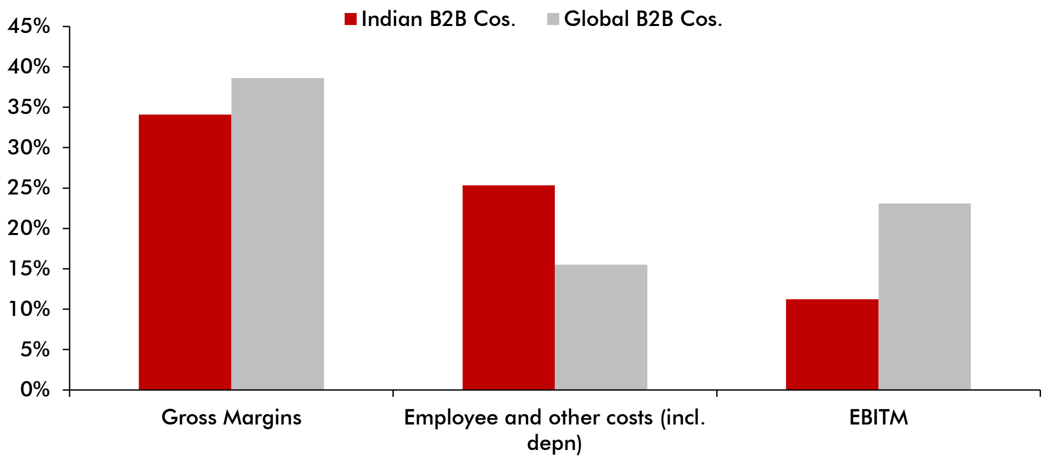
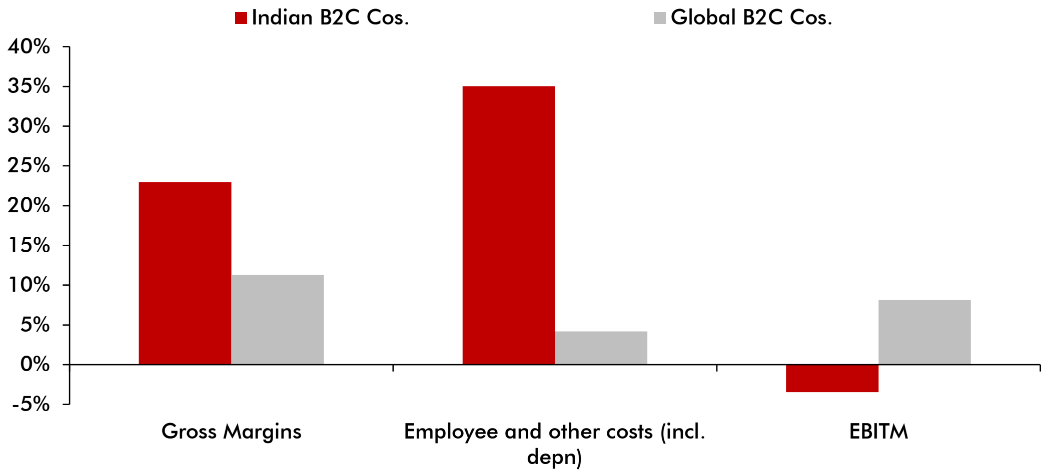


Exhibit 66: Global companies boast of higher gross margins (possibly because of asset yield) and significantly lower costs



Source: Company, Ambit Capital research, Industry reports

Exhibit 67: Indian B2C companies lag their global counterparts on scale and have higher cost, driving significant margin differential

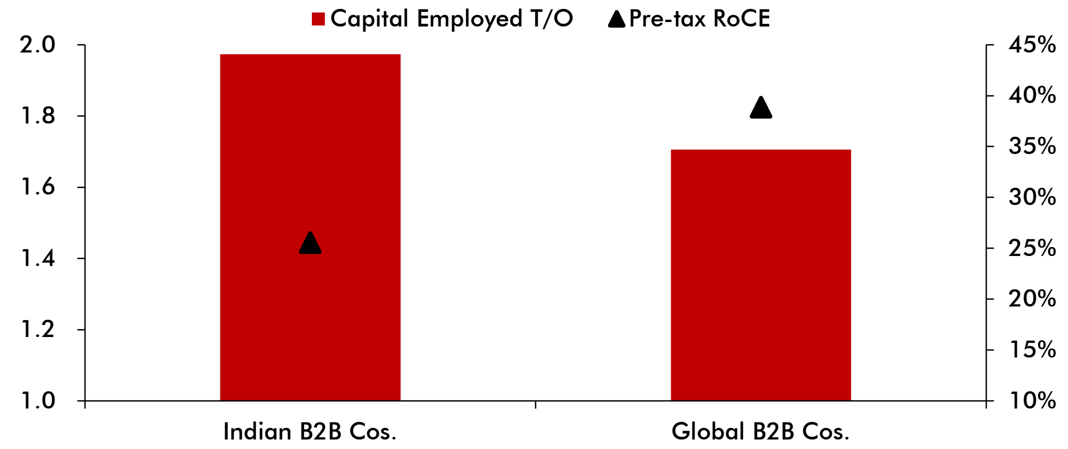


Source: Company, Ambit Capital research

#3 CE T/O marginally lower for Indian companies

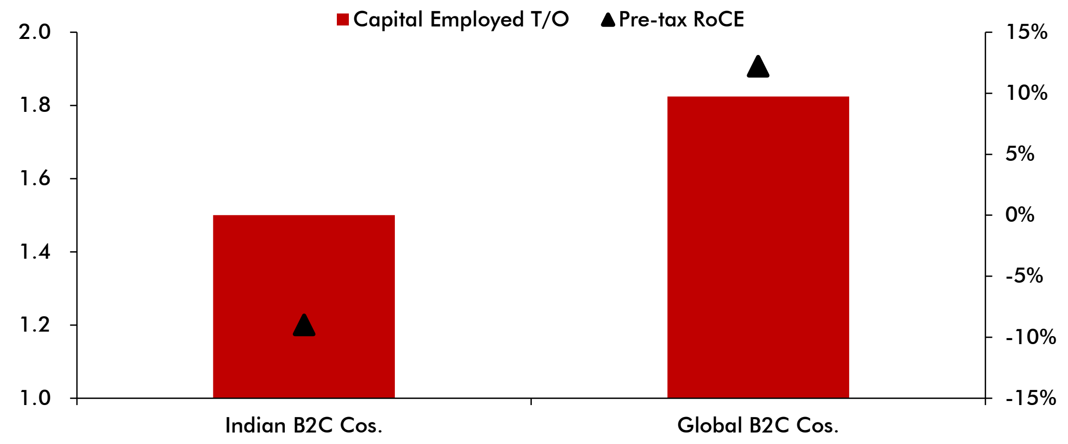
Median capital employed turnover is lower for Indian B2C express companies compared to their global peers, possibly owing to lower scale and higher working capital build-up. For B2B companies, it is largely similar at 1.7-1.8x CE T/O.

Exhibit 68: Despite higher CE T/O, Indian B2B players have a lower RoCE profile than their global peers



Source: Company, Ambit Capital research

Exhibit 69: Indian B2C express companies' CE T/O is marginally lower vs global peers; RoCE difference is driven by margins



Source: Company, Ambit Capital research

Indian road express opportunity remains large

Indian road express has significant potential to grow owing to the opportunities around market share gains and growth. Whilst the last few quarters have sub-par performance, that's largely owing to the weakness in GDP growth of the country. Nonetheless, this remains a structural story on the long term. Amongst the various express opportunities, B2B and B2C express stand out owing to their growth prospects. B2C express is set to grow on the back of the large Indian ecommerce opportunity, but the issue with that is the concentrated nature of the customers (which is improving owing to social commerce). B2B express has lower growth opportunities than B2C express, but customers aren't as concentrated as in B2C express, implying stability in pricing. Air express has limited scope to grow but companies like Blue Dart are likely to benefit owing to their high market share in the segment.

Exhibit 70: Indian B2B and B2C surface express companies have high growth potential

	Air Express	B2B Surface Express	B2C Express
Market size (₹ bn)	80	130	258
Expected growth rate ahead	5-7%	10-14%	15-18%
Expected GDP multiplier	0.8-1x	2x	3-4x
Average realization/kg or shipment	~90rs/kg	~₹10-15/kg	~₹65-75rs/shipment
Key growth drivers	Price hike and low single digit documentation growth	GDP growth + share gains from unorganized and slow PTL + price hikes	Ecommerce volume growth
Market leader	Blue Dart	Safexpress	Delhivery
Few other key players	Movin, Spicexpress, Pradhaan Air Express	Blue Dart, Delhivery, Gati, Vtrans, Rivigo, Scorpion and TCI Express	Ecom Express, XpressBees, Blue Dart, DTDC, Shadowfax and Elastic run

Source: Company, Ambit Capital research

Exhibit 71: Threat to Blue Dart's business from various aspects based on Porter's 5 forces ranges between low and moderate

	Air Express	Surface Express	E-commerce logistics
Intensity of competition	**Low** Blue dart is the only logistics company with its own aircrafts with a significant 54% market share. Competition in this space is limited as companies have to rely on belly cargo for their business, where availability could be volatile.	**Moderate** Newer players are attempting to enter the surface express business in recent years, increasing the competitive intensity. However, only few players have been able to scale the business nationally which is a key entry barrier	**Moderate** The e-commerce logistics space is competitive with customers pushing new entrants in this space. However, large network requirements with technology are key to entry
Threat of new entrants	**Low** Entering the air express business has high entry barriers owing to license requirements for aircraft. Players can operate through belly cargo, however this does not guarantee timely delivery.	**Moderate** Whilst initial capex intensity is lower, having a deep network is the key requirement making it an entry barrier which usually takes years of work.	**Moderate** Apart from deep network and strong last mile connectivity, pricing is an important function. A new entrant can disrupt the market with strong financial backing.
Threat of substitution	**High** Road transport is an extremely viable option owing to its almost 5-6x cost advantage over air. With quality of roads becoming better, substitution of load towards road express is already happening. However this wouldn't substitute the time sensitive deliveries.	**Low** Road transportation is significantly cheaper vs air for inland transportation.	**Low** E-commerce logistics demands last-mile connectivity which cannot be substituted.
Bargaining power of suppliers	**Moderate** Fleet addition is a non-recurring decision and company has the option to lease instead of buying.	**Low** Owing to fragmented nature of the fleet, bargaining power of supplier is low.	**Low** Vehicles and warehouses are usually taken on long term lease contracts. However owing to the fragmented nature of the fleet, the bargaining power of the suppliers is low
Bargaining power of customers	**Low** Limitation of space and timing constraints enable market leaders like Blue Dart to charge premium prices.	**Moderate** Customer concentration for any individual player is low. Multiple entrants provide customers with choice. However customers are usually sticky with consistent and quality service providers.	**High** Since the customer base is highly concentrated, the bargaining power of the customers is relatively high. Also logistics cost is a significant portion of the cost of shipments for companies.

Source: Ambit Capital research

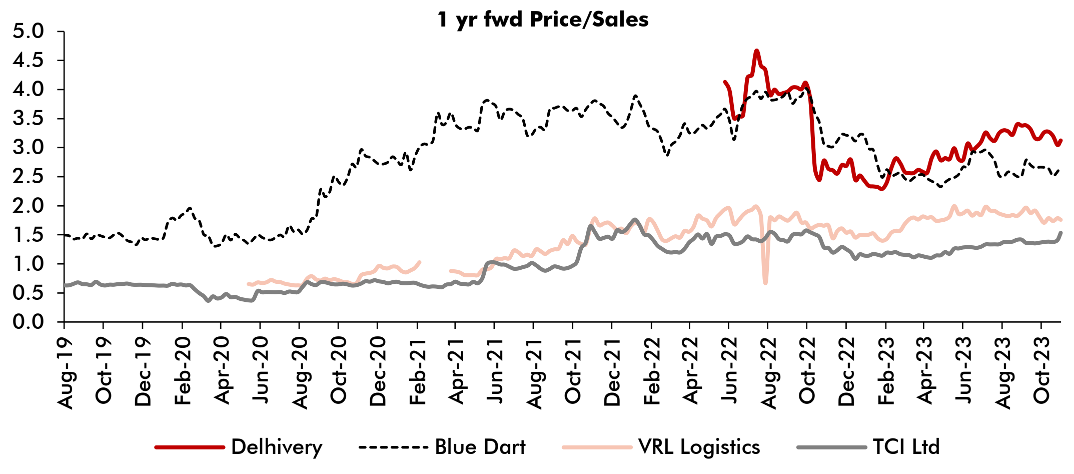
Other companies in the Indian logistics space

- **Transport Corporation of India:** TCI Ltd is a multimodal Logistics provider engaged in the business of Freight Transport (~50% of revenue), Supply Chain Solution (35%) and Transport through seaways (15%). TCI boasts high RoCE across its business segments and operates as one of the most efficient players in various unorganized segments of logistics. Over the last 10 years, it has delivered an impressive 17% PAT CAGR; consensus expects 14% PAT CAGR over the next 3 years. TCI has the opportunity to capitalize on various GOI initiatives targeted at improving logistics efficiency in India.
- **TCI Express:** TCI Express is an express cargo logistics company with a strong network across India. TCI Express also launched and expanded rail service offerings and added new services such as Pharma Cold Chain and C2C express. The company's key competitive advantage is its exposure to the SME segment in the B2C express space which helps it maintain its superior return profile. But growth has been lower, at ~7% CAGR over FY18-FY23.
- **Mahindra Logistics:** Mahindra Logistics is an integrated logistics and mobility solutions provider offering supply chain expertise to diverse industry verticals. The company has now expanded its offerings to last-mile delivery, B2B express and freight forwarding (many through acquisitions). Most revenues till date are contributed by the Supply Chain Management segment. Whilst it operates as one of the largest SCS management companies, its profitability continues to be suppressed owing to losses caused by new acquisitions.

Indian valuations corrected recently owing to growth slowdown -> RoCE/competition to drive individual revenue share

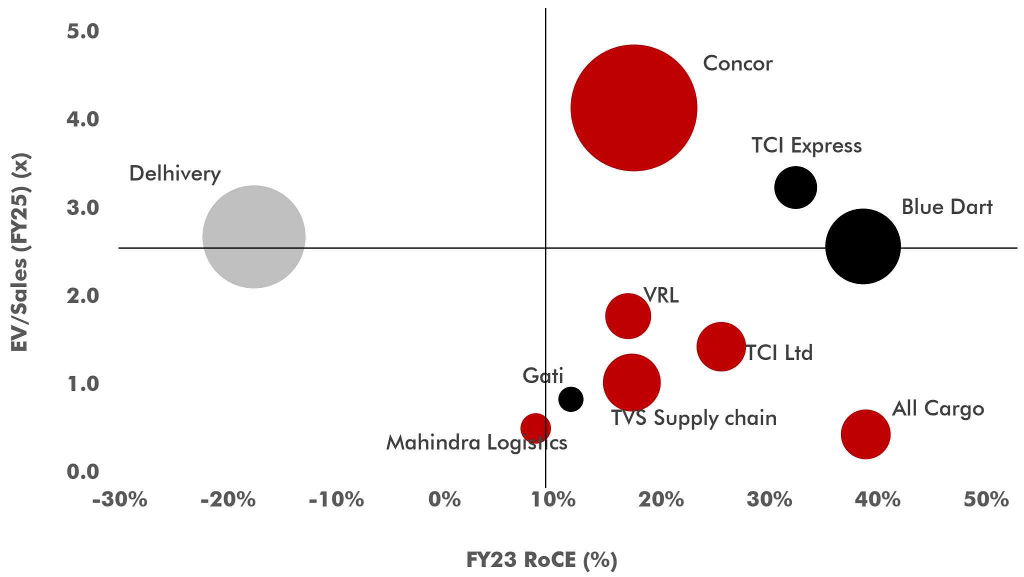
In the last 12 months, valuations of Indian express players corrected owing to slower growth. However, this is temporary. A key trackable will be RoCE improvement, which would sustain higher multiples.

Exhibit 72: Valuations corrected recently for Indian express players due to slowing growth



Source: Company, Ambit Capital research

Exhibit 73: Current valuation landscape



Source: Company, Bloomberg, Ambit Capital research, Blue – B2B express cos, Grey – B2C express cos; size of the bubble indicates Market cap of the company.

Exhibit 74: Indian logistics companies are trading at a significantly higher valuations vs global peers

	Mkt. cap	EV/EBITDA (x)			P/E (x)			P/B (x)			CAGR (FY23-25)		RoE			Pre-tax RoCE
	USD bn	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	EBITDA	EPS	FY23	FY24E	FY25E	FY23/ FY22
Indian Companies																
Blue Dart	2.1	19.0	19.1	15.9	44.1	48.9	36.5	15.4	11.9	9.6	9%	10%	40%	27%	28%	39%
TCI Express	0.7	27.6	24.6	20.2	37.9	34.1	29.3	8.7	7.5	6.1	11%	14%	24%	23%	23%	32%
Delhivery	3.5	NA	288.2	51.9	NA	NA	NA	3.2	3.3	3.4	NA	NA	-14%	-4%	-1%	-18%
Gati	0.2	NA	19.3	12.9	915.3	107.7	38.1	3.3	2.9	2.6	13%	390%	1%	3%	8%	12%
Global B2C companies																
Deutshce Post DHL	59.5	6.7	6.4	6.0	14.0	13.1	11.6	2.2	2.1	1.9	3%	10%	16%	16%	17%	31%
UPS Inc	132.8	11.1	10.3	9.3	17.7	16.3	14.6	6.6	6.1	5.6	5%	10%	38%	39%	39%	36%
FDX	66.8	8.5	7.6	6.7	17.9	14.6	11.9	2.7	2.4	2.2	2%	22%	15%	17%	19%	10%
Yamato	6.9	8.5	8.4	7.3	22.0	18.5	17.2	1.5	1.6	1.5	-3%	13%	7%	8%	9%	10%
ZTO	17.6	8.7	7.0	5.6	13.8	11.6	9.7	2.0	1.8	1.6	15%	19%	15%	15%	16%	21%
YTO Express	6.0	5.3	4.2	3.2	11.1	9.6	8.3	1.4	1.3	1.1	12%	16%	13%	14%	14%	23%
STO Express	1.8	7.3	5.5	3.9	29.0	17.0	11.7	1.5	1.4	1.2	12%	57%	5%	8%	10%	NA
Yunda	3.3	5.1	4.2	3.2	13.0	9.9	8.1	1.3	1.1	1.0	10%	27%	10%	12%	13%	11%
CJ Logistics	2.0	5.9	5.1	4.9	11.5	10.0	9.4	0.6	0.6	0.6	4%	11%	6%	6%	6%	9%
Global B2B companies																
Old Dominion	44.1	22.3	18.9	16.9	36.1	30.0	26.1	10.9	9.1	7.6	11%	18%	32%	35%	36%	44%
Saia	11.3	17.3	14.2	12.2	32.3	26.3	22.6	5.9	4.9	4.0	12%	20%	20%	20%	20%	28%
Arcbest	3.0	8.5	6.7	5.9	15.9	11.8	9.6	2.4	2.0	1.7	6%	28%	16%	19%	19%	39%
TFI International	10.4	10.3	8.6	7.9	19.4	15.4	13.1	3.9	3.4	3.0	6%	22%	21%	24%	25%	42%
XPO	10.3	13.1	10.6	9.3	31.7	23.8	19.2	8.3	6.3	4.8	7%	29%	26%	29%	27%	15%

Source: Company, Ambit Capital research

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Blue Dart Express

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Down but not out

Consistent high-quality service and own air network propelled BDE to market leadership in the air & document express business. But it is now pivoting to push growth in B2B/B2C express (12%/16% industry growth expected), for which it already enjoys an enviable brand and has built nationwide capabilities (12000+ vehicles, 2,347 facilities). Covid yield normalization hit margins and revenue growth last 4 quarters but is now nearing an end. Recovery is expected in FY25 once upfront freighter costs get absorbed. We estimate 10%/13% revenue/PAT CAGR over FY23-26 (on a high base). Core air & document industry growth and high cash flow generation ensure ample capital to push growth in other segments, which would drive ~12% revenue CAGR over the next decade. Our fair valuation of ₹8,405 implies 38x 1-year fwd standalone EPS, justified for an MNC-owned high-quality franchise. Key risk: Lower B2B/B2C express growth.

Competitive position: STRONG   Changes to this position: POSITIVE

High-quality service drives premium positioning

Owned by DHL, BDE is the leader (54% market share) in the Indian air express space. Management has experienced professionals with the last three of its MDs being career BDE employees. It has consistently invested in infrastructure/facilities/vehicles (2,347 facilities, 12,000+ vehicles in FY23, up by 5.6x/1.6x over FY13-23). Consistent service levels have resulted in a strong brand among customers, driving premium pricing (3-5% higher than peers).

Growth concerns to be addressed by pivot to B2B/B2C express

Air express is a slow growth business given share gains by road express led by 3x lower cost/kg and improving road infra. BDE has pivoted to B2B and B2C express (FY23 share at ~55% vs 35% in FY10). It is investing aggressively in Tier 2/Tier 3 cities where it is under-indexed, which should drive share gains. Whilst everyone is investing, BDE has an edge given its well-accepted brand in air express.

Realisation normalization nearing end; recovery in FY25E

Covid yield normalization is nearly ending, with 2QFY24 realisation/shipment near 5-year average. But given upfront freighter scale-up costs, margin pressure should persist in FY24. Growth/margins would revive in FY25. We build 10%/11%/13% revenue/EBITDA/PAT CAGR (FY23-26E) on operating leverage.

Consistent FCF generator; valuations lower than peers and median

BDE's FCF generating capabilities and high RoCE (median 49%/26% FCF/EBITDA and pre-tax RoCE over FY13-23) provide it ample capital to push growth in B2B/B2C express. A cross-sectoral comparison with other high-quality B2B companies indicates BDE posted similar PAT growth but trades at a 10-20% discount possibly on near-term weakness. A re-rating is likely as growth returns in FY25 and B2B/B2C express business scales up.

Key Financials

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	44,090	51,722	54,484	61,375	69,396
EBITDA margin	16.0%	12.2%	10.4%	11.9%	12.5%
EBIT margin	12.1%	9.0%	7.0%	8.9%	9.5%
Net profit margin	8.5%	7.1%	5.8%	7.2%	7.6%
pre-tax RoCE	48.8%	34.2%	22.7%	26.0%	24.4%
ROE (%)	46.1%	33.1%	22.2%	24.7%	23.2%
Cash conversion days	-	7.0	3.0	3.0	3.0

Source: Company, Ambit Capital research

Logistics

Recommendation

Mcap (bn):	₹172/US$2.1
6M ADV (mn):	₹154/US$1.9
CMP:	₹7,210
TP (12 Mths):	₹8,405
Upside (%):	17

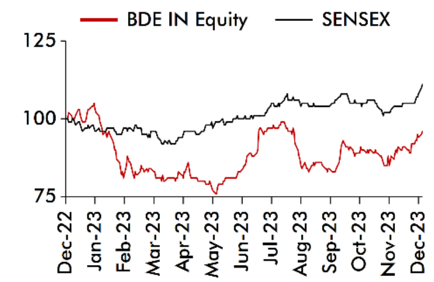
Flags

Accounting:	GREEN
Predictability:	AMBER
Earnings Momentum:	AMBER

Catalysts

- Share of B2B and B2C express in revenue mix to increase to 63% by FY25E.
- Margin compression to reverse as operating leverage improves; EBITDAM to improve by 40bps over FY23-26E

Performance



Source: ICE, Ambit Capital Research

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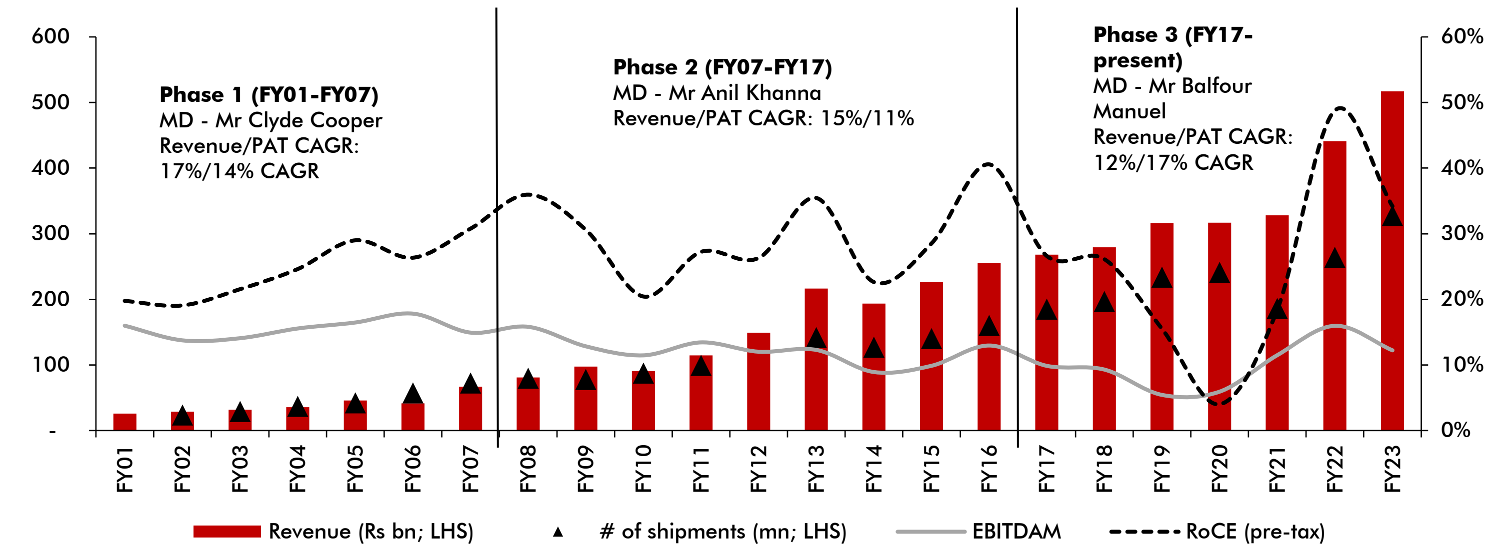
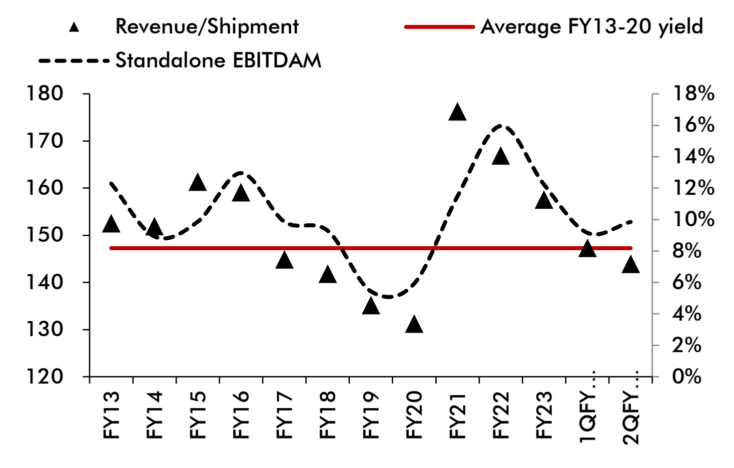
The Narrative in Charts

Exhibit 1: BDE has been a consistent growth engine through the last 2 decades; over the last 20 years it posted 15% revenue and 14% EBITDA CAGR



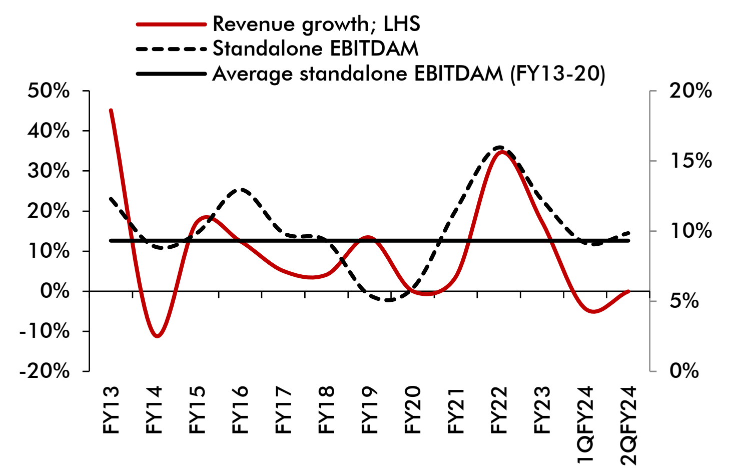
Source: Company, Ambit Capital research; standalone #s considered

Exhibit 2: Covid yield normalisation has now happened



Source: Company, Ambit Capital research; standalone #s considered

Exhibit 3: EBITDAM has also normalized to long-term average levels

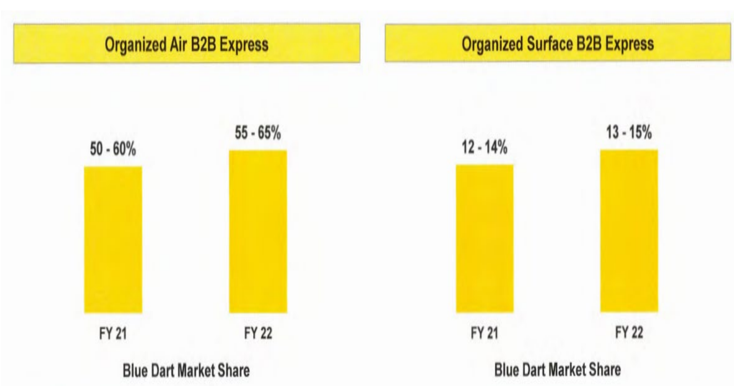


Source: Company, Ambit Capital research; standalone #s considered

Exhibit 4: BDE's e-commerce service levels are at significantly superior levels

Source: Company, Ambit Capital research

Exhibit 5: BDE has been gaining market share in B2B express space despite slowing industry growth



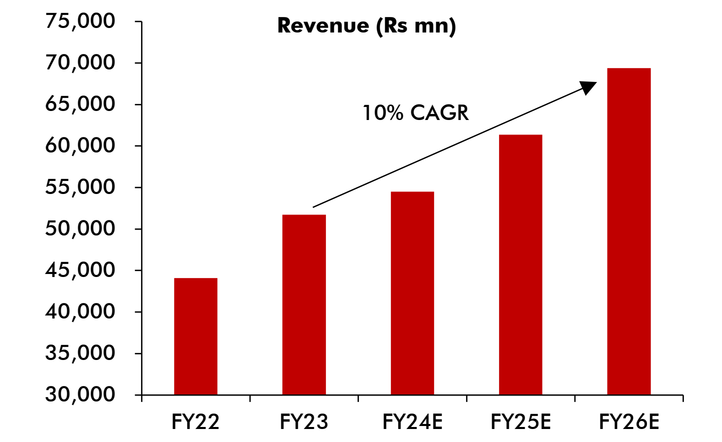
Source: Company, Ambit Capital research

Exhibit 6: Unparalleled scale in documents and air express business; catching up in B2C and B2B express

	Innovation	Brand	Architecture	Strategic assets	Market growth expectations	Remarks
Documents Express business	●	●	●	●	4-5%	BDE is a dominant leader in this business (50%+ market share) with aircrafts as a strategic asset with deep integrated network capabilities which BDE is looking to expand
B2B air express business	●	●	●	●	4-5%	
B2C express e-commerce delivery business	◑	●	◑	◕	16%	BDE has a sizeable market presence in this vertical, however is now a market leader in this business. The company had scaled back this business owing to price competition but is coming back strongly. The company has expanded its locations (a lot of catch-up remains) and is expensively priced vs competition. However, we note aggression by the company to gain new customers
B2B express business	◑	◕	◑	◕	12%	BDE has been gaining market share in the B2B express business given its strong brand. It is expanding its location for the same; however, there is a lot of catch-up to do with industry leaders. But despite that the company enjoys premium pricing given its superior service capabilities

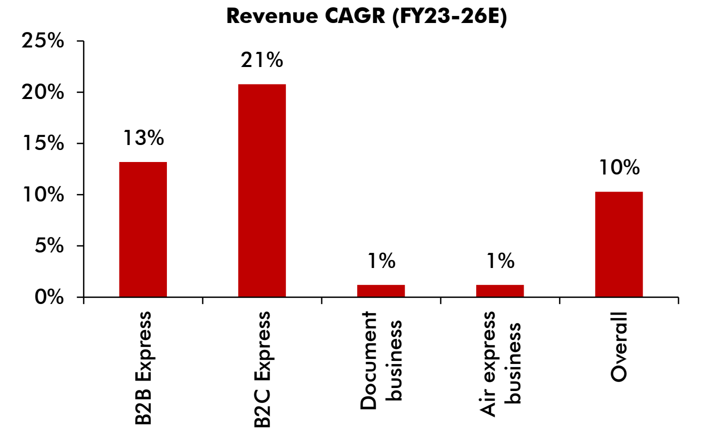
Source: Company, Ambit Capital research; ● - Indicates strong positioning; ◕ - Indicates above average positioning; ◑ - Indicates average positioning; ◔- Indicates weak positioning

Exhibit 7: We expect BDE to drive 10% revenue CAGR over FY23-26E...



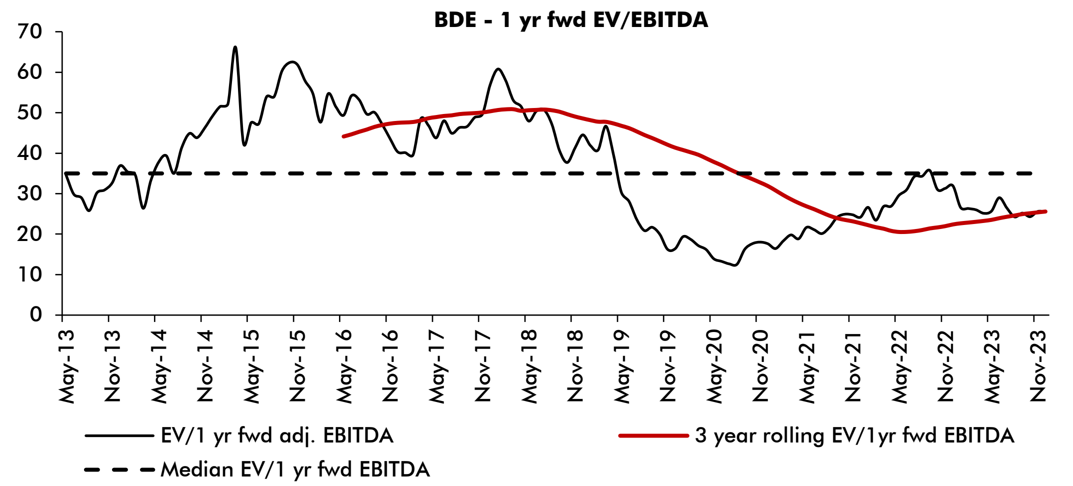
Source: Company, Ambit Capital research; standalone #s considered

Exhibit 8: ...with growth coming in from the B2C and B2B express businesses



Source: Company, Ambit Capital research; standalone #s considered

Exhibit 9: BDE trades below median valuation owing to near-term pain; right time to BUY!

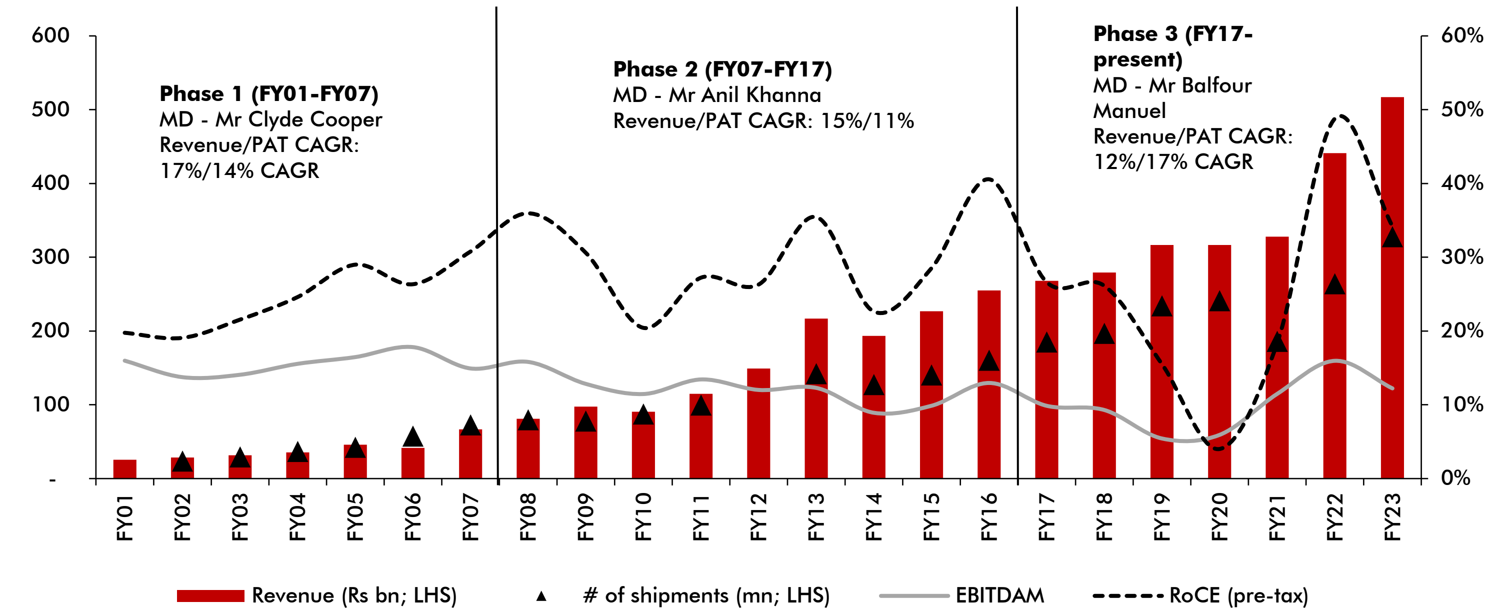


Source: Company, Ambit Capital research

Consistent share gains across the decades

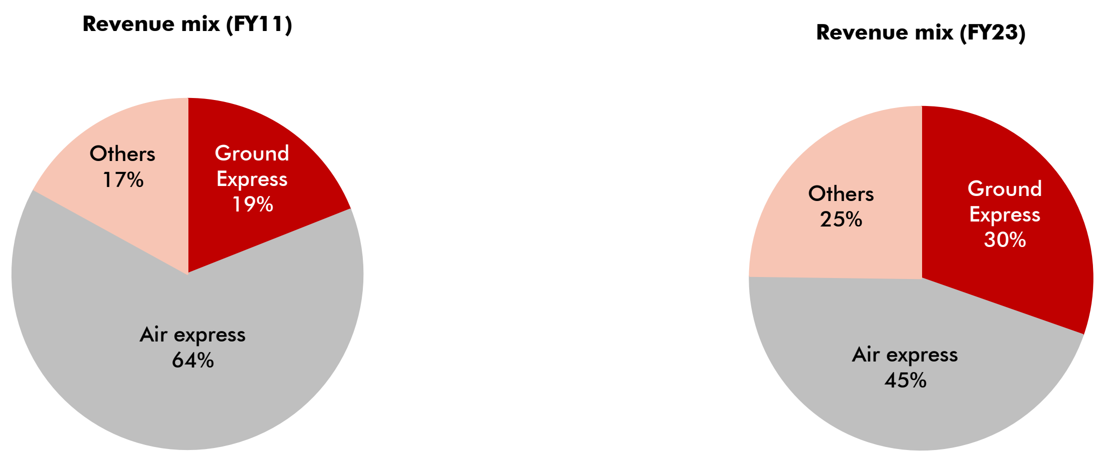
BDE, since its inception in 1983, has grown to become one of the most prominent and trusted players in the Indian logistics space. The company is present in surface express as well as air express and is the only logistics player in India with its own aircraft fleet. It is also present in the highly competitive, fast-growing e-commerce logistics space with a price insensitive approach, contrary to other players in this space. Being a part of the DPDHL Group, it leverages its access to DHL's worldwide logistics network covering 220 countries, and is able to offer an entire spectrum of logistics solutions. Over the last decade, BDE delivered 11%/19% revenue/EBITDA CAGR which was higher than industry levels. BDE is now slowly moving away to surface/ecommerce deliveries from its core documentation business.

Exhibit 10: BDE has been a consistent growth engine through the last 2 decades; over the last 20 years it has posted 15% revenue and 14% EBITDA CAGR



Source: Company, Ambit Capital research; standalone #s considered

Exhibit 11: Revenue mix of BDE has changed significantly towards ground and e-commerce over the last decade; albeit air express still forms ~45% of the business



Source: Company, Ambit Capital research, Rough ambit estimates

Gaining market share across decades

Phase 1 (FY01-FY07): BDE's revenue grew at a CAGR of 17% under the leadership of Clyde Cooper, co-founder and Managing Director at the time. During this phase, BDE was a focused air express company. The company had a tie-up with Fedex, post which it broke its tie up as it was acquired by DHL in FY06. During this phase, the company generated significant FCFF to the tune of ₹1.6bn with a median RoCE of 24%. It also increased its air express market share form 38% to 42%. The change in ownership also marked a change in leadership with Anil Khanna taking over as MD in FY07.

Air express market share (%)

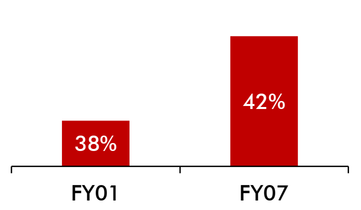
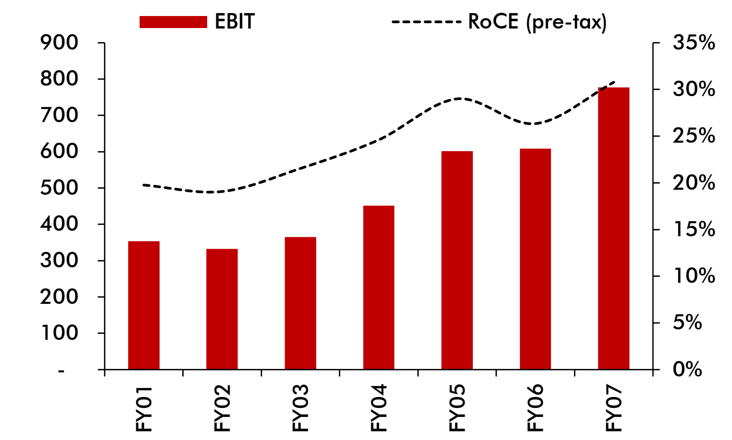
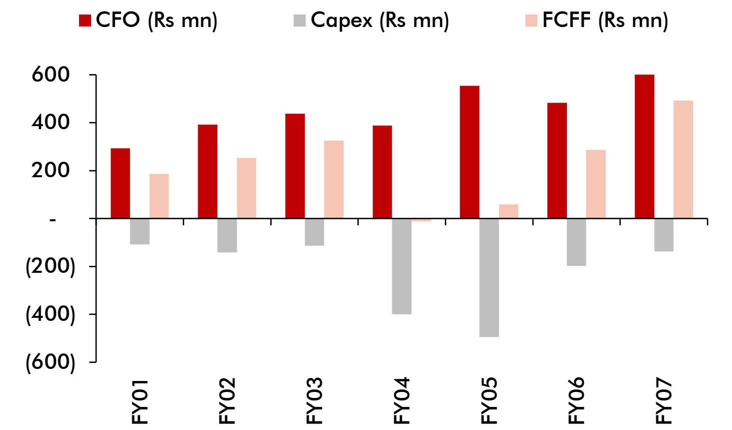


Exhibit 12: BDE's revenue/EBIT grew at 14%/17% CAGR over FY01-07



Source: Company, Ambit Capital research; standalone #s considered

Exhibit 13: During this phase, BDE cumulatively generated ~₹1.6bn FCFF

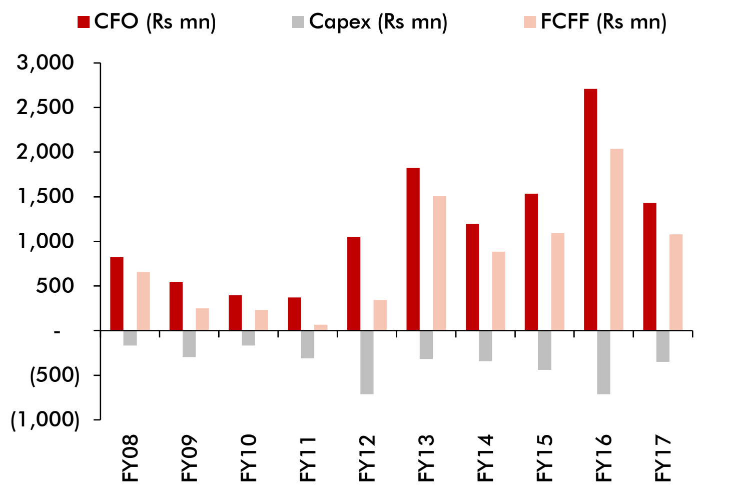


Source: Company, Ambit Capital research; standalone #s considered

Phase 2 (FY08-FY17): Under the leadership of Anil Khanna, BDE entered Ground Express business in 2008, followed by e-commerce business in 2009. In this period, BDE increased the size of its fleet to 6 aircrafts and expanded its network across India.

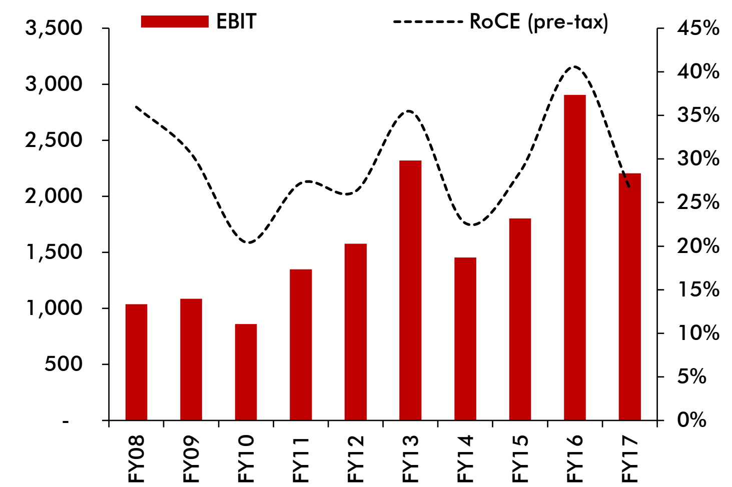
Its revenue grew at a CAGR of 15%, establishing its presence across segments with ~48% market share of the organized Air Express, ~14% market share of organized Ground Express and ~21% share of the Domestic e-commerce space (ex India Post). During this phase, the company generated significant FCFF to the tune of ₹8bn with a median RoCE of 28%.

Exhibit 14: During this phase, BDE cumulatively generated ~₹8bn FCFF



Source: Company, Ambit Capital research; standalone #s considered

Exhibit 15: BDE's EBIT grew at 9% CAGR over FY08-17



Source: Company, Ambit Capital research; standalone #s considered

Phase 3 (FY18-FY22): During this period, Balfour Manuel took over as Managing Director. Growth, profitability and improving the cost structure were the focus areas in this phase. Revenue growth slowed down during this phase to 10% CAGR (vs 15% CAGR earlier). Management reiterated their decision to not compromise on realisations to get volumes. This resulted in margin improvement by 10ppt over FY17-22, partly also because of realisation hikes during this phase in the air business. Over FY18-22, the company generated median 15% RoCE with cumulative FCFF of ~₹15bn.

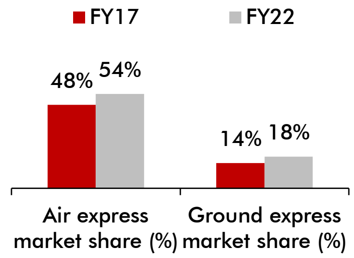
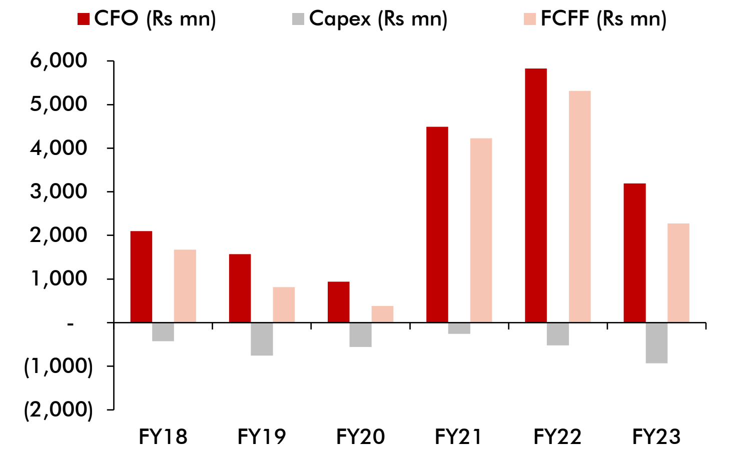
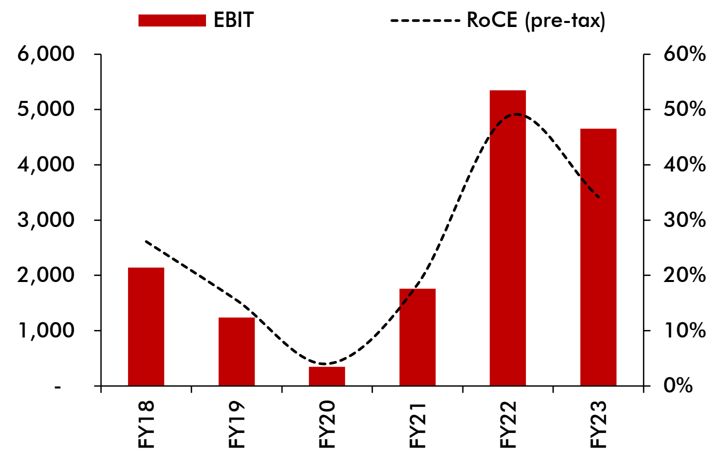


Exhibit 16: Even as revenue growth slowed down, cash flow generation remains strong



Source: Company, Ambit Capital research; standalone #s considered

Exhibit 17: The new leadership has put additional focus on improving margins and profitability.



Source: Company, Ambit Capital research; standalone #s considered

Consistent service, enviable brand

BDE enjoys an unparalleled brand perception amongst its customers

BDE has a reputation of being a reliable, high quality service provider across product categories, which helps it charge a premium. Moreover, it has been consistently gaining market share. Over the years, it has been able to consistently take price hikes, which is a testament to its service. Our checks suggest that across categories (including B2C express), BDE enjoys a significant price advantage over its peers.

Exhibit 18: BDE enjoys a very strong brand recall amongst its customers

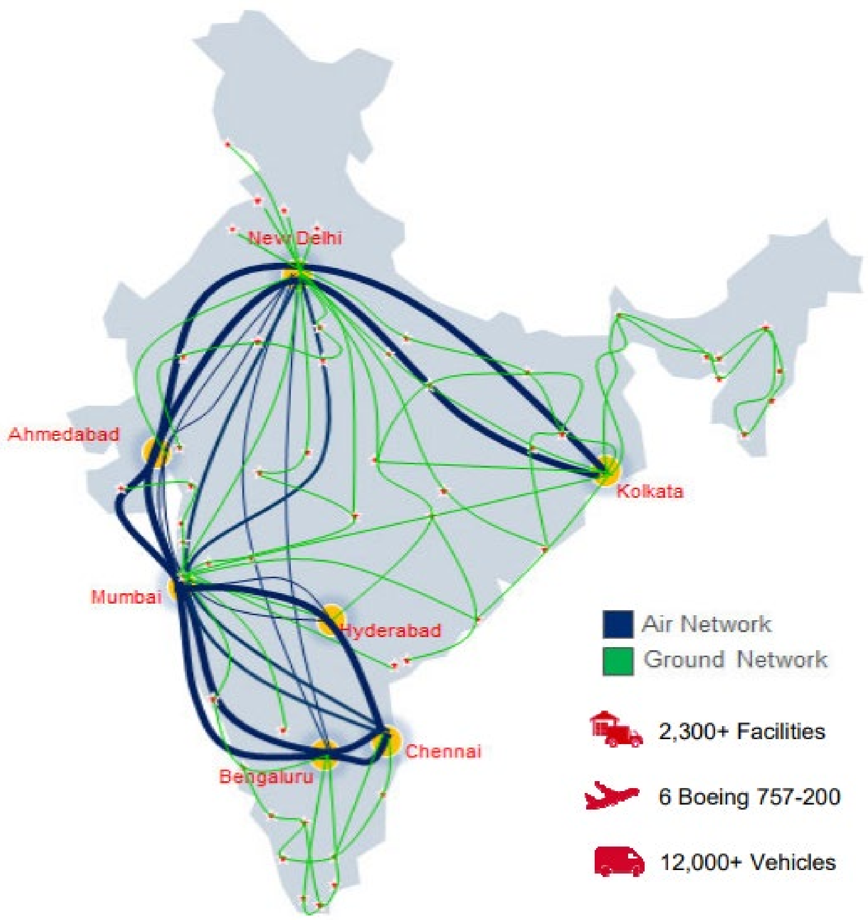
	Air Express				Ground Express			
Parameters	Blue Dart	Comp 1	Comp 2	Comp 3	Blue Dart	Comp 1	Comp 2	Best in Class
Overall Satisfaction	56	30	31	27	54	33	27	BLUE DART
Value or Worth	53	35	24	36	50	25	27	BLUE DART
Account Opening and Pre Sales	47	45	38	35	50	33	29	BLUE DART
Pick up of Shipment	49	42	46	30	48	44	21	BLUE DART
Delivery of Shipment	49	33	41	33	49	40	32	BLUE DART
Account Management/ Relationship	48	40	38	36	46	42	33	BLUE DART
Technology	53	43	40	39	54	38	41	BLUE DART
Infrastructure	52	35	33	38	51	35	42	BLUE DART
Customer service over phone	47	38	31	29	47	33	33	BLUE DART
Pick up & delivery staff/ personnel	49	42	37	36	51	33	38	BLUE DART
								BLUE DART
Likelihood of Recommending	74	56	50	43	70	49	61	BLUE DART
Likelihood to Continue Using	75	55	47	53	73	63	59	BLUE DART
Likelihood to Increase Share of Business	68	54	39	40	67	46	59	BLUE DART

Source: Company, Ambit Capital research

BDE's network has been built keeping in mind its strong air capabilities

BDE traditionally has been a very strong air express player with presence in large metro Indian cities. It has state-of-the art facilities across major Indian airports and has consistently improved its network infrastructure and added touchpoints to make the network efficient. Being the market leader in air express, BDE has 6 aircrafts in its fleet and caters 7 major airports, but it is now adding smaller aircrafts to its fleet and connect Tier II airports in a bid to improve its Tier 2/3 connectivity. It now has 2,347 facilities, hubs and offices across India and operates a fleet of over 12,000 vehicles.

Exhibit 19: BDE has a wide air and ground network; it is aggressively expanding its network into Tier 2/ Tier 3 cities



Source: Company, Ambit Capital research

Exhibit 20: BDE has been able to create a pan-India network, which aids efficiency and drives customer stickiness

	Delhivery	Blue Dart	Ecom Express	XpressBees	Shadowfax	DTDC
Hubs	NA	NA	150+ hubs (incl. gateways, processing and fulfilment centres)	150+ hubs	NA	NA
Branches	~3,500	~2,347 (incl. hubs)	~2,834	3,500+ offices	~900	580
Fleet	~12,366 (owned/leased)	~12,000	NA	NA	NA	~1,500
PIN code reach	18,655	NA	~27,000*	~20,000	~15,000	~14,000
Technology	In-house	In-house	In-house	NA	In-house	NA
Operating Model	Mesh Network	Hub and spoke network	Hub and spoke network	Hub and spoke network	NA	NA

Source: Company, Ambit Capital research, Company websites and channel checks, other industry reports. Ecom's pincode reach could have duplication. Note: Data taken from websites and company presentations. Data may not be exhaustive.

Professional management and air logistics network are key differentiators

Over the years, BDE has been able to attract top talent and has been run efficiently by experienced professionals. All of its managing directors over the last 2 decades have come from within the organization itself, which has ensured its continued success. Moreover, being the largest cargo airline in the country gives it an unmatched competitive advantage to deliver goods on time.

Exhibit 21: BDE boasts of a professionally managed team which has been with the organization for years

Name	Designation	Joined since	Qualification	Past experience/Current roles
Rajendra Ghag	Chief Human Resources Officer	Jul-19	Bcom, LLB, MPM	HDFC Life, DHL Express, Cadbury
Ketan Kulkarni	Chief Commercial Officer	Dec-06	BSc, MBA	VIP
Michael Pereira	National Operations Head	NA	NA	NA
Manoj Madhavan	Chief Information Officer	Jan-17	BE, MBA, Project Management	Abbot, L'Oreal, Pepsi, Marico
V N Iyer	Head - Finance & Accounts	Apr-90	BSc, CWA	NA
Sonia Nair	Head - Customer Service	Oct-99	MBA	NA
Savio Vincent Mendonca	Head - Internal Audit	Sep-19	BE, CA	Capgemini, IGATE, Mahindra & Mahindra
Nitin Varkey	Head- Strategy Project Management, Organisation excellence & innovations	Jul-17	AME, MBA	DPDHL, DHL, FedEx
Vinay Srivastava	Head- Admin, Procurement and Real estate	May-13	Bcom, MBA	Future Supply Chain solutions, RIL, Torrent Pharma, Cadila
Anil Kanojia	Head - Security	NA	NA	NA
Sukhwinder Singh	Head - North region	Apr-93	BSc, MSc, MBA	Dynavision Electronics Ltd
Joe Manukat	Head - West 1 region	Sep-18	NA	NA
K Gopa Kumar	Head - South 1 region	NA	NA	NA
B C Kalappa	Head - South 2 region	Apr-97	BA, PGDM, MBA	NA
Sandeep Petkar	Head - West 2 region	Jan-91	Bcom, MBA	NA
Subrata Biswas	Head - East region	Apr-18	Bcom, PGDBM	Schneider, Reliance Communication, Tata Tele, Philips

Source: Company, Ambit Capital research

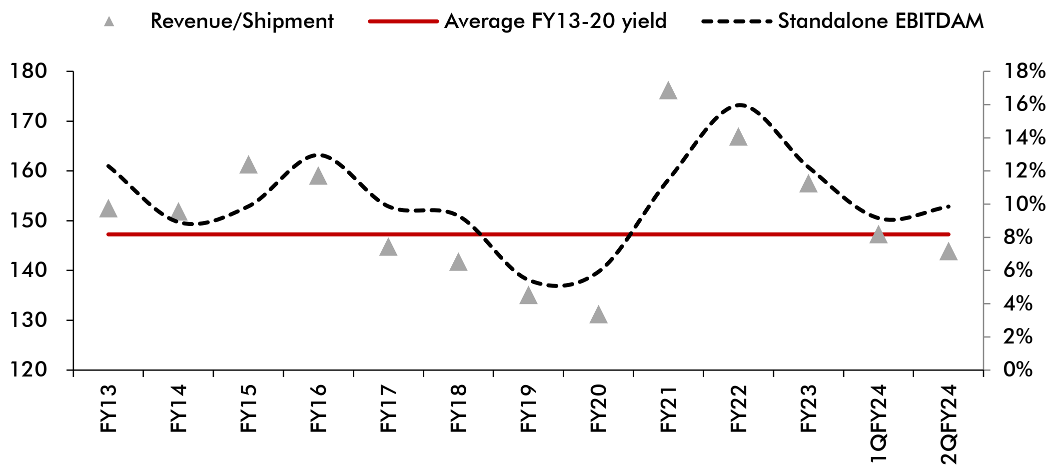
B2B express and e-com segments to drive growth

BDE's last few quarters' performance was subdued given normalization of Covid-driven high yields and lower-than-expected industry growth given slowing GDP growth. Whilst yields have normalized (43% below peaks, sequentially flat), upfront cost impact of new freighters is likely to continue for a few more quarters. We expect overall recovery in margins starting FY25 once the upfront cost of freighters normalize. We are already seeing BDE gain market share in ecom/B2B express business, which we expect will continue. We build 10% revenue and 11% EBITDA CAGR over FY23-26E. Whilst the number of players in the express logistics industry has increased, it is likely to have limited impact on BDE owing to its superior service levels. Despite investing in capex, we expect BDE's FCF conversion to be healthy and generate pre-tax RoCE of 20%+ over the next 3 years.

Covid yield normalization almost over

Over FY20-23, BDE saw yields surging from ~₹130/shipment to ~₹175. This was driven by Covid surcharge and price hikes taken owing to increase in ATF rates. While the Covid surcharge normalization has happened (1QFY24 yield close to FY13-20 average), ATF prices remain elevated. Moreover, yields have partially contracted owing to mix change towards B2B/B2C express. Whilst we expect mix change to continue, this will be offset by price hikes taken regularly by BDE.

Exhibit 22: Yield normalisation has now happened

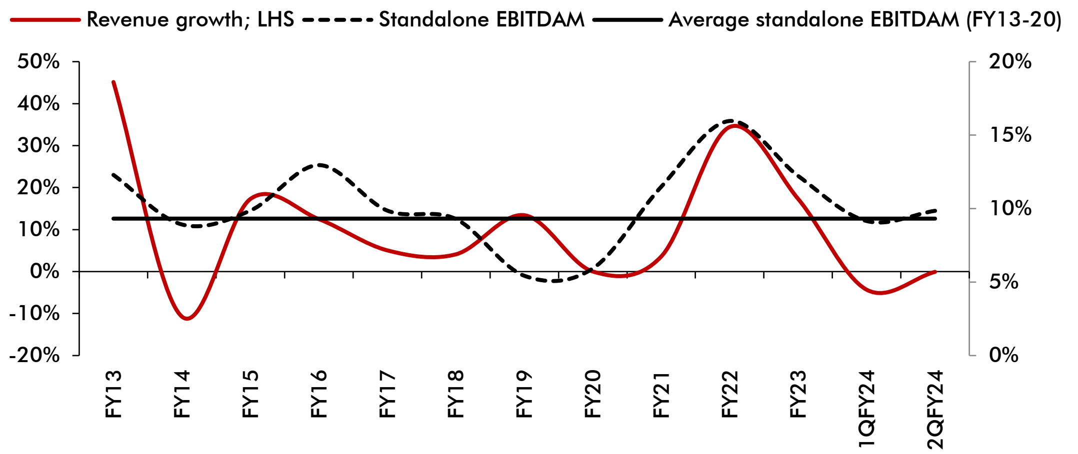


Source: Company, Ambit Capital research; standalone #s considered

EBITDAM has also normalized; some quarters of freighter-related pain remain

Over FY20-22, BDE saw sharp revenue growth with margins improving as belly cargo got squeezed. This enabled BDE to take sharp price hikes. Moreover, both surface and ecommerce business growth was strong. This enabled sharp margin expansion. However, over the last 2 quarters, with Covid-driven yield improvement normalized, margins have dropped significantly. However, now that yields have normalized, margins are close to pre-Covid long-term average levels. We expect margin expansion as operating leverage plays out with growth coming through.

Exhibit 23: EBITDAM has also normalized to long-term average levels



Source: Company, Ambit Capital research; standalone #s considered

Competitive risk is overstated

Over the last few quarters, the number of industry participants including Amazon Air and Indigo have been making announcements of entering or scaling into the air cargo business. However, these appear to be focused on the international/captive business and not the domestic express business. Over the years, BDE has been able to expand despite competition and scale-up in aircrafts/capacity. Moreover, the highest impact of air express if any would be on the air cargo (ex-documentation) business, which forms ~25% of BDE's overall business.

Exhibit 24: New entrants in the air cargo business are focused more on the international cargo business

"Pradhaan Air, if you look at their announcements they are planning to use this aircraft for cargo charter operations, which is not express business. At the same time when you talk about IndiGo Endeavour that has always been there with UPS, so earlier that arrangement was through UPS Jetair, which in between was with SpiceJet and now it has moved to IndiGo. It is not that IndiGo Airline which is going to carry this thing. This is UPS International Cargo, which is moving within the country and which earlier was moving through UPS Jetair arrangement will move now through IndiGo arrangement, so this is not a new one. It is only the partner probably they have changed"

- Blue Dart CFO, 1QFY23 earnings call

Source: Company, Ambit Capital research

Market share gains to continue in B2B express/B2C express

BDE has been able to create a dent in the e-commerce market owing to its superior service levels (97%+; improved by 2ppt over the last 3 years) which is better than many e-commerce players. It is a preferred service provider for companies which want to ship high-value items owing to its 1) on-roll last-mile delivery persons and 2) superior air network. The company is also expanding its network in ground express which will aid growth in this space. Moreover, the company is also pushing aggressively to sign new customers. On the B2B Express side, the company has been gaining market share owing to its focus on expanding delivery locations. The company has gained ~1ppt share in B2B express till FY22, which we expect will continue.

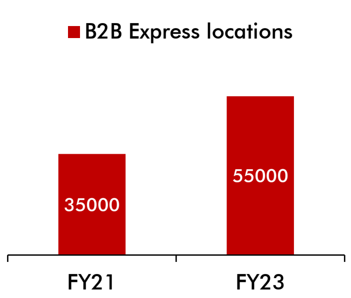
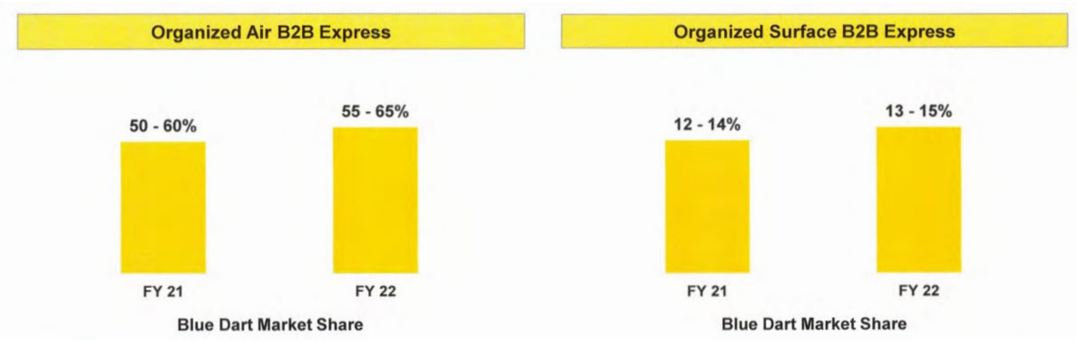


Exhibit 25: BDE's e-commerce service levels are significantly superior

Source: Company, Ambit Capital research

Exhibit 26: BDE has been gaining market share in B2B express



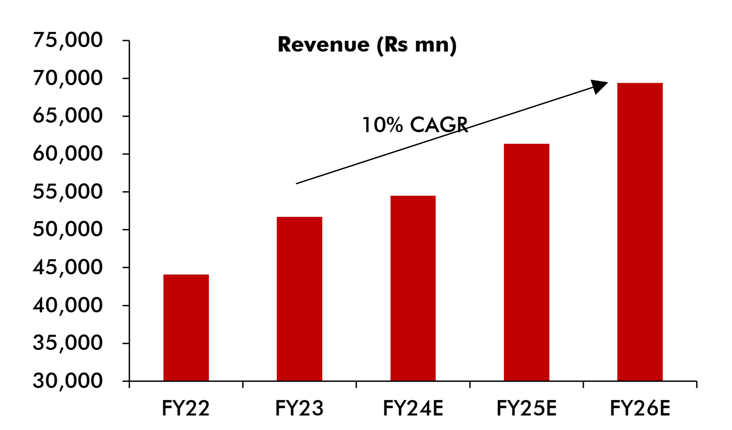
Source: Company, Ambit Capital research

Growth to be driven by surface and e-com business

Margin expansion to start post FY25

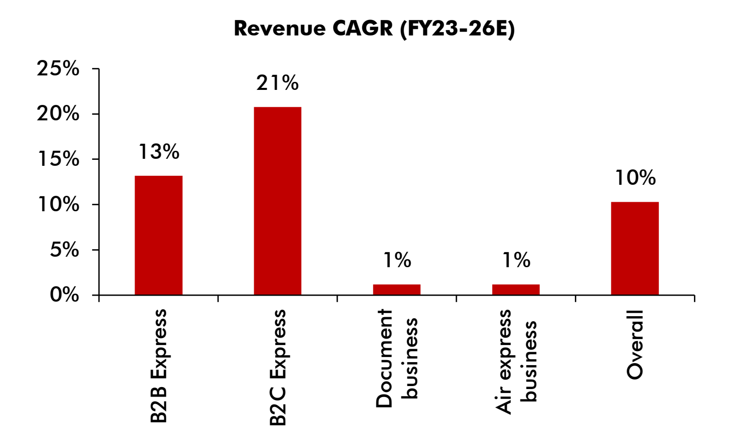
We build 10% revenue CAGR driven by both B2C and B2B ecommerce businesses. We build in 21%/13% revenue CAGR for these businesses driven by market share gains and market improvement. We build in flat revenue for document/air express business (driven by high yield in the base). Overall, we expect the B2B/B2C express business mix to improve by 8ppt to 63% by FY26E (our estimates)

Exhibit 27: We expect BDE to drive 10% revenue CAGR over FY23-26E…



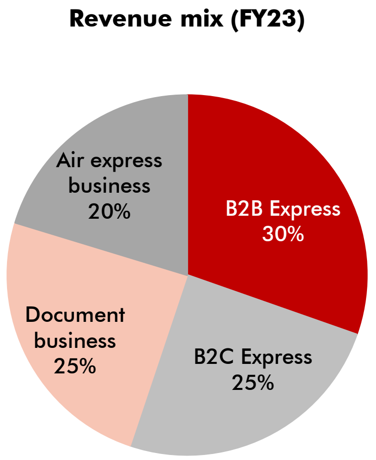
Source: Company, Ambit Capital research; standalone #s considered

Exhibit 28: …with growth coming in B2C and B2B express business



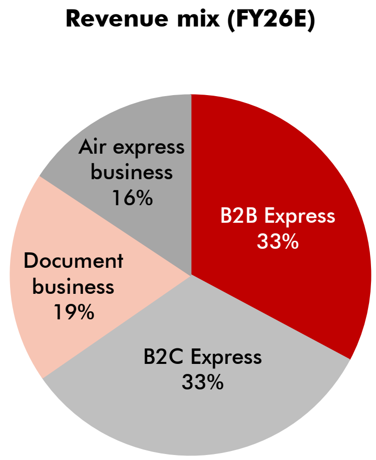
Source: Company, Ambit Capital research; standalone #s considered

Exhibit 29: We expect revenue mix of B2B and B2C express…



Source: Company, Ambit Capital research, Rough Ambit estimates

Exhibit 30: …to improve by 10ppt to 65% by FY26E

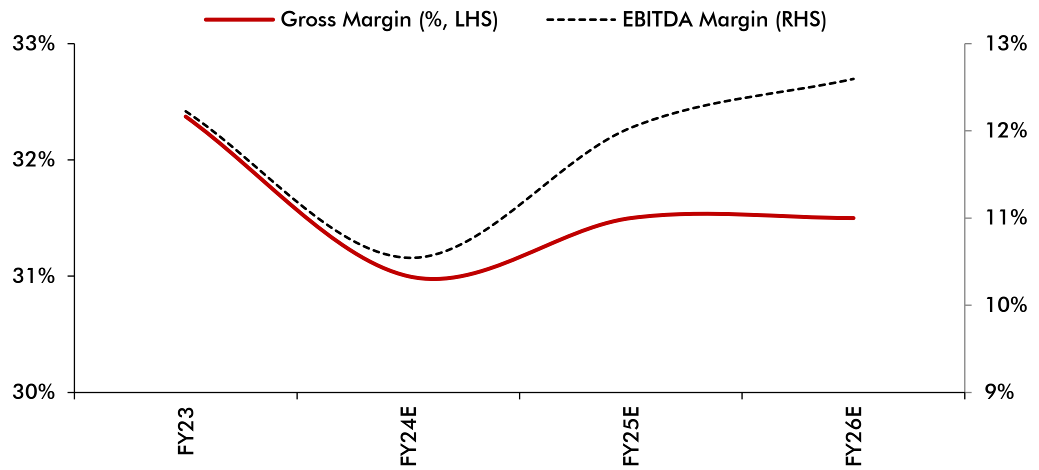


Source: Company, Ambit Capital research, Rough Ambit estimates

EBITDAM improvement to start in FY25 as operating leverage kicks in

Over FY23-26E, we expect margins to improve by 30bps (over a high base). Margins are initially likely to decline in FY24E owing to cost of new aircrafts being absorbed but this will reverse starting FY25E. We expect gross margins to decline as business moves towards B2C/B2B express, hence margin improvement is likely to be driven by operating leverage.

Exhibit 31: We expect BDE's margins to recover in FY25E as operating leverage starts playing out

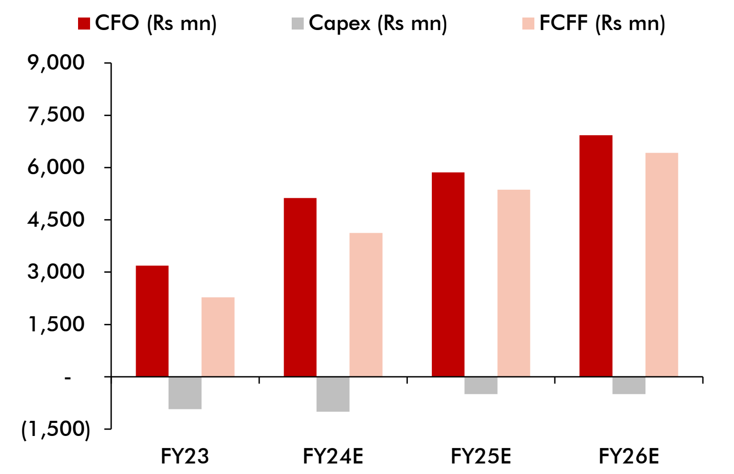


Source: Company, Ambit Capital research; standalone #s considered

FCF to remain healthy; pre-tax RoCE to surpass 20%

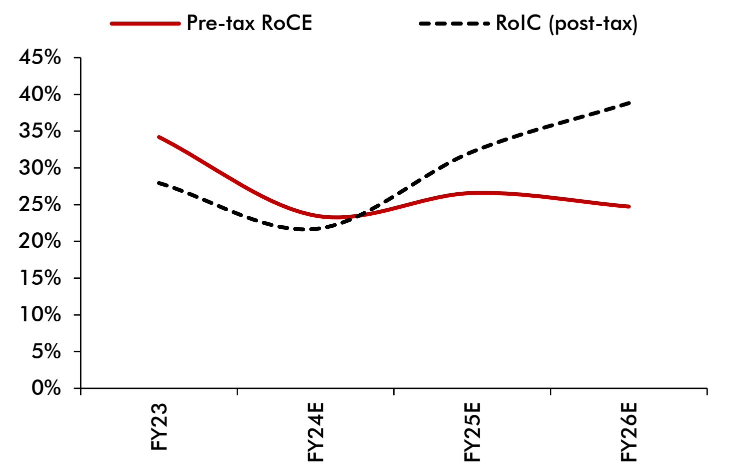
BDE incurred a consol. capex of ~₹5.7bn in FY23 largely owing to ordering of 2 new aircrafts. Over FY23-26E, operating cash flow generation is likely to remain high (95% of EBITDA). Pre-tax RoCE is likely to remain healthy at over 24%.

Exhibit 32: We expect stronger cash generation and capex to slow down over FY23-26



Source: Company, Ambit Capital research; standalone #s considered

Exhibit 33: We expect returns on invested capital to improve as cash on books grows



Source: Company, Ambit Capital research; standalone #s considered

Detailed estimates (Standalone)

Exhibit 34: We expect BDE's revenue/PAT to post 11%/14% CAGR over FY23-26E as operating margins moderate

₹ Mn	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY23-FY26E CAGR	Comments
Revenue	**32,797**	**44,090**	**51,722**	**54,484**	**61,375**	**69,396**	**10%**	
Costs								
Direct Costs	20,670	27,636	34,978	37,594	42,042	47,536	11%	
Gross Margin (%)	**37%**	**37%**	**32%**	**31%**	**32%**	**32%**		We expect gross margins to come down as share of documents business decreases and share of e-commerce logistics increases.
Employee Costs	5,668	5,898	6,495	7,145	7,573	8,028	7%	
% of revenue	**17%**	**13%**	**13%**	**13%**	**12%**	**12%**		
Other expenses	2,692	3,519	3,926	4,078	4,453	5,174	10%	
% of revenue	**8%**	**8%**	**8%**	**7%**	**7%**	**7%**		
Total expenses	**29,031**	**37,053**	**45,400**	**48,817**	**54,068**	**60,738**		
EBITDA	**3,766**	**7,038**	**6,323**	**5,667**	**7,306**	**8,658**	**11%**	
EBITDAM	**11%**	**16%**	**12%**	10%	12%	12%		As operating efficiency improves, we expect EBITDA margins to stabilize at ~13% and not fall as much as gross margins
Depreciation	2,007	1,687	1,666	1,852	1,819	2,092		
EBIT	**1,760**	**5,351**	**4,656**	**3,815**	**5,488**	**6,566**	**12%**	
PBT	**1,311**	**5,035**	**4,987**	**4,215**	**5,948**	**7,092**	**12%**	
PAT	**963**	**3,764**	**3,664**	**3,153**	**4,449**	**5,305**	**13%**	
Ratios								
Gross block Turnover (x)	8.9	11.5	12.2	10.7	10.5	10.9		
Net Block Turnover (x)	19.1	29.7	30.3	24.3	24.6	28.3		
Total assets turnover (x)	2.0	2.3	2.4	2.2	2.0	1.9		
Working Capital Days	1	0	7	3	3	3		
Pre-tax RoCE (%)	18%	49%	34%	23%	26%	24%		

Source: Company, Ambit Capital research

High RoCE + high FCF deserve rich multiples

BDE has consistently maintained its market leadership in the air express business owing to its unique air capabilities and high quality service. Whilst the B2B/B2C air express businesses are relatively new, BDE has already carved out a niche for itself owing to its unparalleled service; segments where we expect the company to pivot for growth. Structural cost reductions have happened after BDE's inclusion in DHL's global e-commerce solutions business. A comparison with other B2B industrial/ancillary companies indicate that BDE has outperformed peers on PAT growth while maintaining high RoCE. We build in 11% revenue CAGR for BDE over the next decade driven by acceleration in B2B/B2C express business, with margins stabilising at ~13%. Our fair valuation of ₹ 8,405 implies 38x 1-year fwd P/E, reasonable for a company with an MNC parentage and high cash flow/RoCE generation ability.

MNC parentage with high RoCE and FCF generation

Over the years BDE has consistently invested in fixed assets whilst driving cash conversion days lower. This has meant that FCF generation and pre-tax RoCE have been healthy. DHL acquired BDE in 2004. Since 2019, BDE comes under the DHL e-commerce solutions (DeCS) division. As part of Strategy 2025 of DHL, DeCS has been attempting to improve costs and overheads of its division. Owing to this, BDE saw some cost restructuring in 2019 which is likely to sustain.

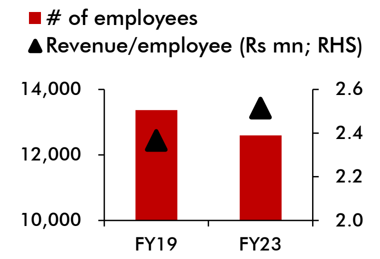
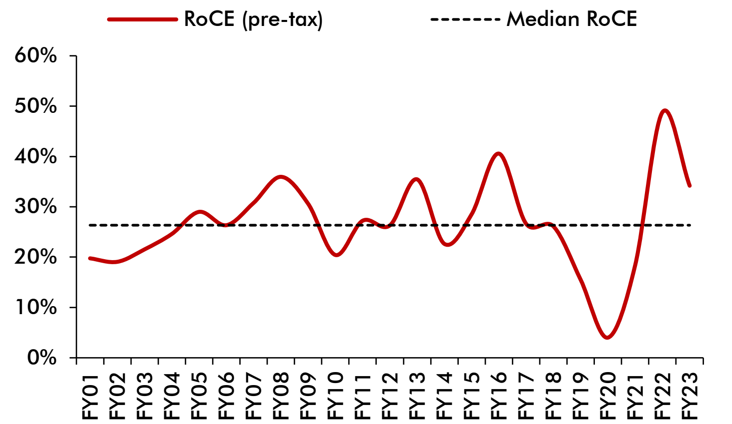
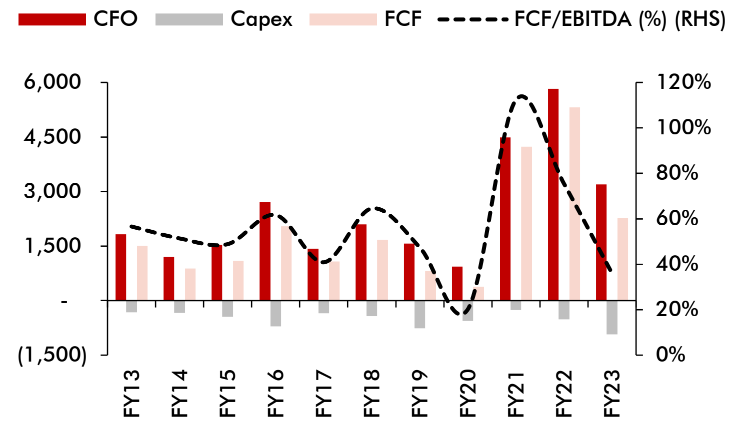


Exhibit 35: Pre-tax RoCE of BDE has always been healthy, with median pre-tax RoCE north of 25% over the last 2 decades



Source: Company, Ambit Capital research; standalone #s considered

Exhibit 36: BDE's FCF generation was very strong over the last decade



Source: Company, Ambit Capital research; standalone #s considered

Exhibit 37: BDE's capital employed has constantly been dominated by fixed assets

% split	FY02	FY15	FY23
Overall capital employed			
Net fixed assets (Incl. CWIP, intangible and goodwill)	84%	66%	49%
RoU assets	0%	0%	33%
Net working capital	14%	14%	4%
Cash	5%	24%	4%
Other net current/non-current assets	-3%	-4%	10%

Source: Company, Ambit Capital research; standalone #s considered

Exhibit 38: Improving cash conversion days help limit investment in working capital

	FY02	FY15	FY23	1HFY24
Inventories	1	1	1	1
Sundry Debtors	41	45	43	49
Sundry creditors	7	19	40	41
Net working capital days	**36**	**27**	**3**	**9**

Source: Company, Ambit Capital research; standalone #s considered

Exhibit 39: BDE saw costs cutbacks post its move to DHL's DeCS division

"Blue Dart is now part of the group's newly created division known as DHL e-Commerce Solutions. The new division is geared towards providing high quality solutions, particularly to customers in the rapidly growing e-commerce industry"

- FY20 Annual report

I think we over-invested in India, and specifically in Blue Dart, for a while and tried to do things too quickly, and didn't do it with the right level of quality that we normally do. So, we've had to pull back a little bit. We have to make it the right size and then we can build incrementally. We will just make sure that the workforce is the right size. We are just working on that now. There's been some cutback already."

- Ken Allen, Former CEO DHL e-commerce solutions global CEO

Source: Company, Ambit Capital research


ETPrime
DHL supply chain plans to invest euro 500 million in India

Exhibit 40: DHL's DeCS division has clear focus on profitability as part of their Strategy 2025

Source: Company, Ambit Capital research

Growth not in question anymore

Mapping BDE's segments -> Leader in air, catching up in other businesses

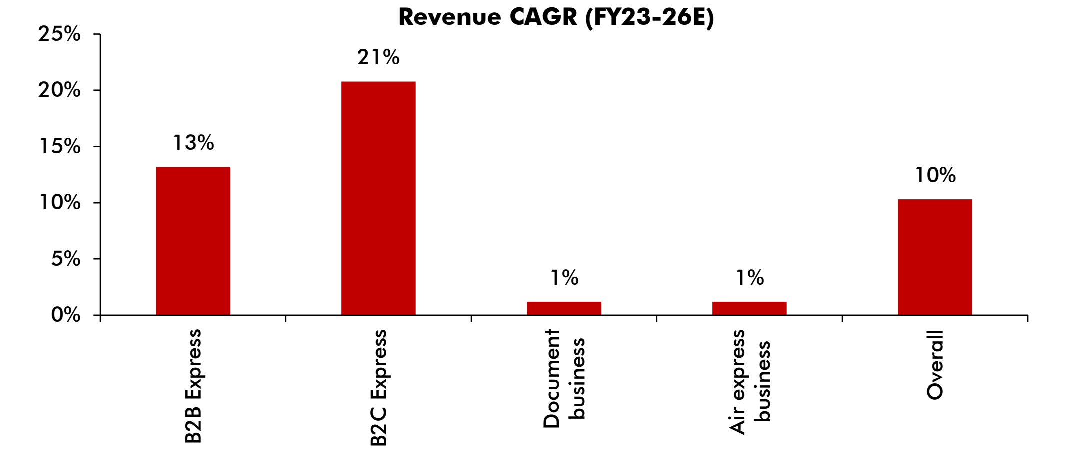
Owing to its legacy air logistics operations and air-hub capabilities, BDE has established itself as the undisputed leader in the documents and air express business. The company has its own aircrafts, which provide it better flexibility than peers using belly space. However, it's traditional (air express) business has seen growth slowing owing to the increasing gap in pricing between road and air express coupled with improving road infrastructure in India. However, with the business now pivoting towards B2B and B2C air express (FY26E B2C and B2B express share of 61%), growth would not be in question anymore. Moreover, it has also started to boost its infrastructure in that regard which will continue to aid growth in the B2B and B2C express verticals. Other opportunities include growth through international charters and increasing business from other DHL entities which are looking to invest in a big way in India.

Exhibit 41: Unparalleled scale in documents and air express business; catching up in B2C and B2B express

	Innovation	Brand	Architecture	Strategic assets	Market growth expectations	Remarks
Documents Express business	●	●	●	●	4-5%	BDE is a dominant leader in this business (50%+ market share) with aircrafts as a strategic asset and a deep, integrated network capabilities that BDE is looking to expand
B2B Air Express business	●	●	●	●	4-5%	
B2C express E-commerce delivery business	◑	●	◑	◕	16%	BDE has a sizeable market presence in this vertical and but is now a market leader. The company had scaled back this business owing to price competition but is coming back strongly. The company has expanded its locations (a lot of catch-up remains) and is expensively priced vs competition. However, we note aggression by the company to gain new customers
B2B express business	◑	◕	◑	◕	12%	BDE has been gaining market share in the B2B express business given its strong brand. It is expanding its locations for the same; but there is a lot of catch-up to do vs industry leaders. But despite that the company enjoys premium pricing given its superior service capabilities

Source: Company, Ambit Capital research; ● *- Indicates strong positioning;* ◕ *- Indicates above average positioning;* ◑ *- Indicates average positioning;* ◔*- Indicates weak positioning*

Exhibit 42: We expect BDE to post 11% revenue CAGR over the next 10 years driven by B2C and B2B express businesses



Source: Company, Ambit Capital research; standalone #s considered

At a discount to other B2B express companies

A cross-sectoral comparison of BDE and other B2B companies in auto/industrial and pharma sectors suggests that BDE is trading at a discount to the median despite clocking similar RoCE and PAT growth over the last decade. PAT growth expectations for BDE are lower than that of these companies over the next 3 years but that's owing to the high base of FY22. Overall, after FY25 BDE would have the potential to grow its earnings in the mid-teens owing to high growth opportunities in B2C and B2B express.

Exhibit 43: Valuation multiples for BDE are at a discount to Indian B2B businesses

Company	Revenue growth		EBITDA growth		PAT growth		Median RoCE		P/E		EV/EBITDA		P/B	
	FY13-FY23	FY23-FY25E	FY13-FY23	FY23-FY25E	FY13-FY23	FY23-FY25E	FY14-FY23	FY18-FY23	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Blue Dart	**11%**	**13%**	**14%**	**-4%**	**11%**	**9%**	**26%**	**22%**	**53**	**38**	**26**	**21**	**12**	**10**
Schaeffler India	17%	NA	19%	NA	19%	NA	17%	17%	NA	NA	NA	NA	NA	NA
Timken India	15%	NA	22%	NA	24%	NA	17%	16%	NA	NA	NA	NA	NA	NA
SKF India	5%	NA	8%	8%	8%	NA	22%	17%	40	34	29	NA	8	7
Bosch	6%	NA	3%	NA	5%	NA	13%	13%	NA	NA	NA	NA	NA	NA
Sona Comstar	NA	29%	NA	23%	NA	36%	22%	17%	60	43	36	27	12	10
Sundram Fasteners	8%	15%	12%	14%	18%	17%	14%	17%	46	33	27	21	8	7
Dixon Tech.	32%	29%	38%	25%	48%	41%	23%	23%	88	61	49	36	22	16
Torrent	12%	13%	15%	11%	11%	20%	16%	12%	43	35	22	19	10	8
Alkem	17%	10%	16%	15%	10%	3%	15%	15%	34	29	25	21	5	5
Siemens Ltd	4%	NA	15%	11%	21%	NA	15%	12%	63	53	46	38	9	8
ABB India	1%	NA	NA	NA	NA	41%	11%	13%	74	65	NA	NA	NA	NA
Cummins India	5%	18%	4%	8%	5%	23%	19%	17%	41	37	38	34	9	8
Thermax	4%	22%	2%	17%	3%	34%	9%	9%	51	41	39	31	7	6
Grindwell Norton	10%	20%	13%	11%	14%	20%	16%	17%	58	49	41	35	12	10
Carborundum Universal	9%	19%	11%	9%	17%	15%	14%	14%	47	38	33	27	7	6
Elgi Equipments	10%	17%	16%	5%	20%	41%	9%	11%	48	42	31	28	10	8
Triveni Turbine	6%	33%	4%	22%	6%	42%	34%	24%	53	40	40	30	15	12
Median	**9%**	**19%**	**13%**	**11%**	**13%**	**23%**	**16%**	**16%**	**51**	**40**	**34**	**28**	**10**	**8**

Source: Company, Ambit Capital research

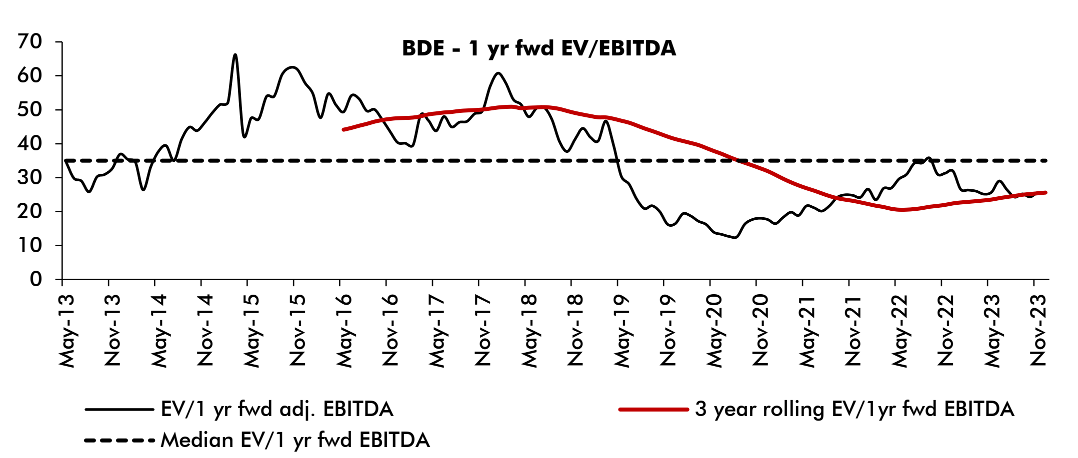
Near-term pain => it's time to buy

Next few quarters are likely to be impacted

Upfront freighter costs and yield normalisation (base effect) for the next few quarters would mean that margins remain under pressure. We believe this pain is transient and growth will return after absorption of these costs.

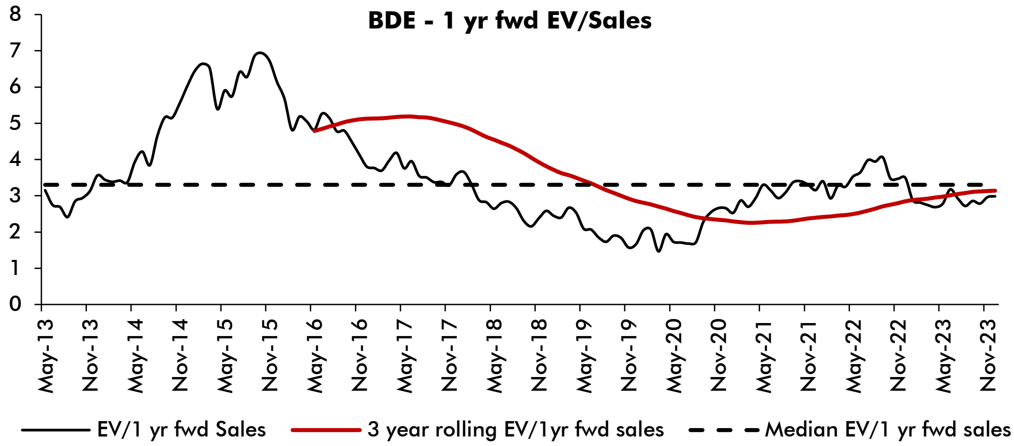
Current valuations are significantly below median

Exhibit 44: BDE is trading below its 10-year median valuation



Source: Company, Ambit Capital research

Exhibit 45: BDE's EV/sales multiples are also close to their long-term average



Source: Company, Ambit Capital research

Exhibit 46: BDE trades at a lower valuation than Indian peers

	Mkt. cap	EV/EBITDA (x)			P/E (x)			P/B (x)			CAGR (FY23-25)		RoE			Pre tax RoCE
	USD bn	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	EBITDA	EPS	FY23	FY24E	FY25E	FY23/ FY22
Indian Companies																
Blue Dart	2.1	19.0	19.1	15.9	44.1	48.9	36.5	15.4	11.9	9.6	9%	10%	40%	27%	28%	39%
TCI Express	0.7	27.6	24.6	20.2	37.9	34.1	29.3	8.7	7.5	6.1	11%	14%	24%	23%	23%	32%
Delhivery	3.5	NA	288.2	51.9	NA	NA	NA	3.2	3.3	3.4	NA	NA	-14%	-4%	-1%	-18%
Gati	0.2	NA	19.3	12.9	915.3	107.7	38.1	3.3	2.9	2.6	13%	390%	1%	3%	8%	12%
Global B2C companies																
Deutshce Post DHL	59.5	6.7	6.4	6.0	14.0	13.1	11.6	2.2	2.1	1.9	3%	10%	16%	16%	17%	31%
UPS Inc	132.8	11.1	10.3	9.3	17.7	16.3	14.6	6.6	6.1	5.6	5%	10%	38%	39%	39%	36%
FDX	66.8	8.5	7.6	6.7	17.9	14.6	11.9	2.7	2.4	2.2	2%	22%	15%	17%	19%	10%
Yamato	6.9	8.5	8.4	7.3	22.0	18.5	17.2	1.5	1.6	1.5	-3%	13%	7%	8%	9%	10%
ZTO	17.6	8.7	7.0	5.6	13.8	11.6	9.7	2.0	1.8	1.6	15%	19%	15%	15%	16%	21%
YTO Express	6.0	5.3	4.2	3.2	11.1	9.6	8.3	1.4	1.3	1.1	12%	16%	13%	14%	14%	23%
STO Express	1.8	7.3	5.5	3.9	29.0	17.0	11.7	1.5	1.4	1.2	12%	57%	5%	8%	10%	NA
Yunda	3.3	5.1	4.2	3.2	13.0	9.9	8.1	1.3	1.1	1.0	10%	27%	10%	12%	13%	11%
CJ Logistics	2.0	5.9	5.1	4.9	11.5	10.0	9.4	0.6	0.6	0.6	4%	11%	6%	6%	6%	9%
Global B2B companies																
Old Dominion	44.1	22.3	18.9	16.9	36.1	30.0	26.1	10.9	9.1	7.6	11%	18%	32%	35%	36%	44%
Saia	11.3	17.3	14.2	12.2	32.3	26.3	22.6	5.9	4.9	4.0	12%	20%	20%	20%	20%	28%
Arcbest	3.0	8.5	6.7	5.9	15.9	11.8	9.6	2.4	2.0	1.7	6%	28%	16%	19%	19%	39%
TFI International	10.4	10.3	8.6	7.9	19.4	15.4	13.1	3.9	3.4	3.0	6%	22%	21%	24%	25%	42%
XPO	10.3	13.1	10.6	9.3	31.7	23.8	19.2	8.3	6.3	4.8	7%	29%	26%	29%	27%	15%

Source: Bloomberg, Ambit Capital research; FY23 #s for some global companies are estimates, FY22 pre-tax RoCE used for some global companies

TP of ₹8,405 implies 38x 1-year fwd target EPS

We value BDE on DCF for a 20-year period. Our 12M DCF-based target price is ₹8,405, implying 38x 1-year fwd target EPS.

Our key assumptions are:

- WACC of 13%.
- CoE of 13%
- FY23-27E: We expect revenue growth of 11% CAGR during this period. We expect median EBITDAM to be in the range of 12%. Growth would be driven by both B2B and B2C express segments.
- FY27-42E: We expect revenue growth of 11% CAGR, implying market share gains and strong growth in e-commerce.
- Terminal growth assumed at 7% after FY42E with terminal value contributing 55% of total FCFF.

Exhibit 47: DCF valuation implies 12M target price of ₹8,405/share

Total EV	**188,865**
- Explicit period FCFF	84,222
- Terminal period FCFF	104,643
Net debt FY25E	(10,563)
Minority interest	
Equity value	**199,428**
No. of shares	23.7
Value per share	8,405
CMP	7,210
Upside/downside %	17%

Source: Company, Ambit Capital research

Exhibit 48: We build in 12% EBITDA CAGR over FY23-27E driven by underlying revenue growth

DCF assumptions	**FY23-27**	**FY28-42E**
Revenue CAGR	11%	11%
EBITDA CAGR	12%	13%
EBITDA margin (Median)	12%	15%
Gross block turns (Median; x)	10.3	5.1

Source: Company, Ambit Capital research

Exhibit 49: Our FY25 PAT estimates are ~8% lower than consensus

₹ mn	**Ambit**			**Consensus**			**Deviation vs consensus**		
	FY24E	**FY25E**	**FY26E**	**FY24E**	**FY25E**	**FY26E**	**FY24E**	**FY25E**	**FY26E**
Revenue	54,484	61,375	69,396	55,122	63,058	70,068	-1%	-3%	-1%
EBITDA	5,667	7,306	8,658	6,522	8,426	10,074	-13%	-13%	-14%
EBITDAM	10.4%	11.9%	12.5%	11.8%	13.4%	14.4%	143bps	146bps	190bps
PAT	3,153	4,449	5,305	3,234	4,828	6,257	-3%	-8%	-15%

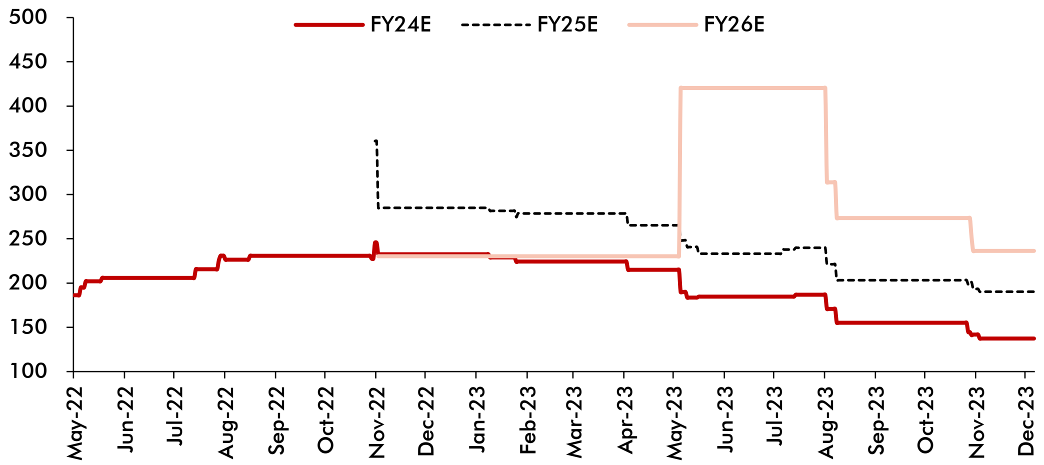
Source: Ambit Capital research, Bloomberg; standalone #s considered

Exhibit 50: We expect margins to stabilise faster than VisibleAlpha consensus estimates

₹ mn	**Ambit**			**Consensus**			**Deviation vs consensus**		
	FY24E	**FY25E**	**FY26E**	**FY24E**	**FY25E**	**FY26E**	**FY24E**	**FY25E**	**FY26E**
Revenue	54,484	61,375	69,396	54,833	62,024	69,220	-1%	-1%	0%
EBITDA	5,667	7,306	8,658	5,265	6,507	8,732	8%	12%	-1%
EBITDAM	10.4%	11.9%	12.5%	9.6%	10.5%	12.6%	-80bps	-141bps	14bps
PAT	3,153	4,449	5,305	2,836	3,660	5,349	11%	22%	-1%

Source: Ambit Capital research, VisibleAlpha; standalone #s considered

Exhibit 51: FY25 consensus estimates downgraded by ~33% in the past year



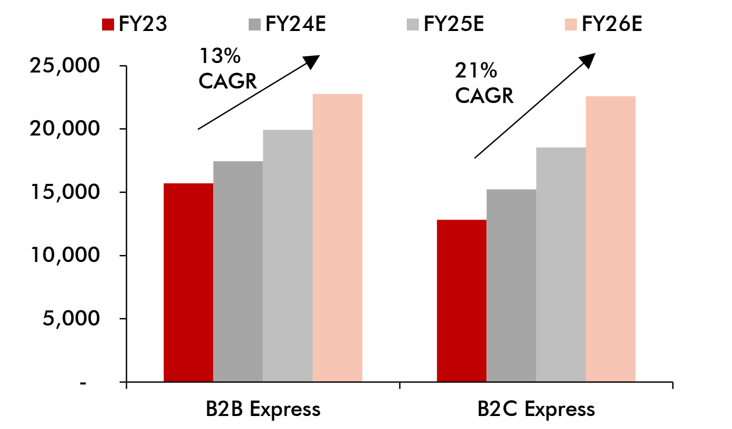
Source: Bloomberg, Ambit Capital research; standalone #s considered

Catalysts & Risks

Catalysts

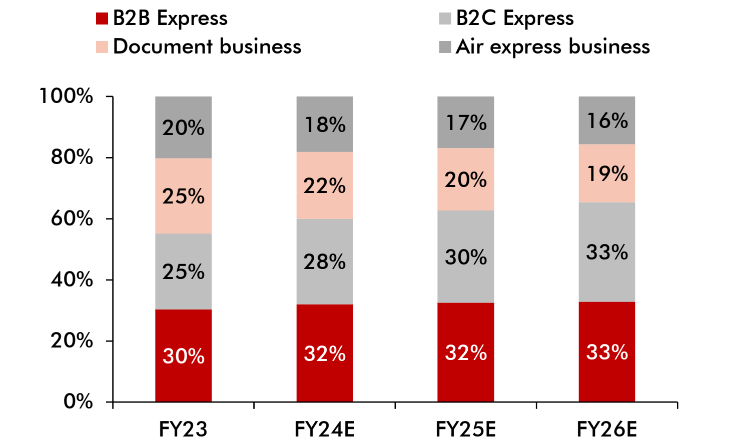
Strong e-commerce and B2B express growth ahead: BDE has over 50% of the organized air express market share. However, this is a slow growth market. Over the next 5 years, we expect BDE to pivot towards B2B and B2C express given investment in network and vehicles. We are building in 12ppt growth driven by B2C and B2B express over the next 20 years.

Exhibit 52: Higher growth is expected from B2B and B2C express businesses for BDE



Source: Company, Ambit Capital research; standalone #s considered

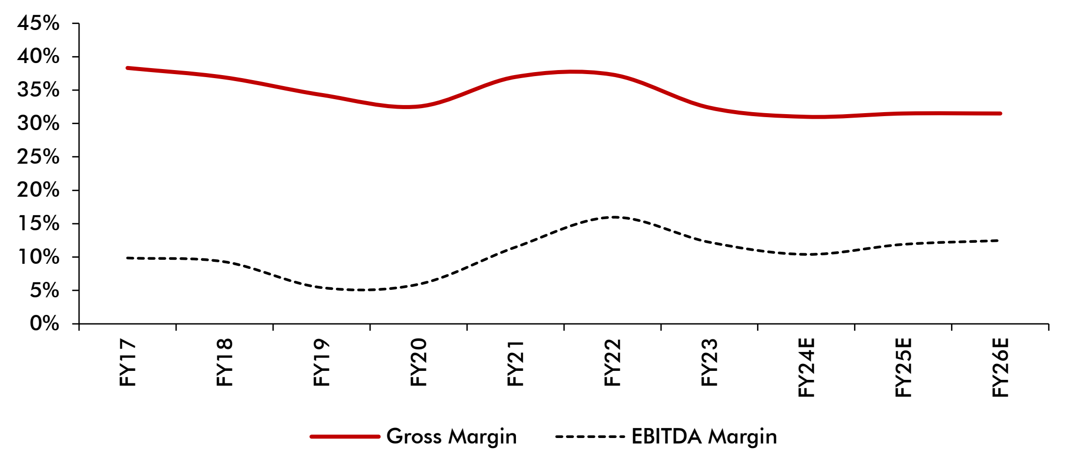
Exhibit 53: We expect revenue mix to change gradually with share of B2B and B2C express businesses growing faster



Source: Company, Ambit Capital research

Margin improvement driven by operating leverage: Over the last 1 year, BDE's margins compressed owing to mix change and adverse operating leverage. Mix change is likely to stay but adverse operating leverage will reverse by FY25E as growth comes back as witnessed over the last decade.

Exhibit 54: While we expect gross margins to come down slightly owing to mix change, EBITDA margins should improve owing to better operating efficiency



Source: Company, Ambit Capital research; standalone #s considered

Risks

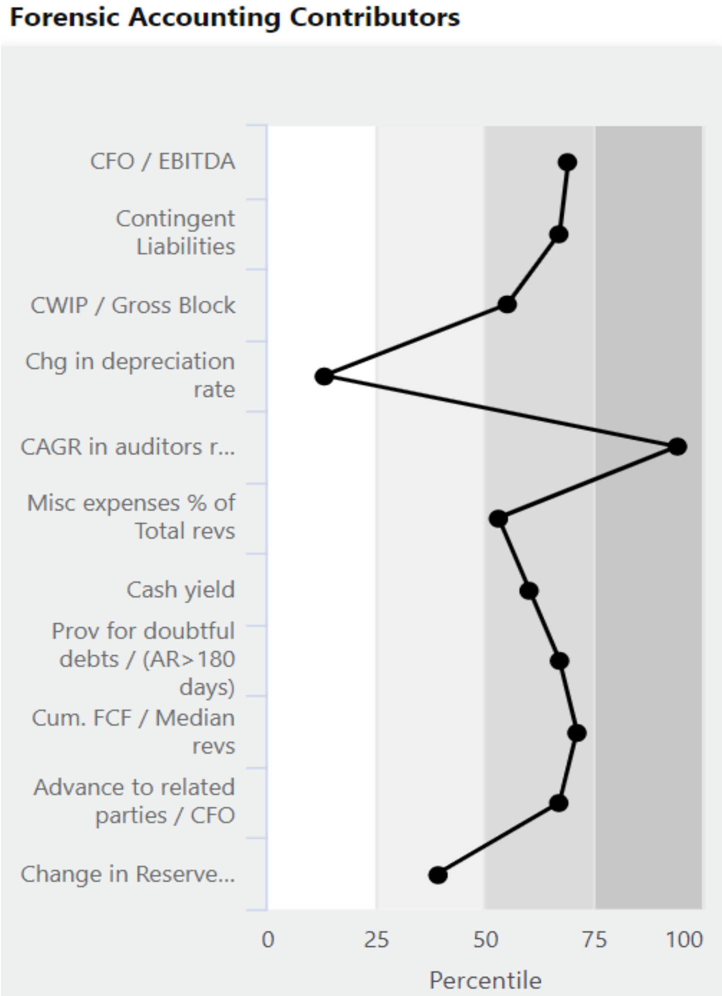
Upcoming belly space: Passenger airlines announcing expansion of their fleets, bringing in more belly space in the air express industry, can put pressure on margins, especially for a player like BDE that has its own fleet and does not rely on belly space. However, this risk is low considering air express is only ~20% of BDE's business and BDE remains one of the few integrated logistics players.

Yield erosion by competition: Multiple players have entered different segments of logistics in the last decade. While the requirement of having a strong widespread network acts as an entry barrier, players backed by heavy funding from private investors have been able to scale up quickly at the cost of margins. Captive usage by big e-commerce players further restricts the total available opportunity for third-party players like BDE. Though BDE provides premium services, the market can be price-sensitive which could lead to yield erosion.

Slowing GDP growth: BDE's margins and growth were hit in FY24E by slowing GDP growth. We are building in GDP growth recovery in FY25E, which should drive better revenue growth and margins for BDE. Any delay would mean margins would remain under pressure.

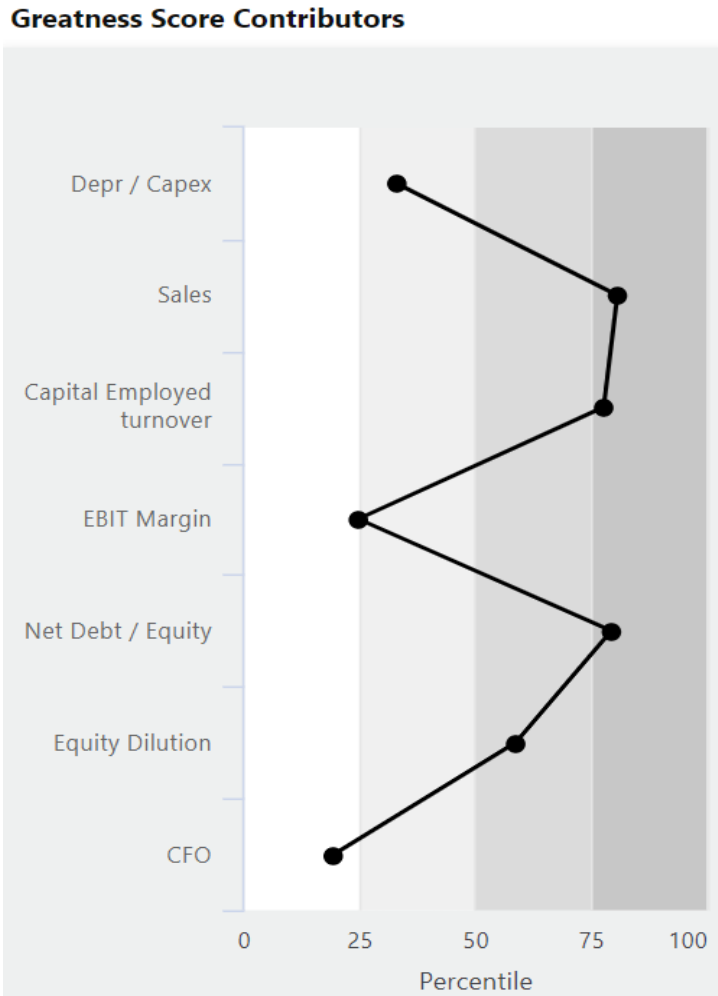
Hawk scores

Exhibit 55: Blue Dart scores well on Ambit's Forensic Score…



Source: Company, Ambit Capital research

Exhibit 56: …and also does well on the Greatness Score.



Source: Company, Ambit Capital research

Exhibit 57: Explanation of our accounting flags on Page 1

Segment	Score	Comments
Accounting	**GREEN**	Except for change in depreciation rate and CWIP as a % of gross block increasing, other accounting aspects look reasonable. Cash yield has improved, auditor's remuneration as % of revenue has stayed constant and miscellaneous expenses as a % of revenue remain low.
Predictability	**AMBER**	While BDE has high market share in the air express business, impact of introduction of further belly space by players on BDE needs to be watched. Higher growth is expected from surface express and e-commerce logistics, which are both high competitive intensity spaces.
Earnings Momentum	**AMBER**	Consensus earnings estimates downgraded by 18% over the last 6 months.

Source: Company, Ambit Capital research

Financials - Standalone

Income statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	**44,090**	**51,722**	**54,484**	**61,375**	**69,396**
-growth (Rev)	34.4%	17.3%	5.3%	12.6%	13.1%
Cost of goods sold	27,636	34,978	37,594	42,042	47,536
Gross profit	**16,454**	**16,744**	**16,890**	**19,333**	**21,860**
Gross profit growth	35.7%	1.8%	0.9%	14.5%	13.1%
Employee expenses	5,898	6,495	7,145	7,573	8,028
Advertising/marketing expenses	93	92	-	-	-
Frieght expenses	625	934	772	870	984
Other expenses	2,519	2,523	2,909	3,154	3,705
EBITDA	**7,038**	**6,323**	**5,667**	**7,306**	**8,658**
-growth (EBITDA)	86.9%	(10.2%)	(10.4%)	28.9%	18.5%
Depreciation	1,687	1,666	1,852	1,819	2,092
EBIT	**5,351**	**4,656**	**3,815**	**5,488**	**6,566**
-growth (EBIT)	204%	(13.0%)	(18.1%)	43.8%	19.6%
Other income	285	505	600	660	726
EBIT (including other income)	**5,636**	**5,162**	**4,415**	**6,148**	**7,292**
Finance costs	241	174	200	200	200
Exceptional items	(360)	-	-	-	-
Profit before tax	**5,035**	**4,987**	**4,215**	**5,948**	**7,092**
Profit before tax (adjusted)	**5,395**	**4,987**	**4,215**	**5,948**	**7,092**
-growth (PBT)	244%	(7.6%)	(15.5%)	41.1%	19.2%
Tax	1,271	1,323	1,062	1,499	1,787
PAT	**3,764**	**3,664**	**3,153**	**4,449**	**5,305**
Profit after tax (adjusted)	**4,124**	**3,664**	**3,153**	**4,449**	**5,305**
-growth (PAT)	238%	(11.1%)	(14.0%)	41.1%	19.2%
EPS (basic) (₹)	159	154	133	187	224
EPS (diluted)	159	154	133	187	224

Source: Ambit Capital research, Company

Balance sheet

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Property, plant and equipment	1,445	1,973	2,513	2,485	2,412
Capital work in progress	0.6	17.4	17.4	17.4	17.4
Right of use assets	2,309	2,456	1,240	1,154	867
Other intangible assets	565	398	222	518	285
Intangible assets under development	185	241	241	241	241
Total fixed assets	**4,506**	**5,086**	**4,234**	**4,415**	**3,823**
Non-current investments	1,441	1,441	1,441	1,441	1,441
Other non-current assets	3,937	6,559	6,559	6,559	6,559
Total non-current assets	**9,883**	**13,086**	**12,233**	**12,415**	**11,822**
Inventories	70	78	83	93	105
Current investments	2,074	1,709	1,709	1,709	1,709
Trade receivables	5,788	6,350	6,689	7,535	8,520
Cash and cash equivalents	1,811	930	5,359	10,563	17,386
Other current assets	399	842	842	842	842
Total current assets	**10,142**	**9,909**	**14,682**	**20,742**	**28,562**
Total assets	**20,025**	**22,995**	**26,915**	**33,157**	**40,384**
Share capital	238	238	238	238	238
Other equity	9,311	12,366	15,519	19,968	25,272
Total equity	**9,549**	**12,604**	**15,756**	**20,205**	**25,510**
Deferred tax liabilities (net)	(310)	(336)	(336)	(336)	(336)
Lease liabilities	1,446	1,523	1,523	2,523	3,523
Other non-current liabilities	58	35	35	35	35
Total non-current liabilities	**1,193**	**1,222**	**1,222**	**2,222**	**3,222**
Trade payables	5,876	5,502	6,269	7,062	7,985
Lease liabilities	1,039	1,078	1,078	1,078	1,078
Other current liabilities	2,368	2,589	2,589	2,589	2,589
Total current liabilities	**9,283**	**9,169**	**9,936**	**10,729**	**11,652**
Total liabilities	**10,477**	**10,391**	**11,159**	**12,952**	**14,875**
Total equity and liabilities	**20,025**	**22,995**	**26,915**	**33,157**	**40,384**

Source: Ambit Capital research, Company

Cash flow statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	**5,035**	**4,987**	**4,215**	**5,948**	**7,092**
Depreciation	1,687	1,666	1,852	1,819	2,092
Interest income	(155)	(211)	(600)	(660)	(726)
Interest expense	241	174	200	200	200
Other items	(80)	(189)	-	-	-
Working capital changes	360	(1,849)	424	(64)	(74)
Taxes	(1,261)	(1,388)	(1,062)	(1,499)	(1,787)
Cash flow from operations	**5,827**	**3,193**	**5,029**	**5,744**	**6,797**
(Net) capital expenditure	(517)	(918)	(1,000)	(500)	(500)
Acq./(disp.) of Investments	1,742	533	-	(500)	-
Interest/dividend Received	160	211	600	660	726
Other items	(2,500)	(2,000)	-	-	-
Cash flow from investments	**(1,115)**	**(2,173)**	**(400)**	**(340)**	**226**
Net long-term borrowings	(1,425)	-	(200)	(200)	(200)
Interest paid	-	(0.7)	-	-	-
Dividends paid	(986)	(563)	-	-	-
Payment of lease liabilities	(1,297)	(1,337)	(200)	(200)	(200)
Other items	-	-	200	200	200
Cash flow from financing	**(3,708)**	**(1,901)**	**(200)**	**(200)**	**(200)**
Opening cash balance	**807**	**1,811**	**930**	**5,359**	**10,563**
Net change in cash	**1,004**	**(881)**	**4,429**	**5,204**	**6,823**
Closing cash balance	**1,811**	**930**	**5,359**	**10,563**	**17,386**
Free cash flow to firm	**5,310**	**2,275**	**4,029**	**5,244**	**6,297**

Source: Ambit Capital research, Company

Preferred Ratios

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
EBITDA margin	16.0%	12.2%	10.4%	11.9%	12.5%
EBIT margin	12.1%	9.0%	7.0%	8.9%	9.5%
Net profit margin	8.5%	7.1%	5.8%	7.2%	7.6%
Interest cover	22	27	19.1	27	33
Cash conversion days	-	7.0	3.0	3.0	3.0

Source: Ambit Capital research, Company

Ratio analysis

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
EBITDA margin	16.0%	12.2%	10.4%	11.9%	12.5%
EBIT margin	12.1%	9.0%	7.0%	8.9%	9.5%
Net profit margin	8.5%	7.1%	5.8%	7.2%	7.6%
Interest cover	22	27	19.1	27	33
Net debt/equity	(0.2)	(0.1)	(0.3)	(0.5)	(0.7)
Net debt/EBITDA	(0.3)	(0.1)	(0.9)	(1.4)	(2.0)
Working capital turnover	1,269	100	68	101	101
Cash conversion days	(0.2)	6.5	3.4	3.4	3.4
Inventory days	0.6	0.6	0.6	0.6	0.6
Receivable days	48	45	45	45	45
Payable days	49	39	42	42	42
Gross block turnover	11.5	12.2	10.7	10.5	10.9
pre-tax CFO/EBITDA	101%	72.4%	107%	99.1%	99.1%
pre-tax RoCE	48.8%	34.2%	22.7%	26.0%	24.4%
post-tax RoCE	37.3%	24.5%	16.4%	18.9%	17.7%
post-tax RoIC	42.3%	27.9%	20.9%	31.3%	37.8%
ROE (%)	46.1%	33.1%	22.2%	24.7%	23.2%

Source: Ambit Capital research, Company

AMBIT
Acumen at work

CELEBRATING 25 YEARS OF ACUMEN!

Delhivery
SELL

INITIATING COVERAGE	DELHIVER IN EQUITY	December 07, 2023

Premium assigned too soon?

Delhivery, the largest Indian B2C express player (63% revenue share), shot to leadership via low pricing-led expansion and tech investments. But growth was slower than peers in FY23 as e-com platforms tried to derisk supply chains, which we expect will continue. Moreover, cash burn strategy is unlikely to work as most peers have ample cash. Delhivery's other businesses (37% revenue share) are yet to establish right to win with profitability/market leadership missing. We build in 19% revenue CAGR over FY23-26E and profitability by FY26E. Recent WC improvement is a right step. But current valuation of 2.9x 1-year fwd EV/sales is at 15-50% premium to peers, implying street sees eventual high RoCE in other businesses and superior capital allocation ability; a premium assigned too soon. DCF-based TP of ₹329 implies 2x 1-year fwd P/S assuming 15% revenue growth and eventual 15ppt margins over FY23-43.

Competitive position: STRONG — Changes to this position: NEGATIVE

Leader in B2C express but slower growth vs peers seen in FY23

Delhivery aims to gain market share and drive efficiencies through automation & tractor-trailer capex. But other players continue to expand as was visible in slower FY23 revenue growth (9% YoY growth vs 18%/33% for Ecom/Xpressbees). This is driven by customers derisking supply chain by adding players (Meesho added 3 vendors in CY23) and keeping tabs on pricing. Whilst Delhivery pushes growth via SME/D2C customers, its growth is likely to be lower vs peers near term.

Other businesses still finding their feet

FTL/SCS industry is fragmented with limited scope for high RoCE (only a few players have 20%+ RoCE). Delhivery is a late entrant and continues to be loss-making despite reaching 2/3rd scale of the most profitable player in SCS. PTL space offers scalable growth but key competitive edge is high SME/VAP share, which Delhivery lacks. So double-digit RoCE is some time away in this segment.

Building in profitability by FY26E

We build in 19% revenue CAGR over FY23-26E – 16% CAGR in B2C express business and higher growth in other businesses – coupled with EBITDAM improvement to 7% by FY26E driven by GM improvement and operating leverage.

Current valuations suggest premium assigned too soon

Delhivery's growth and efficiency improvement are appreciated but street seems to extrapolate capabilities to other businesses. Superior capital allocation record is yet to be established (₹55bn cash). Whilst we believe Delhivery is an efficient B2C express operator, consolidated nature of the customer base implies that Delhivery's pricing power will remain restricted. New businesses are still finding their right to win. DCF-based TP of ₹329 implies 2x 1-year fwd P/S and 30x 1-year fwd EV/EBITDA. Risk: Better-than-expected growth/profitability.

Key Financials

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	68,823	72,253	84,298	101,756	120,969
EBITDA margin	(6.9%)	(6.3%)	0.5%	4.6%	7.4%
EBIT margin	(15.7%)	(17.8%)	(7.5%)	(3.1%)	(0.2%)
Net profit margin	(14.7%)	(13.9%)	(3.5%)	(0.1%)	1.7%
Pre-tax RoCE	(19.7%)	(15.0%)	(6.3%)	(3.1%)	(0.3%)
RoE	(23.0%)	(13.3%)	(3.2%)	(0.1%)	2.1%
Cash conversion days	46	41	29	24	19

Source: Company, Ambit Capital research

Logistics

Recommendation

Mcap (bn):	₹279/US$3.3
6M ADV (mn):	₹733/US$8.9
CMP:	₹383
TP (12 Mths):	₹329
Downside (%):	(14)

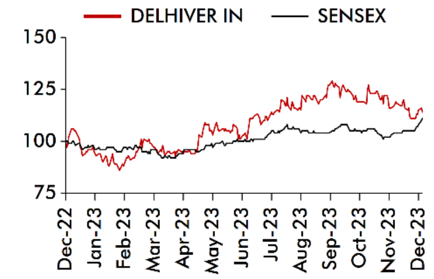
Flags

Accounting:	AMBER
Predictability:	AMBER
Earnings Momentum:	AMBER

Catalysts

- Slower growth vs peers in B2C express in FY25 (our revenue estimates are 3% lower than Visible Alpha).
- Lower-than-expected margins in FY25 (our FY25E EBITDA is 14% lower than Visible Alpha).

Performance (update)



Source: ICE, Ambit Capital Research

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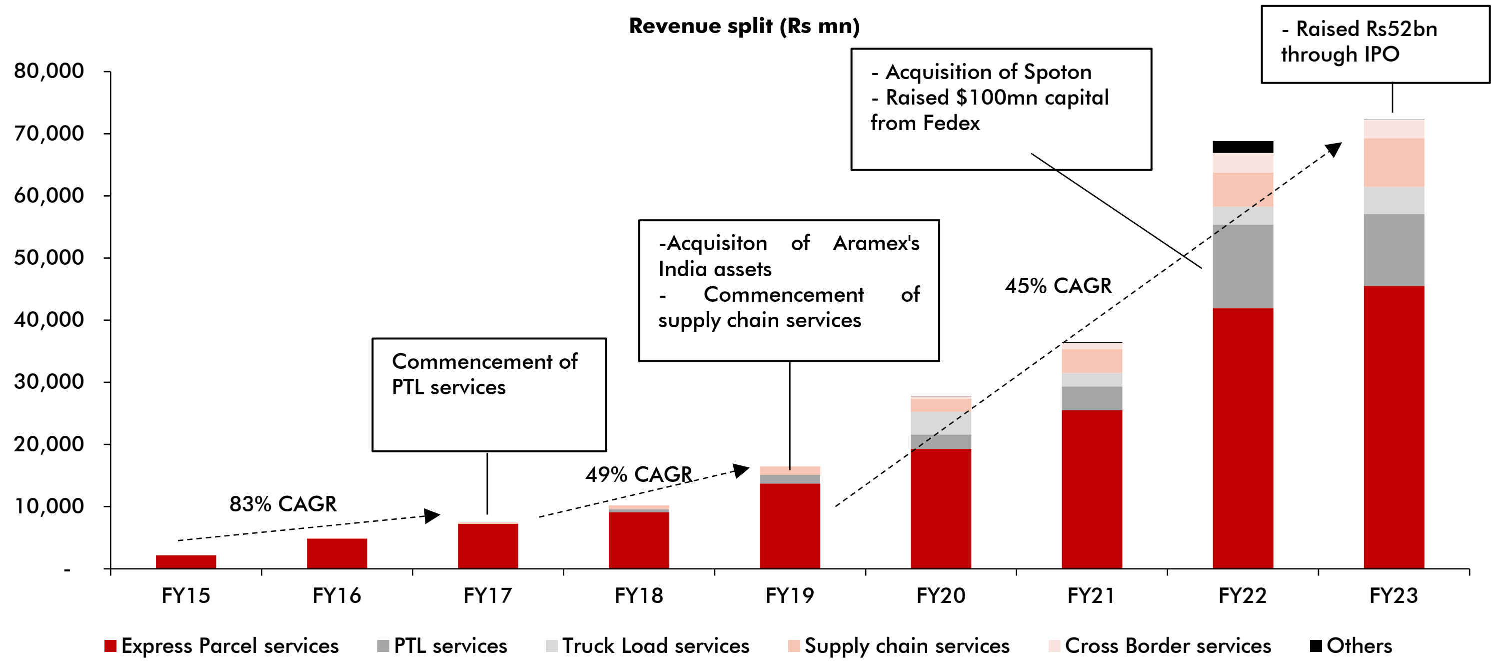
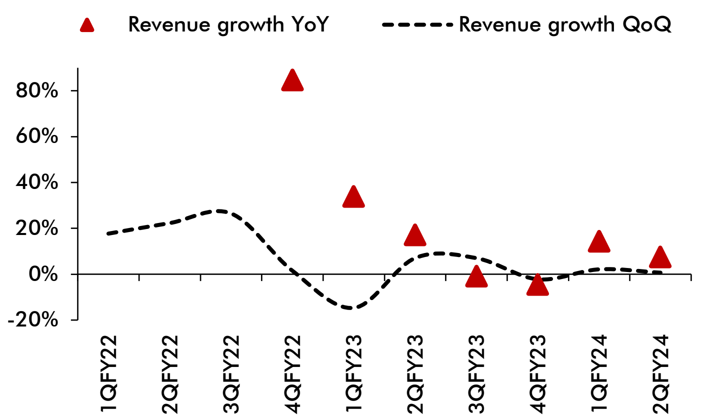
The Narrative in Charts

Exhibit 1: Delhivery has grown through a combination of organic and inorganic means over the years and has now diversified away from being just a B2C express logistics company



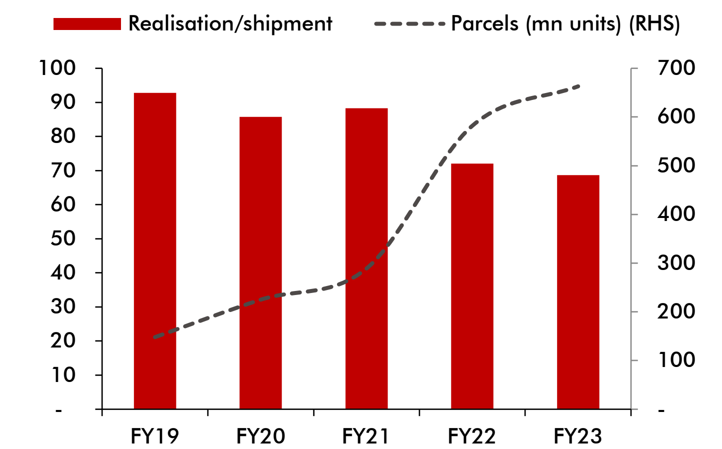
Source: Company, Ambit Capital research

Exhibit 2: Revenue growth in Delhivery's express business has slowed down in recent quarters



Source: Company, Ambit Capital research

Exhibit 3: Realisations in the express business have come off



Source: Company, Ambit Capital research

Exhibit 4: Delhivery's revenue share in Top 3 3PL players…

3PL market share (%) – top 3 players	FY20	FY21	FY22	FY23
Delhivery	50%	50%	52%	48%
Ecom Express	31%	30%	24%	25%
Express Bees	20%	20%	24%	27%

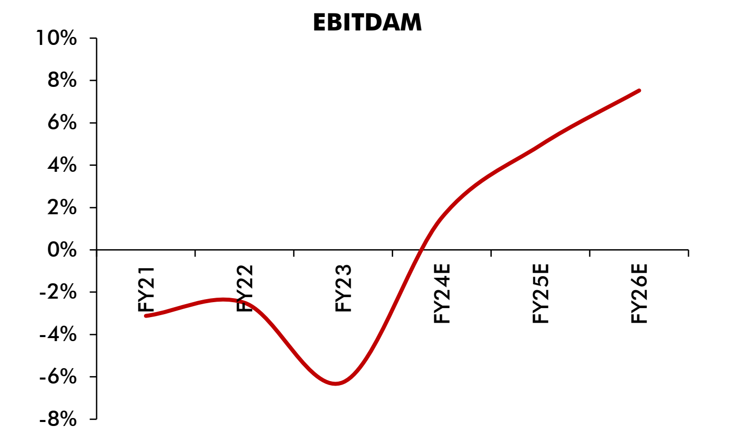
Source: Company, Ambit Capital research, MCA , Data may not include all players – considered only for top 3 players, Revenue share is based on revenue of these players, Data is indicative as overall revenue for Xpressbees assumed as express revenue

Exhibit 5: …declined as peers outgrew in FY23

YoY (%)	FY20	FY21	FY22	FY23
Delhivery	40%	32%	64%	9%
Ecom Express	21%	28%	29%	18%
Express Bees	40%	33%	89%	33%

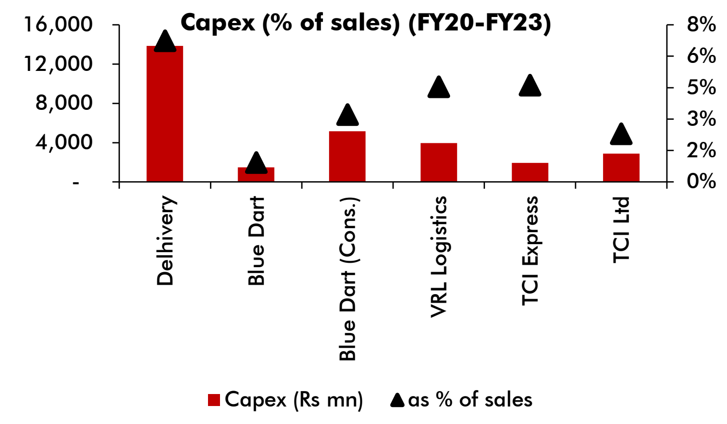
Source: Company, Ambit Capital research; Overall revenue for Xpressbees assumed as express revenue

Exhibit 6: EBITDAM for Delhivery to improve as operating leverage plays out



Source: Company, Ambit Capital research

Exhibit 7: Delhivery's cumulative capex (% of sales) over FY20-23 was elevated



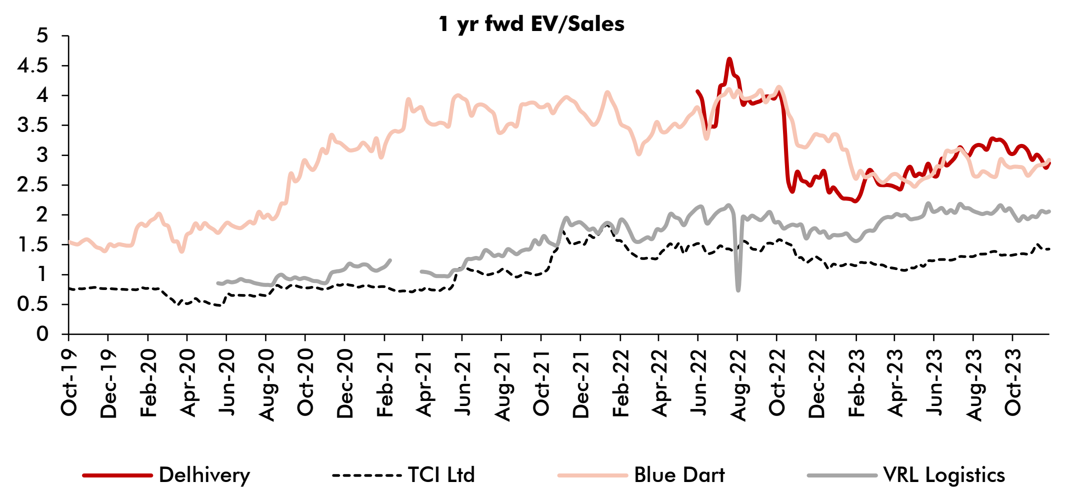
Source: Company, Ambit Capital research; capex here includes net addition to PPE gross block, and not as per cashflow from operations

Exhibit 8: Opportunity for scale remains high overall; but some other businesses may not exhibit the qualities of the express parcel business

	Delhivery's revenue (FY23) (₹ bn)	TAM (FY26E) (USD bn)	Low Competitive intensity	Pricing power	Entry barriers	Industry Growth Potential (Over next decade)	Best player's RoCE	Industry leader	Consolidated industry
Express parcel business	45.5	10-12				16%	NA	Yes	Yes
PTL Express business	11.6	26				12%	32%	No	Yes
Supply chain services	7.8	109				10%	23%	No	No
Cross border solution	3.0	8-10				7%	NA	No	No
FTL business	4.4	163				GDP growth	20%	No	No

Source: Company, Ambit Capital research; industry growth #s are our estimates; - Indicates strong positioning; - Indicates above average positioning; - Indicates average positioning; - Indicates weak positioning; Best player considered for RoCE – TCI Express (PTL), TCI Ltd (FTL), TCI SCS (Supply chain)

Exhibit 9: Delhivery trades at a premium to the sector however high RoCE profile is yet to be established

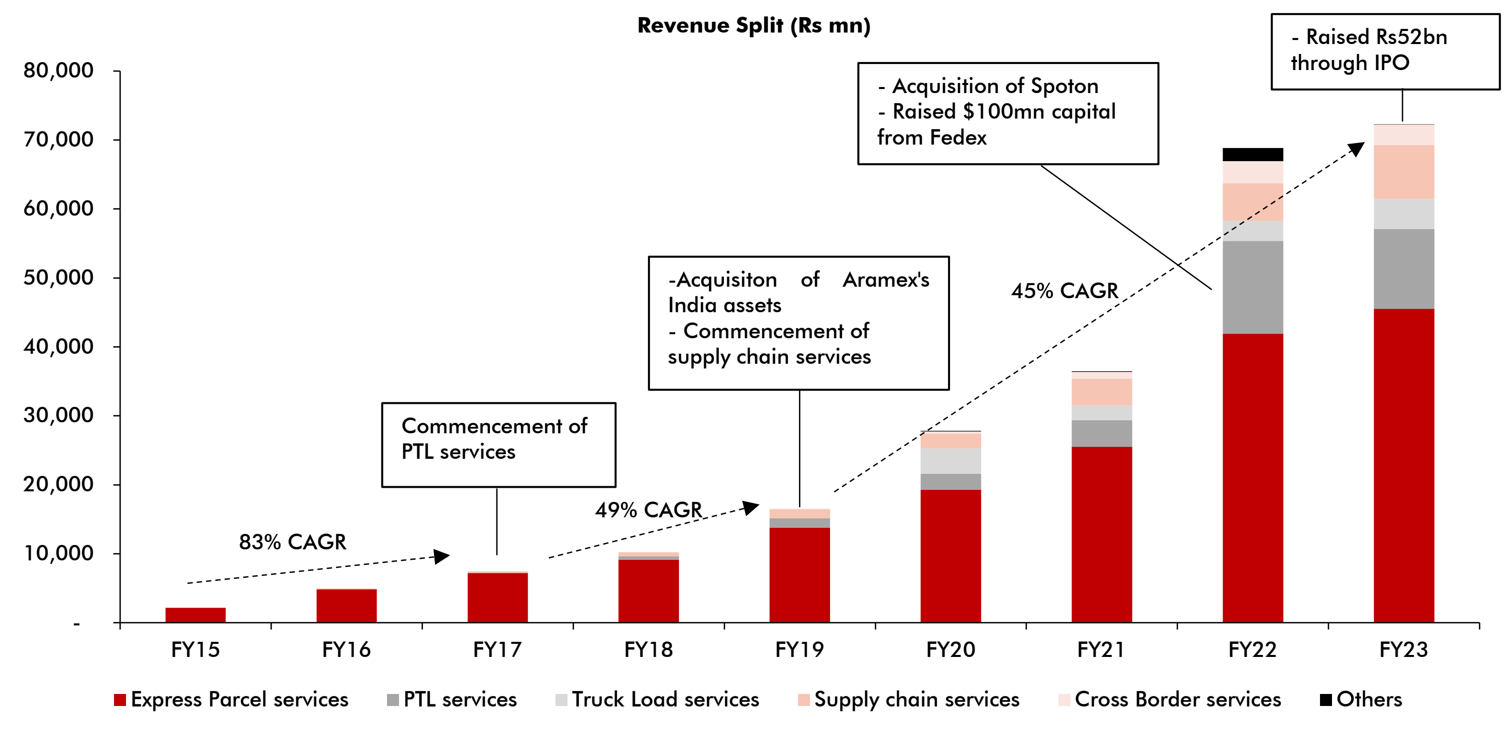


Source: Company, Ambit Capital research, Bloomberg

Now diversifying into multiple businesses

Delhivery has evolved into India's largest logistics company over the years through a combination of organic and inorganic actions. Started originally as a B2C e-commerce logistics provider, Delhivery has diversified across PTL, FTL, cross-border and supply chain functions with the aim to become an end-to-end integrated 3PL service provider. Over the last 10 years, Delhivery generated 63% revenue CAGR whilst yet not turning profitable. It has been able to scale quickly through aggressive investments in technological applications such as Primaseller, Transition Robotics Inc, and Falcon Autotech Private Ltd, which helped it create a nationwide network and pricing-driven scale in the core express parcel business and inorganic actions to enter PTL business.

Exhibit 10: Delhivery has grown through a combination of organic and inorganic means over the years and has now diversified away from being just a B2C express logistics company



Source: Company, Ambit Capital research

Exhibit 11: Over the last decade, Delhivery's growth has come from a good mix of organic and inorganic

Year	Event
FY12	Incorporated as SSN Logistics Pvt Ltd
FY17	**Commencement of PTL services**
FY19	**Commencement of Supply Chain Services**
FY19	**Acquisition of Aramex's India assets**
FY22	Entered into a strategic alliance with FedEx
FY22	**Acquisition of Spoton Logistics Private Limited**
FY22	Converted to a public limited company and incorporated as Delhivery Ltd
FY22	**Acquisition of Transition Robotics, Inc. by Delhivery Robotics LLC**
FY22	**Investment in Falcon Autotech Private Limited**
FY23	**Delhivery gets listed on NSE and BSE**
FY23	**Acquisition of Algorhythm Tech Pvt Ltd as a wholly owned subsidiary**
FY24	**Acquired stake in Vinculum Solutions Private Limited**

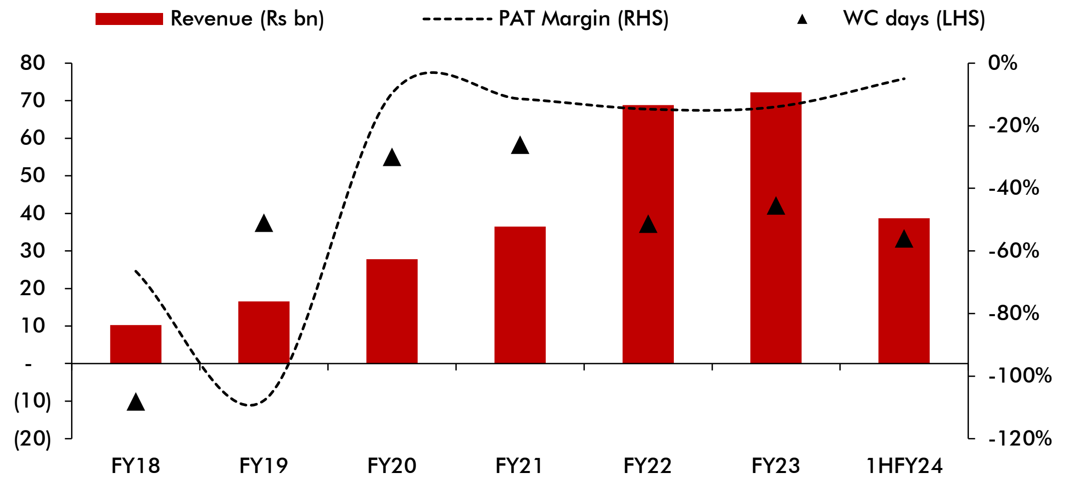
Source: Company, Ambit Capital research

Exhibit 12: Whilst there has been some recent churn, most of Delhivery's senior management has been with the company since inception; new talent brought in to scale other businesses and ventures.

Name	Designation	Joined since	Qualification	Past experience
Current KMPs				
Sahil Barua	MD, CEO	Dec-11	MBA, B. Tech	Bain & Company
Kapil Bharati	CTO, Executive Director	Dec-11	B. Tech	Athena Information Solutions, Sapient and Publicis Sapient
Ajith Pai	COO	Apr-13	NIT, Surathkal, IIM - Bangalore	Lodha group
Amit Agarwal	CFO	Aug-12	MSc - IIT Kanpur	Inductis India
Sandeep Barasia	Chief Business Officer, Executive Director	Apr-15	MBA, B.Com	Bain and Company
Vivek Kumar	Director of Corporate Affairs/ Compliance Officer/CS	May-21	ICSI	ITC, Dell, GMR Airports
Resigned		**Resigned on**		
Kalpana Jaisingh Morparia	Non-Executive Independent Director	Feb-23	BSc	JP Morgan
Abhik Kumar Mitra	Chief Customer Experience Officer	Apr-23	B.Tech	TNT India, RPG group, Spoton
Sunil Kumar Bansal	CS and Compliance Officer	May-23	ICSI, ICWA	Sneha Kinetic, SKS Microfinance
Pooja Gupta	Chief People Officer	Nov-23	MBA	SAP, Myntra
Uday Sharma	Head of Business Development - PTL	Nov-23	NA	NA

Source: Company, Ambit Capital research

Exhibit 13: Delhivery's working capital management shows signs of improvement as it attempts to improve FCF generation



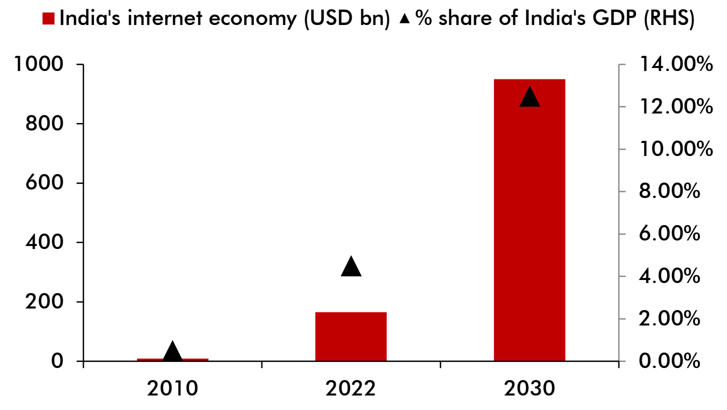
Source: Company, Ambit Capital research

Express parcel business: Limited opportunity for Delhivery

Near-term pain doesn't dampen long-term industry outlook

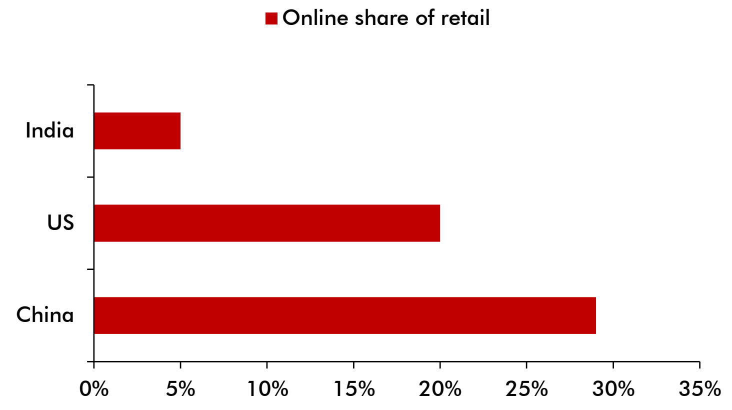
India's internet economy is just 5% of its retail market. Whilst there was significant growth over the last decade, this is still materially lower vs other countries. Recent quarters have seen normalization of growth. Having said that, examples such as US have shown that near-term blips are not a deterrent to the long-term growth potential this space offers.

Exhibit 14: India's internet economy is just ~5% of its overall economy…



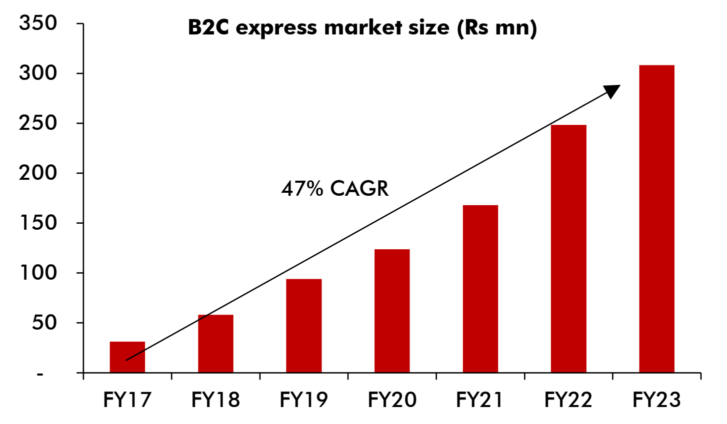
Source: Company, Ambit Capital research, India e-conomy report – Google, Bain and Temasek

Exhibit 15: …and has significant growth potential given under-penetration compared to other countries



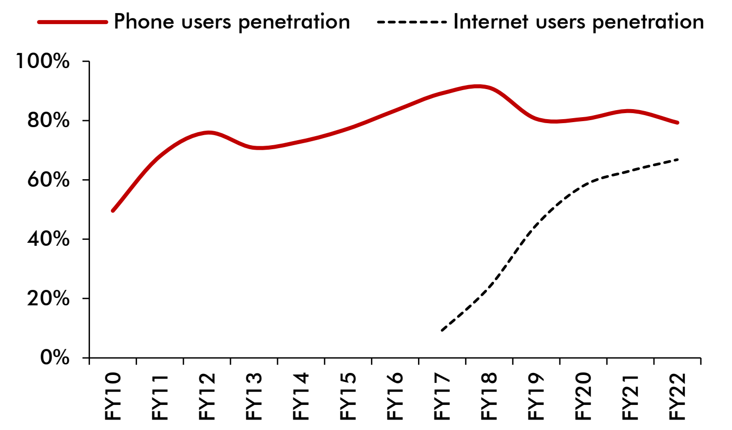
Source: Company, Ambit Capital research, Company, Ambit Capital research, India e-conomy report – Google, Bain and Temasek

Exhibit 16: Indian B2C Express market has grown at a rapid pace over the last few years



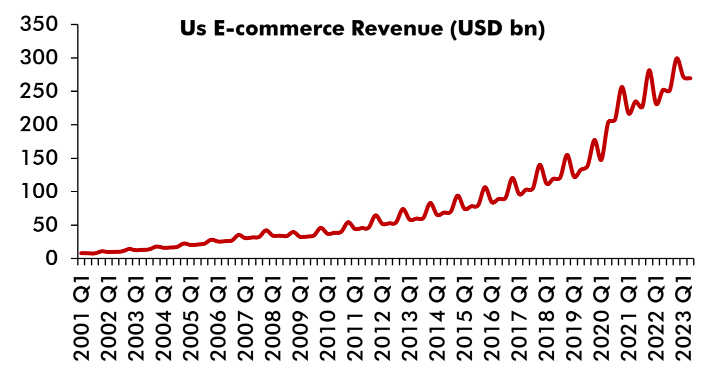
Source: Ambit Capital research, based on our estimates, #s are indicative

Exhibit 17: Internet users as a % of population is constantly increasing and there remains a lot of potential to grow



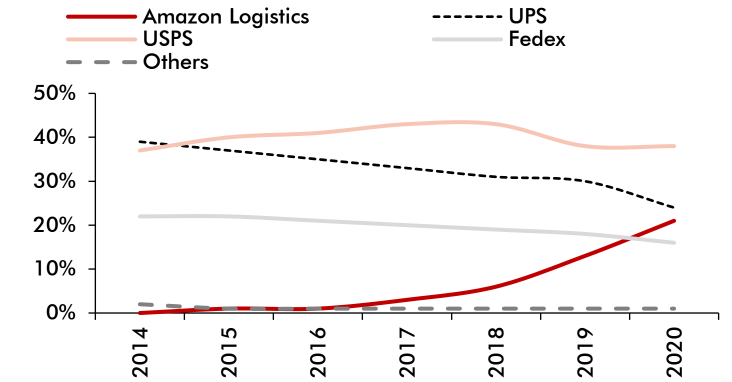
Source: Company, Ambit Capital research

Exhibit 18: US ecommerce has grown at a rapid pace over the last 2 decades



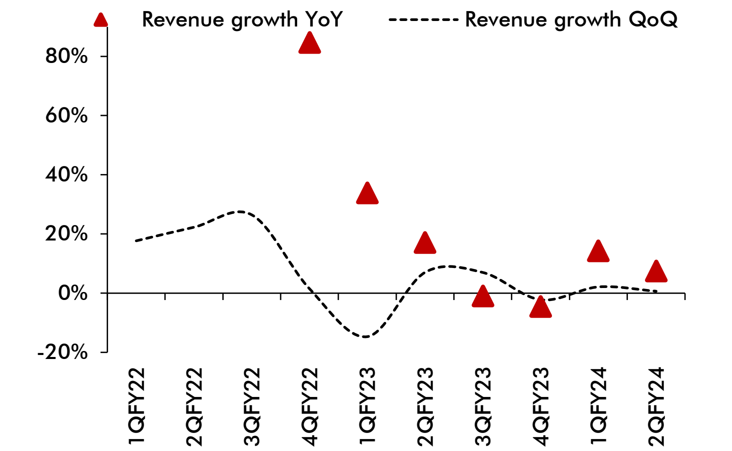
Source: Company, Ambit Capital research

Exhibit 19: Amazon gained a sizeable share in the US market over last few years



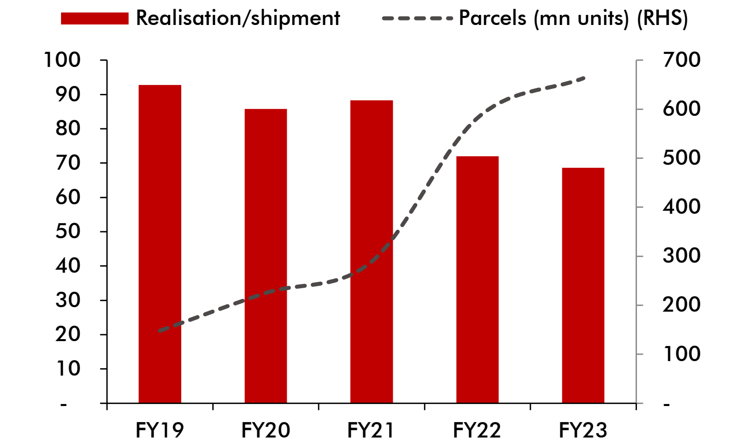
Source: Company, Ambit Capital research

Exhibit 20: Revenue growth in Delhivery's express business has slowed down in recent quarters



Source: Company, Ambit Capital research

Exhibit 21: Realisations in the express business have come off



Source: Company, Ambit Capital research

Strong capabilities coupled with market leadership -> competition seems to be catching up

Delhivery is already at ~1.8x the scale of nearest competition owing to its early headstart. A peek at the capabilities of Delhivery and its peers indicates:

- Delhivery is the only company boasting a mesh network (which enables it to deliver faster vs peers with higher precision).
- Delhivery has the deepest infrastructure capabilities vs. peers with a higher number of branches and automated sorting centres.
- Our expert checks suggests that Delhivery's tech stack is much better than peers, which aids better serviceability to clients.

A comparison on profitability implies that Delhivery's express parcel business is much more profitable than peers given similar margins despite investments in other businesses. However, a key thing to note will be surging growth for peers. Peers like Ecom/Xpressbees outpaced Delhivery on growth in FY23 (18%/33% revenue growth vs 9% for Delhivery). Moreover, we are also seeing various players like DTDC/Shadowfax/Elactic Run attempt to scale in this business by tweaking their business models.

Exhibit 22: Delhivery's cons. EBITDAM is similar to peers, implying superior profitability in the express parcel business vs peers given loss-making other businesses

	Delhivery (Consol)	Delhivery (Express)	Ecom Express	Ecom Express (Courier)	Xpress Bees
Financial Year Data	**FY23**	**FY23**	**FY23**	**FY23**	**FY23**
Net Sales	**72,253**	**45,520**	**25,482**	**23,025**	**25,315**
-3 year CAGR	37%	33%	27%	25%	50%
-5 year CAGR	48%	38%	35%	32%	56%
Costs					
Freight/Direct costs	75%		54%		82%
Employee	19%		26%		13%
Rent	4%		3%		2%
Other expenses	8%		20%		8%
EBITDA margin	-6%		-3%		-5%
Depreciation	12%		8%		4%
EBIT margin	-18%		-11%		-9%
Finance cost	3%		3%		1%
PBT margin	-15%		-13%		-7%
Pre-tax RoCE	-15%		-16%		-19%
Cash Conversion days	42		13		0
CE T/O	0.8		1.5		2.1
GB T/O	1.1		1.9		16.5

Source: Company, Ambit Capital research, MCA, VCC edge, for calculating GB T/O, Gross Block includes Gross carrying value of Fixed assets including RoU assets, and for calculating CE T/O, Capital Employed includes lease liabilities, Assuming

Exhibit 23: Delhivery grew slower than peers in the B2C express segment in FY23...

3PL revenue share (%) – top 3 players	FY20	FY21	FY22	FY23
Delhivery	50%	50%	52%	48%
Ecom Express	31%	30%	24%	25%
Express Bees	20%	20%	24%	27%

Source: Company, Ambit Capital research, MCA , Data may not include all players – considered only for top 3 players, Revenue share is based on revenue of these players, Data is indicative as overall revenue for Ecom and Xpressbees assumed as express revenue

Exhibit 24: ...but is still the largest player

YoY (%)	FY20	FY21	FY22	FY23
Delhivery	40%	32%	64%	9%
Ecom Express	21%	28%	29%	18%
Express Bees	40%	33%	89%	33%

Source: Company, Ambit Capital research; Overall revenue for Xpressbees assumed as express revenue

Exhibit 25: Captive players like E-kart/ATS have also grown much in the last few years

	Ekart	Amazon
Financial Year Data	**FY23**	**FY22**
Net Sales	**127,874**	**45,714**
-3 year CAGR	40%	37%
-5 year CAGR	39%	36%
Costs		
Freight/Direct costs	74%	67%
Employee	9%	11%
Rent	2%	0%
Other expenses	8%	14%
EBITDA margin	7%	7%
Depreciation	9%	8%
EBIT margin	-3%	0%
Finance cost	2%	2%
PBT margin	-3%	-2%
Pre-tax RoCE	-14%	-3%
Cash Conversion days	(33)	-1
CE T/O	5.6	2.5
GB T/O	1.4	2

Source: Company, Ambit Capital research, MCA

Exhibit 26: Competitors are catching up with Delhivery's wide network; but scale advantage is significant for Delhivery

	Delhivery	Blue Dart	Ecom Express	XpressBees	Shadowfax	DTDC
Hubs	NA	NA	150+ hubs (incl. gateways, processing and fulfilment centres)	150+ hubs	NA	NA
Branches	~3,500	~2,347 (incl. hubs)	~2,834	3,500+ offices	~900	580
Fleet	~12,366 (owned/leased)	~12,000	NA	NA	NA	~1,500
PIN code reach	18,655	NA	~27,000*	~20,000	~15,000	~14,000
Technology	In-house	In-house	In-house	NA	In-house	NA
Operating Model	Mesh Network	Hub and spoke network	Hub and spoke network	Hub and spoke network	NA	NA

Source: Company, Ambit Capital research, Company websites and channel checks, other industry reports. Ecom's pincode reach could have duplication. Note: Data taken from websites and company presentations. May not be exhaustive.

The Meesho problem => Market share losses?

Meesho claims to be India's largest 3PL supplier with 35-50% share. Given the lower value ASP of shipments made from their websites, they will continue to lower costs, which they have stated too. Moreover, they are also adding new 3PL partners in a bid to further optimize their supply chains and reduce costs. This implies Delhivery might be hitting a peak in terms of market share in this business. A testament to that was Delhivery growing slower than peers in FY23 (partly owing to internal challenges) where its revenue growth slowed (9% vs 18%/33% for Ecom/Xpressbees).

Exhibit 27: Snapshot of Meesho's comments on logistics

Third-party (3PL) logistics players in India handle 1.8 billion shipments annually.

Can you get what percentage of that Meesho accounts for?

~50%.

That makes us the single-largest contributor to India's fast-growing 3PL ecosystem. We ship upwards of 3 million orders a day, but we do not invest in in-house warehousing or logistics.

Why?

To ensure that our sellers have the most cost-efficient e-commerce experience. Building warehousing infrastructure and running a captive logistics workforce drives up expenses significantly in the supply chain, ultimately translating into higher costs for fulfilment as well as products. In fact, this choice of outsourcing logistics is a key lever in establishing our industry-first 0 commission model.

Source: Ambit Capital research, Meesho blog, news articles

Exhibit 28: Meesho has been increasing its 3PL partners in India

Meesho's 3PL partners	
2022	**2023**
Delhivery	Delhivery
Ecom Express	Ecom Express
Xpressbees	DTDC
Shadowfax	Elastic Run
	Loadshare
	Shadowfax
	Xpressbees

Source: Company, Ambit Capital research

Cash burn strategy may be used to gain share, but success isn't guaranteed

Delhivery has the highest cash balance vs competition, which means that it can apply pricing pressure to gain market share. However, we believe this will be futile as it will only hurt industry profitability with competition already having ample cash. Moreover, given the new vendor inducement by customers, we expect minimal market share gains hereon for some time.

Exhibit 29: Many players have raised capital to ensure growth, albeit lower than Delhivery

Company	Date	INR (bn)	From	Cash & bank balance (as on 31-03-23) (₹ bn)
Ecom Express	Sep-22	3.1	Warburg Pincus India Pvt Ltd, British International Investment Plc, PG Esmeralda Pte Ltd	5.0
	Feb-21	1.5	CDC group PLC	
Xpressbees	Oct-23	6.7	Ontario Teachers Pension Plan	11.1
	Aug-23	3.3	Khazanah Nasional Berhad	
	Aug-22	2	Avendus Future Leaders Fund	
	Feb-22	22.4	Blackstone Growth, Tarrant Capital IP, ChrysCapital Investment Advisors India Pvt Ltd. Investcorp Private Equity and Northwest Venture Partners	
	Oct-20	8.1	Investcorp, Norwest Venture Partners, Gaja Capital	
	Dec-19	0.7	Singapore E-commerce Pvt (Alibaba Group Holding)	
Shadowfax	Dec-19	3.7	Flipkart Pvt Ltd, Eight Roads Ventures India, Qualcomm Ventures, NGP Advisors India Pvt Ltd, Mirae Asset Global Investments India Pvt Ltd	0.9
Delhivery	Net debt free			55/55*

*Source: Company, Ambit Capital research, VCCEdge; *as of 1HFY24*

IPO plans indicate competition will continue to push for growth

Companies like Xpressbees, Ecom Express and many others are looking to go public in the near future. This implies that competition will continue to push growth and attempt to get market share.

PTL Express: Scale/mix improvement is key

Recovering from initial disruption; growth ahead to be normalized

Delhivery's Spoton integration caused significant loss of revenue. Whilst the integration is now complete, quarterly numbers are not close to pre-integration peak yet. That said, recovery has been strong since then. However, growth is likely to normalize.

Exhibit 30: Delhivery's B2B revenue share (top 4 players) declined in FY23...

Revenue share of top 4 players	FY19	FY20	FY21	FY22	FY23
Safexpress	34%	36%	39%	41%	45%
Delhivery+Spoton	16%	19%	24%	22%	16%
Gati KWE	27%	24%	20%	20%	21%
TCI Express	22%	21%	17%	17%	18%

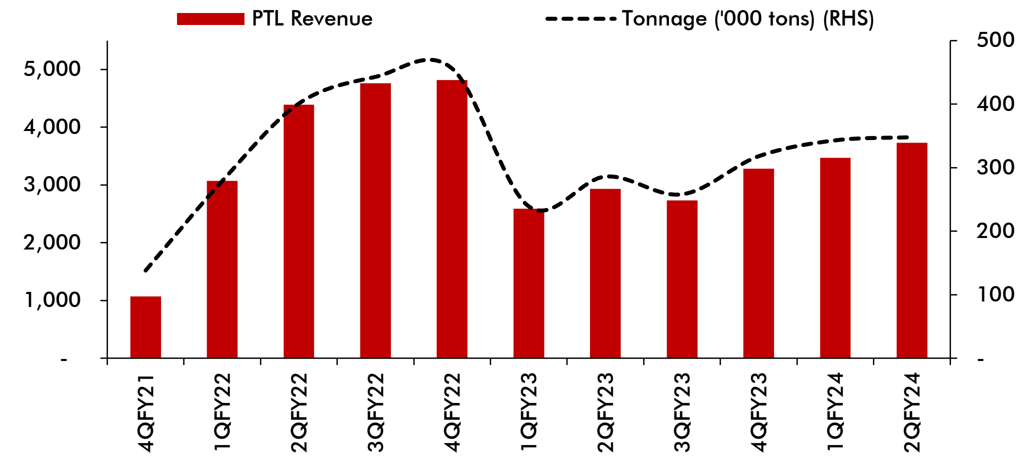
Source: Company, Ambit Capital research, MCA, News articles

Exhibit 31: ...owing to spot-on integration challenges

YoY (%)	FY19	FY20	FY21	FY22	FY23
Safexpress	22%	12%	10%	31%	26%
Delhivery+Spoton	43%	24%	29%	13%	-14%
Gati KWE	5%	-6%	-13%	23%	18%
TCI Express	16%	1%	-18%	28%	15%

Source: Company, Ambit Capital research

Exhibit 32: Delhivery's PTL revenue started to recover in FY23, but still has some time to go before it can breach its FY22 peak



Source: Company, Ambit Capital research

Consolidated industry base indicates possibility of high RoCE, but Delhivery would have to work on operating metrics

Whilst PTL express is a fairly consolidated industry and some larger peers have indicated their ability to command pricing power. Whilst Delhivery is one of the few pan-India players, it has an opportunity to significantly improve its operating metrics. Realisation for Delhivery is significantly lower vs peers. This is possibly owing to lower SME share for Delhivery. We believe mix improvement coupled with higher utilisation for the segment would be essential for Delhivery to improve profitability materially in this segment. Whilst revenue growth was strong recently, there have been multiple leadership changes. Whilst the industry has promise, it is some time away before Delhivery closes in on the best companies in this space (despite high market share, RoCE is a drag).

Exhibit 33: Safexpress is the clear market leader amongst PTL players

FY23	Delhivery (PTL business)	SafeXpress#	Gati KWE	TCI Express
Net Sales (₹ mn)	**11,570**	**24,285**	**14,689**	**12,410**
-3 year CAGR	71%	16%	8%	6%
-5 year CAGR	87%	17%	5%	7%
Costs (% of sales)				
Freight		64%	72%	69%
Employee		9%	13%	10%
Rent		6%	2%	0%
Other expenses		7%	8%	5%
EBITDA margin		14%	5%	16%
Depreciation		2%	4%	1%
EBIT margin		12%	1%	14%
Finance cost		0%	2%	0%
PBT margin		12%	-1%	15%

Source: Company, Ambit Capital research; #s for Safexpress are for FY22

Exhibit 34: Delhivery's PTL business saw multiple leadership changes recently

Name	Tenure
Abhik Mitra	Aug-21 to Apr-23
Uday Sharma	Apr-23 to Nov-23
Varun Bakshi	Jan-24 onwards

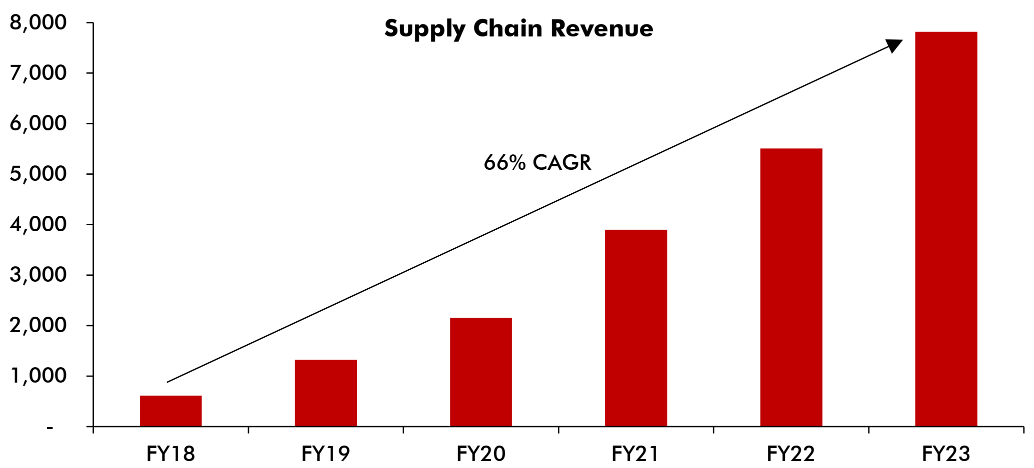
Source: Company, Ambit Capital research

Other businesses: Growth on a low base, but won't move RoCE

Supply chain business is a low-RoCE business

The supply chain business of Delhivery has grown significantly over the last few years on a low base owing to aggressive push to acquire new contracts across verticals. Whilst Delhivery could benefit from integrated contract negotiation, own transportation network and better pricing, the issue remains that supply chain business remains a single-digit margin business with restrictive RoCE (only TCI Ltd has managed higher RoCE with Delhivery reaching ~60% of the scale of TCI Ltd already). Moreover, unlike PTL it remains a fragmented market.

Exhibit 35: Supply chain business continues to grow, albeit on a low base



Source: Company, Ambit Capital research

Exhibit 36: Delhivery's SCS business continues to make losses

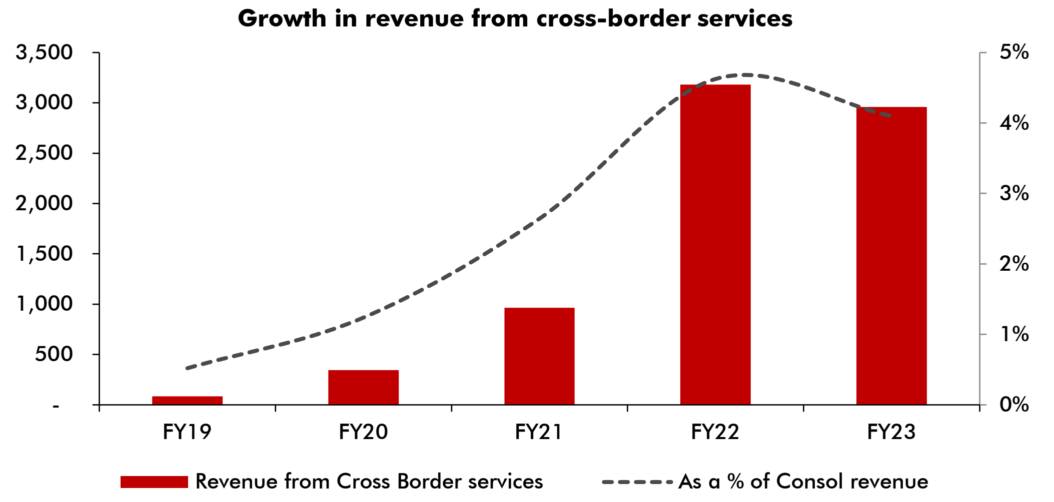
₹ mn, FY23	Delhivery	Mahindra Logistics	TVS Supply Chain Solutions	TCI Supply Chain Solutions
Revenue from operations	7,820	51,283	14,718	12,763
Operating expenses		48,685	13,966	
EBITDA		2,598	753	1,201
Depreciation and Amortization		1,895	1,364	
EBIT		703	-612	778
Net Finance costs		516	507	
Other income		159	892	
PBT before exceptional items		346	-227	
Exceptional items		-	-82	
PBT		346	-309	
Tax expense		72	-97	
PAT		274	-212	
EBITDA Margin		5%	5%	9%
EBIT Margin		1%	-4%	6%
PAT Margin		1%	-1%	
Pre-tax RoCE (%)		11%	-5%	23%

Source: Company, Ambit Capital research

Cross-border business to grow on the back of Fedex partnership

The cross-border business of Delhivery has grown at a rapid pace over the last 4 years. This is likely to accelerate owing to the Fedex partnership by Delhivery. Moreover, this is likely to grow significantly as the trend of cross-border growth continues to improve.

Exhibit 37: Though still a small part of the overall business, revenue from cross-border services has grown at a CAGR of 142% over FY19-23

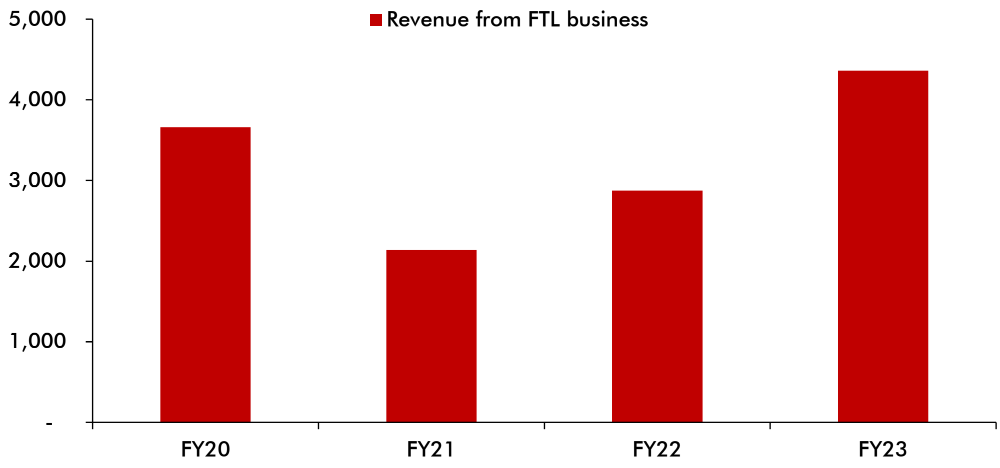


Source: Company, Ambit Capital research

FTL business is loss-making and not RoCE-accretive

Delhivery is present in FTL. However, this remains loss-making (basis subsidiary disclosures) but is present in Delhivery portfolio owing to strategic capability reasons. However, it remains a low-RoCE business owing to its commoditized nature and little differentiation. Moreover, even pursuit of scale here would not move the needle as the industry structure is skewed towards unorganized players.

Exhibit 38: FTL business has grown in FY23 albeit on a low base



Source: Company, Ambit Capital research

Exhibit 39: Delhivery's freight business continues to make losses

	Delhivery (FTL Revenue)			TCI Ltd			Varuna Logistics		
	FY21	FY22	FY23	FY21	FY22	FY23	FY20	FY21	FY22
Revenue from operations	2,141	2,874	4,360	28,024	32,588	37,826	6,534	7,584	8,340
Operating expenses				25,412	28,479	33,586	5,904	7,016	7,902
EBITDA				2,612	4,109	4,240	630	568	438
Depreciation and Amortization				928	1,130	1,214	306	301	253
EBIT				1,684	2,978	3,026	324	267	185
Net Finance costs				267	128	98	106	110	112
Other income				255	178	303	31	65	6
PBT before exceptional items				1,672	3,028	3,230	249	223	79
Share of Profit/(Loss) from associates/JVs					277	444	-	-	-
Exceptional items				(131)		(34)	-	-	-
PBT				1,541	3,305	3,640	249	223	79
Tax expense				238	376	434	85	36	8
PAT				1,303	2,928	3,206	164	186	71
EBITDA Margin				9%	13%	11%	10%	7%	5%
EBIT Margin				6%	9%	8%	5%	4%	2%
PAT Margin				5%	9%	8%	3%	2%	1%
Pre-tax RoCE (%)				12%	20%	19%	17%	13%	8%

Source: Company, Ambit Capital research.

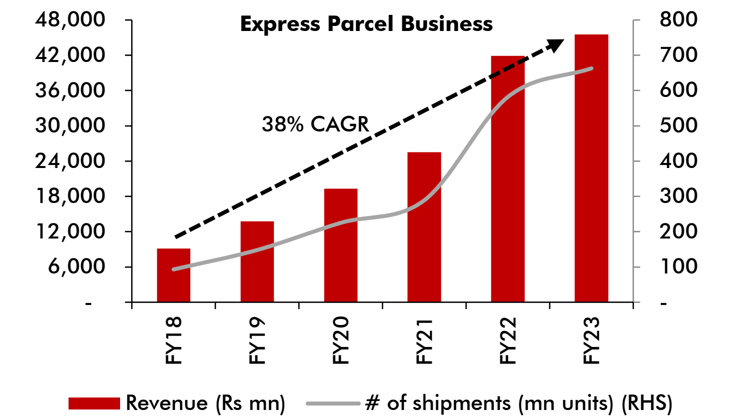
Building in profitability by FY26E

Delhivery has grown at a fast pace, gaining significant market share over the past few years, especially in the express parcel business, and is catching up in other businesses. We build in 19% revenue CAGR over FY23-26E driven by B2C express business growing at 16% CAGR and other businesses at 23% CAGR. For the B2C express business, we expect volumes to grow at 18% CAGR over FY23-26E, while realisations fell by 2% CAGR. We are building in 14ppt EBITDAM expansion over FY23-26E driven by gross margin improvement and operating leverage. We believe Delhivery will turn profitable by FY26. Despite building in working capital days reduction, pre-tax ROIC will remain low at 6% by FY27E.

Express parcel business to grow at 16% revenue CAGR

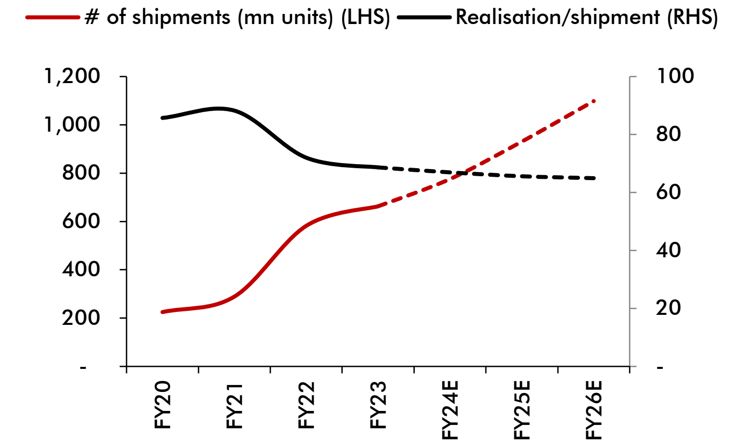
We expect shipment volumes to grow at 18% CAGR over FY23-FY26E, with realisations coming off further, building in a revenue growth of 16% CAGR in that period. Slower growth in urbanization compared to other countries will not dampen growth prospects as it is offset by factors like increasing internet accessibility, growing number of D2C brands and the e-commerce industry as a whole trying to penetrate deeper across geographies. While captives continue to hold a huge share of the B2C express market, the growing number of D2C brands and other businesses means surge in volumes for other players too. And we believe Delhivery, being a market leader, can benefit from this.

Exhibit 40: Delhivery's express parcel business forms 63% of overall revenue, down from 89% in FY18, but has posted 38% CAGR; we build in 16% CAGR over FY23-26E



Source: Company, Ambit Capital research

Exhibit 41: While express shipment volumes are expected to grow at 18% CAGR over FY23-26E, realizations should reduce marginally

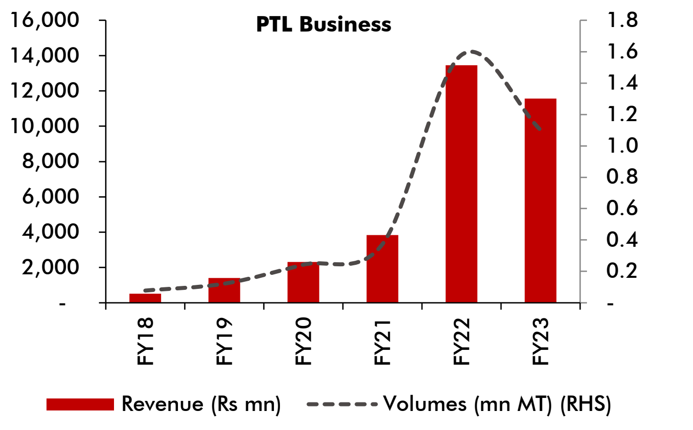


Source: Company, Ambit Capital research

PTL business to recover over FY23-26E

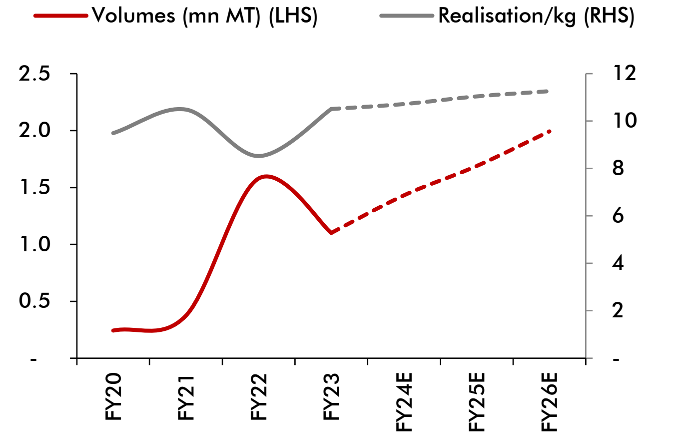
Delhivery tried to strengthen its PTL business by acquiring Spoton. While there was growth in consolidated PTL revenue, issues pertaining to integration of businesses led to loss of market share for Delhivery. With the integration issues now resolved, we expect the PTL business to grow at 25% CAGR over FY23-FY26E (albeit a low base).

Exhibit 42: Delhivery's PTL business grew with the acquisition of Spoton in FY22; we build in 25% growth over FY23-26E



Source: Company, Ambit Capital research

Exhibit 43: PTL volumes/realisations to post 22%/2% CAGR over FY23-26E, driving 25% CAGR for PTL over FY23-26E

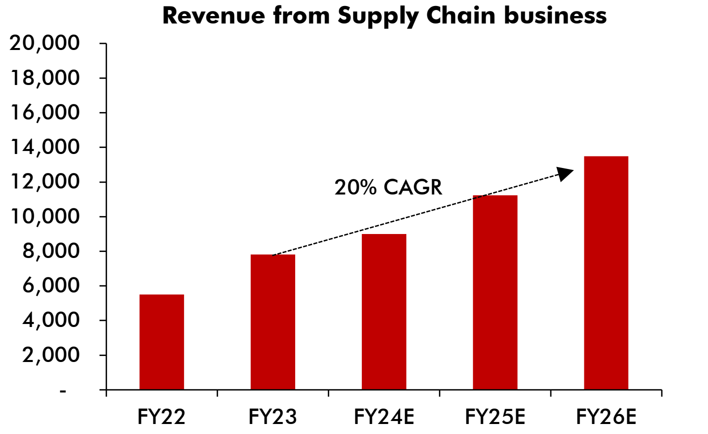


Source: Company, Ambit Capital research

Other businesses to grow on a low base

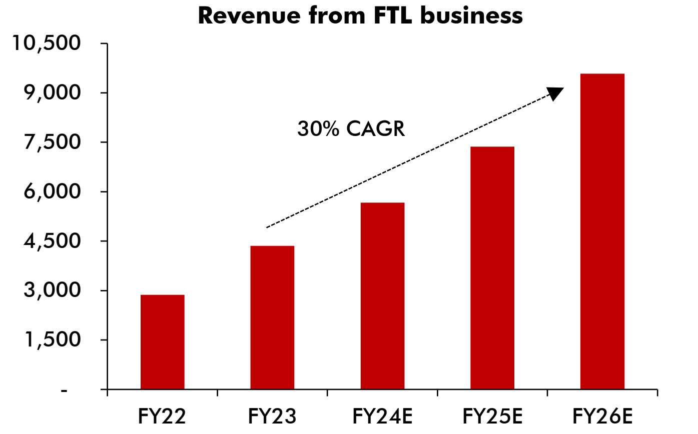
While other businesses form only ~21% of consolidated revenue, these segments are expected to grow at a higher rate on their low base. We expect them to grow to ~22% of consolidated revenue by FY26 with supply chain/FTL/cross-border services business growing at 20%/30%/12% CAGR respectively.

Exhibit 44: Though a small part of the overall business, revenue from supply chain services will grow at 20% CAGR



Source: Company, Ambit Capital research

Exhibit 45: Similarly, we expect FTL business to grow at 30% CAGR over FY23-26E

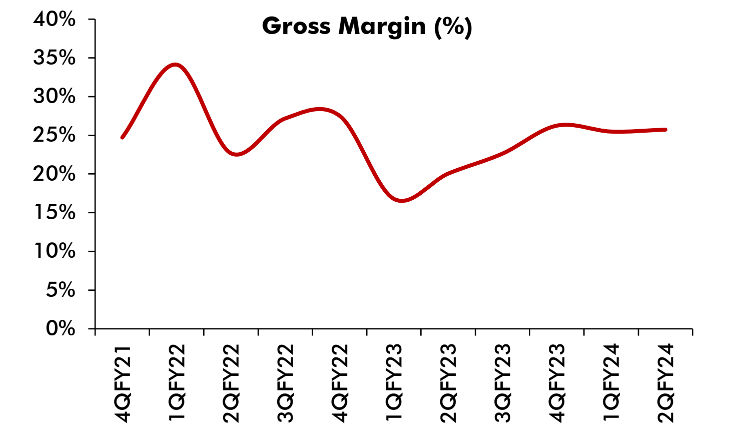


Source: Company, Ambit Capital research

Margins to improve on the back of GM improvement and op. leverage

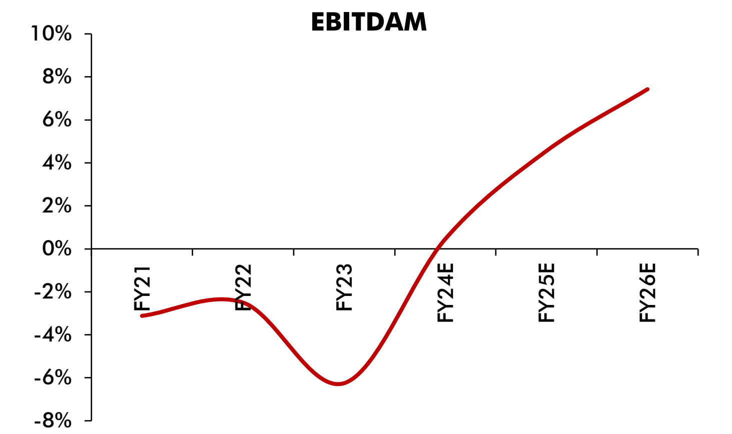
Delhivery's gross margins are likely to improve by 750bps to 29% on the back of improvement in utilisation and scale. We expect operating leverage to play out with scale improvement and indirect costs registering only 9% CAGR. This is likely to drive 14ppt margin improvement over FY23-26E.

Exhibit 46: Gross margins have suffered in the past few quarters owing to under-utilisation



Source: Company, Ambit Capital research

Exhibit 47: EBITDAM for Delhivery to improve as operating leverage plays out



Source: Company, Ambit Capital research

Exhibit 48: We expect EBITDA margin to improve by ~14ppt over FY23-26E

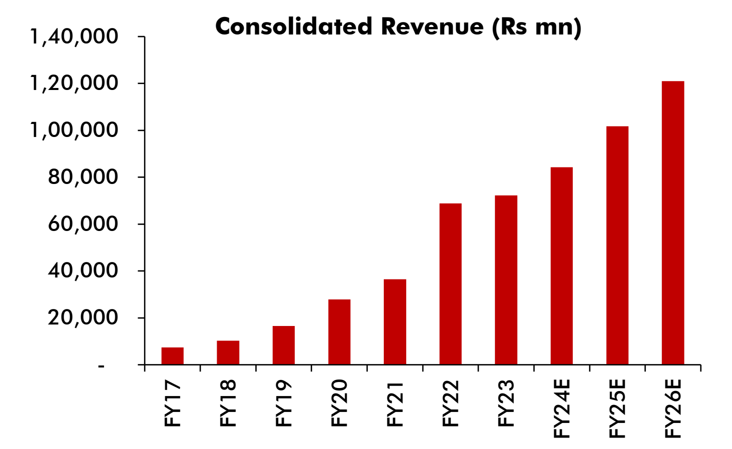
(% of sales)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	**24%**	**25%**	**22%**	**26%**	**28%**	**29%**
Employee expenses	17%	19%	19%	18%	15%	14%
Allowances for doubtful debts	2%	2%	1%	1%	1%	1%
Software and technology expenses	2%	2%	2%	2%	2%	2%
Others	6%	9%	5%	5%	5%	5%
EBITDA margin	**-3%**	**-7%**	**-6%**	**0%**	**5%**	**7%**
Absolute (INR mn)						
Gross profit	**8,582**	**17,300**	**15,542**	**21,917**	**27,983**	**35,081**
Employee expenses	6,109	13,133	14,000	15,044	15,732	17,193
Allowances for doubtful debts	895	1,155	634	739	892	1,061
Software and technology expenses	783	1,420	1,621	1,517	1,832	2,177
Others	2,025	6,312	3,804	4,232	4,894	5,666
EBITDA	**(1,229)**	**(4,720)**	**(4,516)**	**385**	**4,634**	**8,985**

Source: Company, Ambit Capital research

Overall revenue to grow at 19% CAGR over FY23-26E

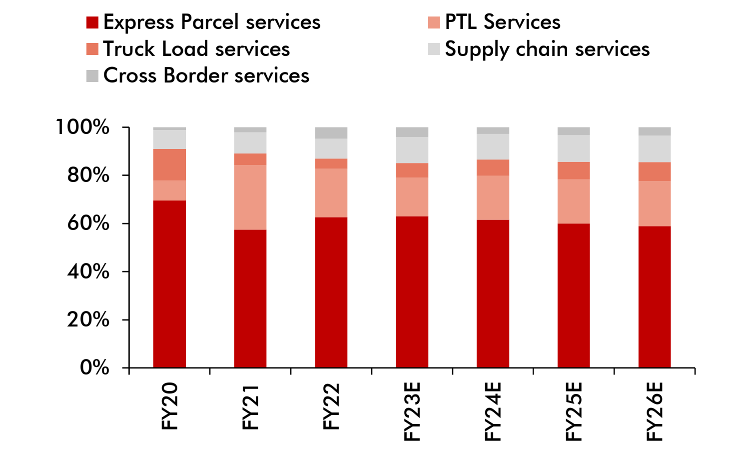
We expect Delhivery to post 19%/7ppt cons. revenue CAGR/EBITDAM. Over FY23-26E, B2C express business is likely to remain the largest business albeit with a reduced share of 59%. Other business share will thus improve to 41% by FY26E.

Exhibit 49: While Delhivery's consolidated revenue has grown at a high rate with the help of inorganic growth, we expect revenue to grow at 19% CAGR over FY23-26E



Source: Company, Ambit Capital research

Exhibit 50: We expect revenue mix to change; but cross-border services would grow at a higher rate than Delhivery's express business

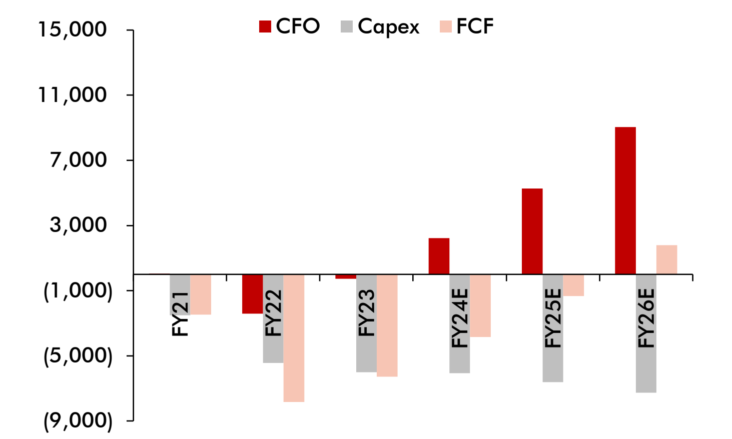


Source: Company, Ambit Capital research

CFO to be reinvested in capex to drive efficiencies

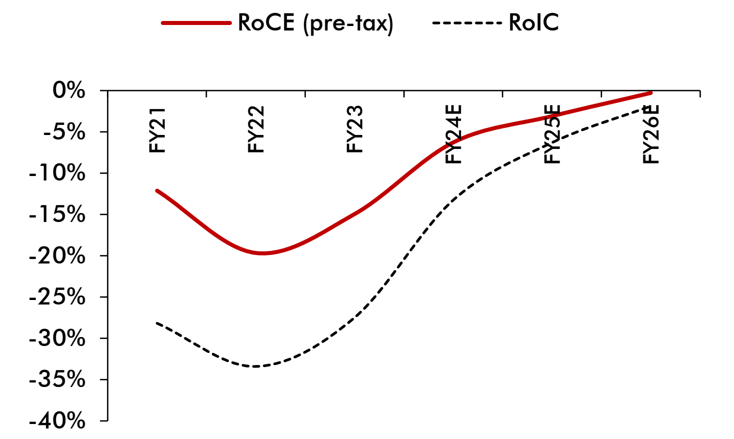
We expect Delhivery's CFO to improve significantly and cumulatively generate ~₹18bn over FY23-26E. However, most of it will be reinvested in capex as it invests cash to beef up its efficiencies.

Exhibit 51: We expect Delhivery's CFO generation to improve as operations scale up



Source: Company, Ambit Capital research

Exhibit 52: We expect Delhivery's RoCE to grow, but remain negative, as operating efficiency in new capacities improves



Source: Company, Ambit Capital research

Detailed estimates

Exhibit 53: We expect 19% revenue growth for Delhivery over FY23-26E

₹ Mn	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY23 - FY26E CAGR	Comments
Revenue	**36,465**	**68,823**	**72,253**	**84,298**	**101,756**	**120,969**	**143,454**	**19%**	
Express parcel	25,505	41,911	45,520	51,927	61,066	71,337	83,336	16%	With positive sentiment around growth of Indian e-commerce, we expect number of shipments for express parcel to grow at a CAGR of 16% over FY23-26E, with realisation/shipment falling marginally
Realisation/shipment	*88*	*72*	*69*	*67*	*66*	*65*	*64*		
# of shipments	*289*	*582*	*663*	*776*	*931*	*1,098*	*1,296*		
Part Truck Load	3,842	13,460	11,570	15,342	18,646	22,443	27,012	25%	With Spoton integration done, we expect PTL volumes to grow at 25% CAGR over FY23-26E and realisations to grow at 2% CAGR
Realisation/kg	*10.5*	*8.5*	*10.5*	*10.7*	*11.0*	*11.3*	*11.5*		
Volume (mn MT)	*1.1*	*1.6*	*1.1*	*1.4*	*1.7*	*2.0*	*2.4*		
Truck Load	2,141	2,874	4,360	5,668	7,368	9,579	11,974	30%	We expect revenue from truck load services to grow at 30% CAGR over FY23-FY26E
Supply Chain	3,901	5,510	7,820	8,993	11,241	13,490	16,187	20%	We expect revenue from supply chain services to grow at 20% CAGR over FY23-26E
Cross Border	964	3,183	2,960	2,368	3,434	4,120	4,944	12%	We expect revenue from cross-border services to grow at 12% CAGR over FY23-FY26E
Others	113	1,887	23	-	-	-	-		
EBITDA	**(1,229)**	**(4,720)**	**(4,516)**	**385**	**4,634**	**8,985**	**13,953**		
EBITDAM	-3%	-7%	-6%	0%	5%	7%	10%		We expect EBITDA margin to improve by ~1370bps over FY23-26E
EBIT	(4,776)	(10,827)	(12,828)	(6,349)	(3,171)	(302)	3,094		
EBITM	-13%	-16%	-18%	-8%	-3%	0%	2%		We expect EBIT margin to improve by ~1750bps over FY23-26E
PBT	(4,157)	(10,293)	(10,531)	(3,070)	(113)	2,703	6,259		
PAT	**(4,157)**	**(10,110)**	**(10,078)**	**(2,920)**	**(85)**	**2,022**	**4,682**		
PATM	-11%	-15%	-14%	-3%	0%	2%	3%		We expect PAT margin to improve by ~1560bps over FY23-26E
Ratios									
Gross block Turnover (x)	2.9	3.9	3.3	3.0	2.9	2.8	2.8		
Total assets turnover (x)	0.8	1.1	0.7	0.8	0.9	1.0	1.1		
Working Capital Days	58	37	42	29	24	19	14		
Pre-tax RoCE (%)	-12%	-20%	-15%	-6%	-3%	0%	3%		
Pre-tax RoIC (%)	-25%	-33%	-26%	-14%	-6%	-1%	6%		

Source: Company, Ambit Capital research

Can't give benefit of doubt on both multiples and earnings

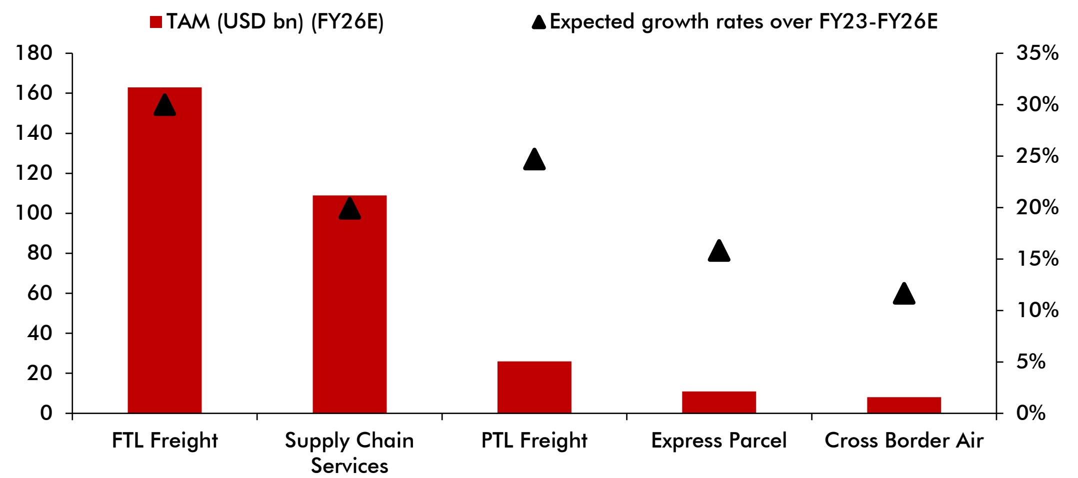
Growth isn't a challenge for Delhivery given its presence in high-growth express segments. With exposure to multiple sub-segments of logistics, Delhivery's TAM remains significantly large as it is yet to establish market leadership in its newer segments (PTL, supply chain and FTL). Significant cash on the books opens opportunities for M&A/organic investments ahead, however it is too early to conclude if they will be able to generate incrementally higher RoCE. Current valuations of 2.9x 1-year fwd EV/sales are at a 15-50% premium to peers, partially owing to exposure to high-growth segments. But this also implies street believes anything is possible as market leadership capabilities are yet to be scaled to other segments. Our DCF-based fair value of ₹329 is built on 15% revenue over 20 years with margin improving to ~15%. In the long term, high RoCE generation would be the key to ensure premium valuation, something which is missing currently.

B2C express growth not a challenge

TAM remains significant for Delhivery

Delhivery is present across the logistics business opportunity in India, including: 1) express parcel segment and 2) PTL freight business amongst others which offer significant growth runway over the next decade.

Exhibit 54: Delhivery, after diversifying into segments beyond express delivery, has a huge addressable opportunity across various segments

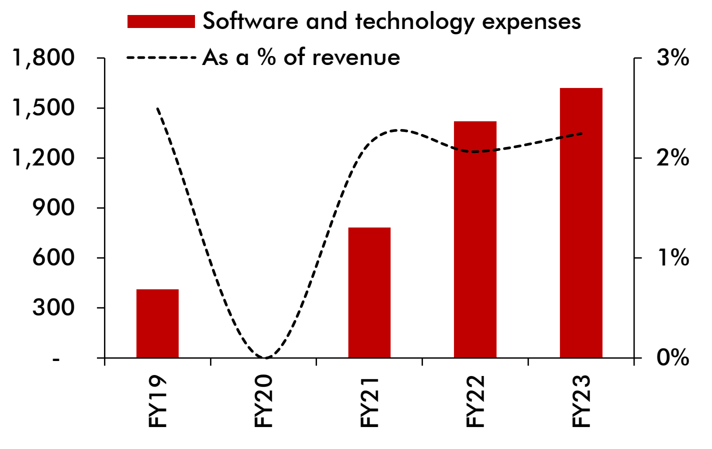


Source: Company, Ambit Capital research

Undisputed leader in B2C express; but market share gains hereon will be hard

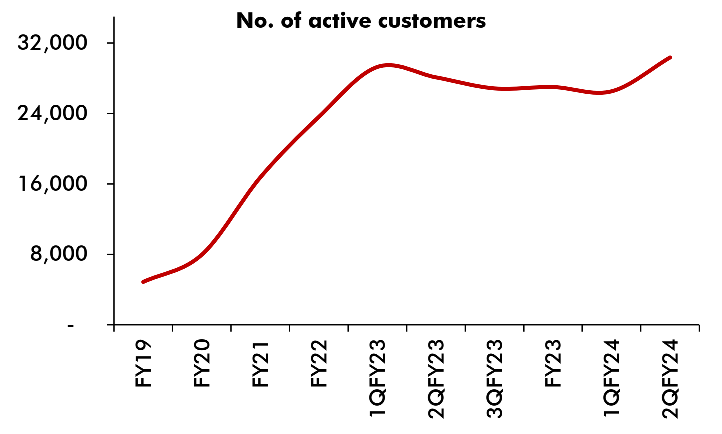
Delhivery is the market leader in B2C express logistics and has consistently spent aggressively on technology which ensured that it remains ahead of the curve in serviceability. Moreover, its mesh network implies that its delivery time is much better vs peers. It claims to be the most efficient player in the industry and is the market leader. Long industry growth potential in mid-teens implies that Delhivery has the opportunity to scale up in this business. Delhivery has also performed well in customer addition with a significantly higher number of D2C/MSME brands. However, competitors propping up new players to derisk their business implies that market share growth would be difficult.

Exhibit 55: Delhivery has consistently invested in software and technology and now has 80+ applications



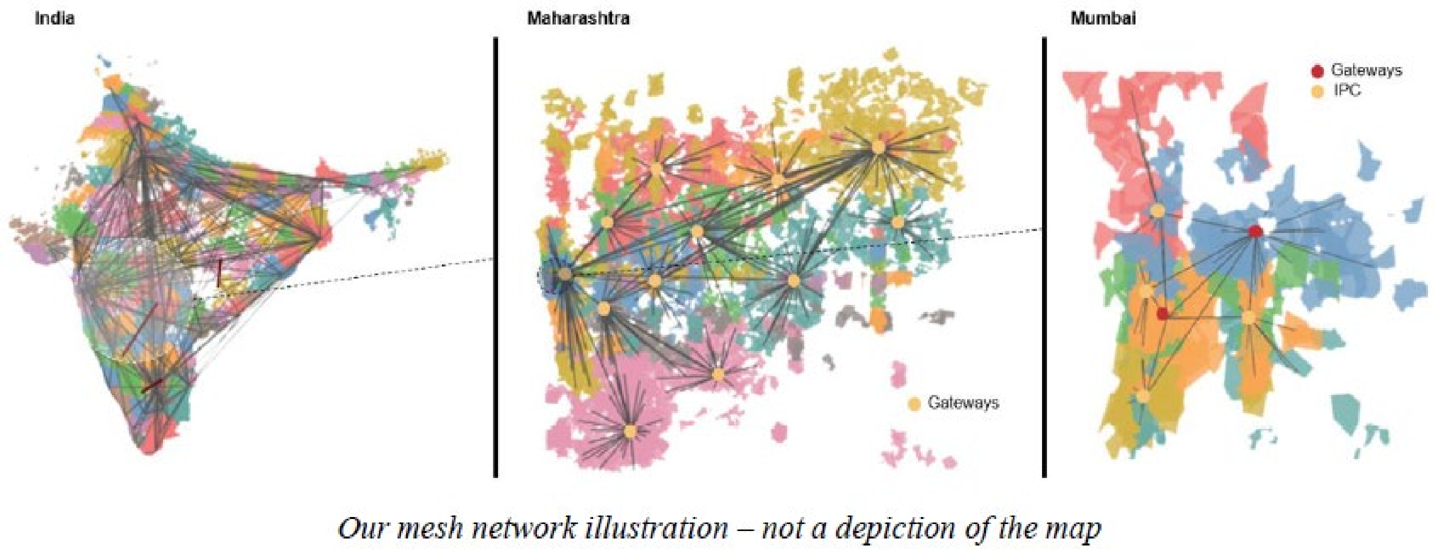
Source: Company, Ambit Capital research

Exhibit 56: Apart from Spoton integration period, Delhivery scaled up its customer base rapidly over the past few years



Source: Company, Ambit Capital research

Exhibit 57: Mesh network of Delhivery powers its ability to deliver fastest with high accuracy in the core business



Source: Company, Ambit Capital research

Other businesses yet to prove their mettle

Whilst Delhivery has become the undisputed market leader in B2C express, other segments are yet to prove their mettle. The acquired Spoton (B2B express) business is yet to move towards benchmarks of industry profitability/operational metrics. Similarly, its supply chain/FTL businesses are long distance away from industry leadership; the fragmented nature of the industry doesn't help the cause.

Exhibit 58: Mapping of Delhivery's segments shows there's a long way to touch leadership status

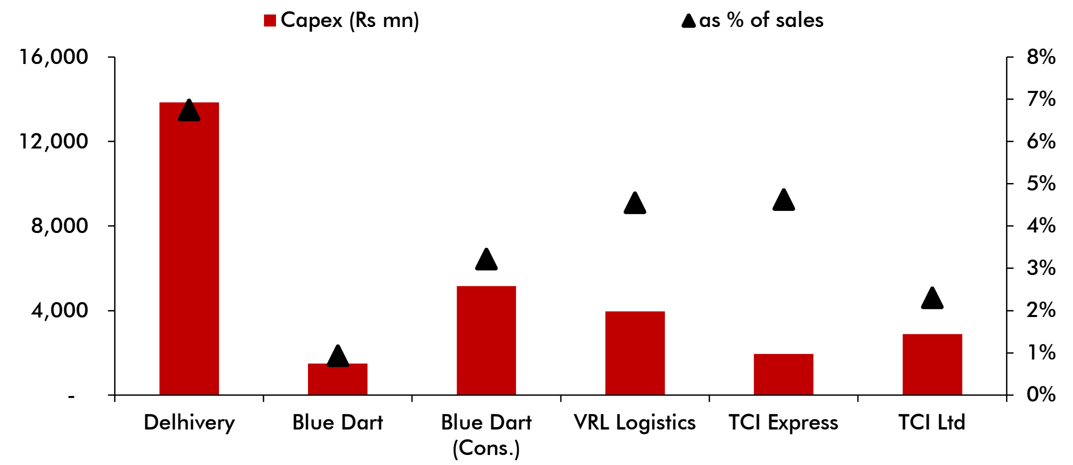
	Delhivery's revenue (FY23) (₹ bn)	TAM (FY26E) (USD bn)	Low Competitive intensity	Pricing power	Entry barriers	Industry Growth Potential (Over next decade)	Best player's RoCE	Industry leader	Consolidated industry
Express parcel business	45.5	10-12	◕	◑	◕	16%	NA	Yes	Yes
PTL Express business	11.6	26	◕	◕	◕	12%	32%	No	Yes
Supply chain services	7.8	109	◔	◔	◔	10%	23%	No	No
Cross border solution	3.0	8-10	◑	◑	◑	7%	NA	No	No
FTL business	4.4	163	◔	◔	◔	GDP growth	20%	No	No

Source: Company, Ambit Capital research; industry growth #s are our estimates; ● - Indicates strong positioning; ◕ - Indicates above average positioning; ◑ - Indicates average positioning; ◔ - Indicates weak positioning

Work remains to meet long-term RoCE targets

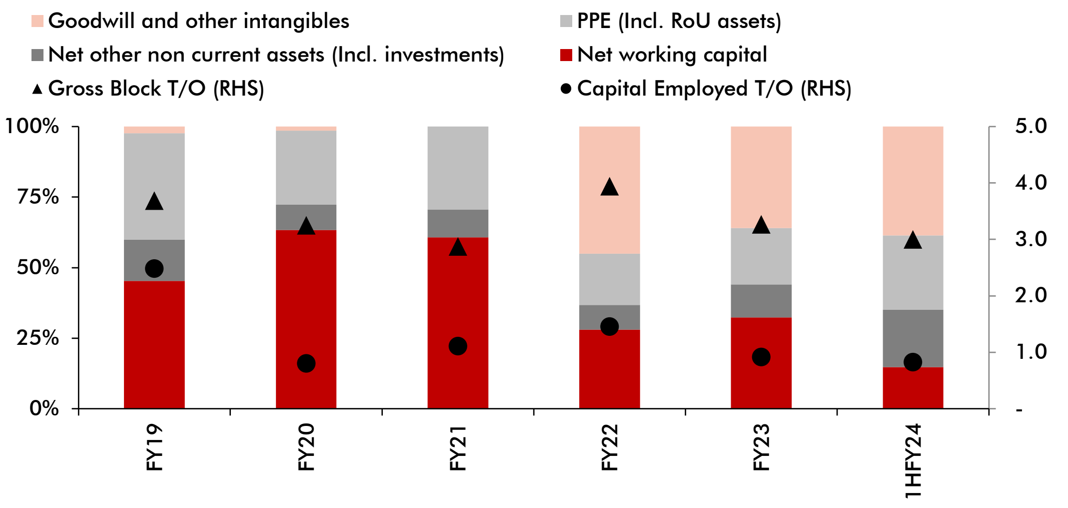
Delhivery's invested capital has a significant portion of capital invested in working capital, goodwill and other non-current assets (75%). Whilst Delhivery is asset light, its CE T/O is similar to the likes of global peers (despite global peers having significant investment in PPE). This is owing to its high investment in working capital and other assets. Whilst the company showed remarkable improvement in working capital in 1HFY24, it is something which it will have to consistently improve. Moreover, capex as a % of sales for Delhivery is high (management expects it will come down), which would mean the company would have to post significant margin expansion to ensure that Delhivery's pre-tax RoCE surpasses 20%. Delhivery also has ~₹55bn cash on its books, but it needs to ensure a disciplined capital allocation strategy to ensure superior ROIC, which is too early to conclude at this point of time.

Exhibit 59: Delhivery's capex (as % of cumulative sales, FY20-23) of B2B/B2C express logistics players is higher owing to higher push on automation/unique tractor trailers [doesn't make any sense]



Source: Company, Ambit Capital research

Exhibit 60: Delhivery's working capital management is improving but there is scope for improvement



Source: Company, Ambit Capital research; 1HFY24 #s are annualised

Exhibit 61: Delhivery's working capital days significantly reduced in 1HFY24

Company	Trade receivable days					Unbilled receivable days					Inventory days					Trade payable days					Cash conversion days				
	FY20	FY21	FY22	FY23	1HFY24	FY20	FY21	FY22	FY23	1HFY24	FY20	FY21	FY22	FY23	1HFY24	FY20	FY21	FY22	FY23	1HFY24	FY20	FY21	FY22	FY23	1HFY24
Delhivery	54	60	42	49	67	27	32	28	33	3	3	2	1	1	1	28	36	34	41	37	55	58	37	42	33
Gati	47	55	51	53	56	-	0.3	1.0	-	-	2	2	1	1	0.5	28	29	23	21	21	21	29	29	33	35
TCI Express	58	72	61	59	66	-	-	-	-	-	-	-	-	-	-	33	44	37	35	25	25	28	24	24	41
Ecom Express	36	37	48	44	NA	-	-	-	-	NA	-	-	-	-	NA	25	26	31	29	NA	11	10	17	15	NA
Xpressbees	52	57	49	45	NA	-	-	-	-	NA	-	-	-	-	NA	53	50	46	45	NA	(1)	8	4	(0.3)	NA
Safexpress	94	97	86	NA	NA	-	-	-	-	NA	-	-	-	NA	NA	20	25	25	NA	NA	74	72	61	NA	NA

Source: Company, Ambit Capital research

Exhibit 62: Delhivery has made multiple acquisitions/investments over the last few years

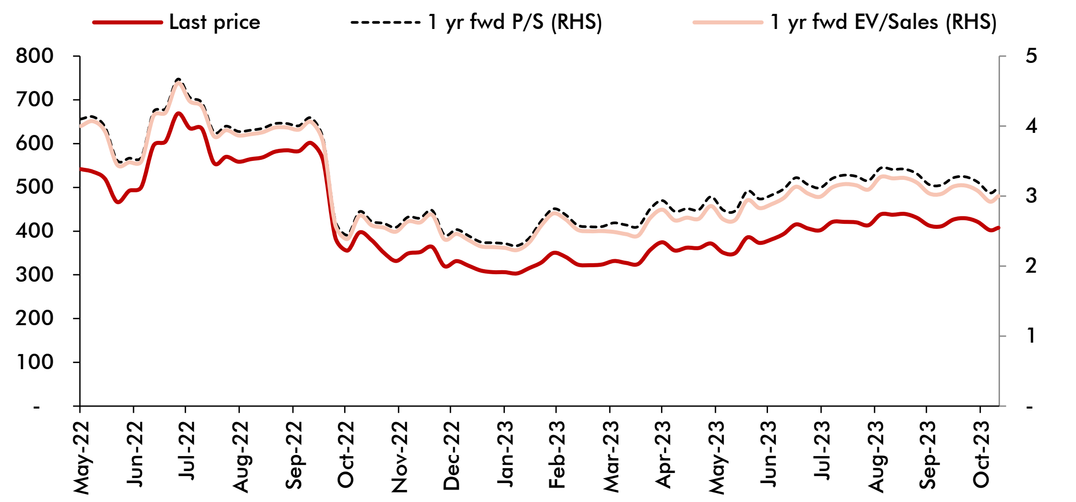
Year	Event	Invested amount (₹ mn)	Reasons
2019	Acquisition of Aramex's India assets	265	Aramex, a direct competitor to Delhivery, used to provide logistics for major e-commerce companies like Amazon India. Aramex was facing a tough time in e-commerce logistics fulfilment.
2020	Acquisition of Roadpiper Technologies Private Limited	36	Allows Delhivery to expand offerings for fleet owners in TL business.
2021	Acquisition of the business of Primaseller Inc	35	To strengthen the technology capabilities of Delhivery.
2021	Acquisition of Spoton Logistics Private Limited	15,216	Improves Delhivery's position in PTL freight business and also improves economics of parcel business.
2021	Acquisition of Transition Robotics, Inc. by Delhivery Robotics LLC	37	The acquisition will help Delhivery strengthen its capabilities in a wide range of applications, including core drone technology, aerial photography, remote sensing, inspection and surveys.
2022	Investment in Falcon Autotech Private Limited	2,519	To develop automation products that will be exclusively used by Delhivery in India for 5 years.
2023	Acquisition of Algorhythm Tech Pvt Ltd	149	To enhance its integrated supply chain solutions offering.
2023	Investment in Vinculum	NA	To build a complete integrated stack to address the entire range of post-purchase needs of a D2C brand.

Source: Company, Ambit Capital research

Premium businesses deserve premium; established for express, not other segments

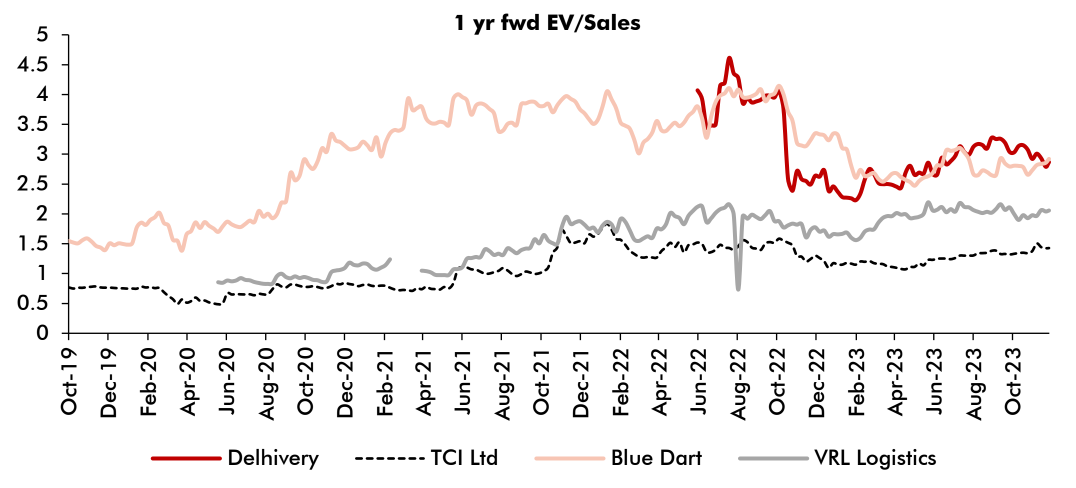
Delhivery currently trades at a 15-51% premium at 2.9x P/S to the likes of Blue Dart/VRL. Whilst it has outperformed an industry lacking scale on growth, consistent RoCE generation track record is yet to be established. Moreover, its efficiency is only established in the B2C express parcel business, which only constitutes 63% of revenue and most of its service EBITDA. Market leadership/efficiency is yet to be established for other businesses. Current valuations imply the market's belief that anything is possible!

Exhibit 63: Delhivery's valuations have corrected as growth slowed



Source: Company, Ambit Capital research, Bloomberg

Exhibit 64: Delhivery trades at a premium to other logistics players (in line with Blue Dart)



Source: Company, Ambit Capital research

Exhibit 65: Although Delhivery has grown at a significantly higher rate over the last 5 years, it lags peers on returns

	Mcap (USD bn)	5yr Revenue CAGR	5yr EBIT CAGR	5yr median RoCE
Delhivery	3.6	48%	12%	-15%
Blue Dart	1.9	13%	17%	18%
VRL Logistics	0.7	7%	12%	20%
TCI Express	0.6	7%	16%	34%
TCI Ltd	0.8	10%	15%	13%

Source: Company, Ambit Capital research

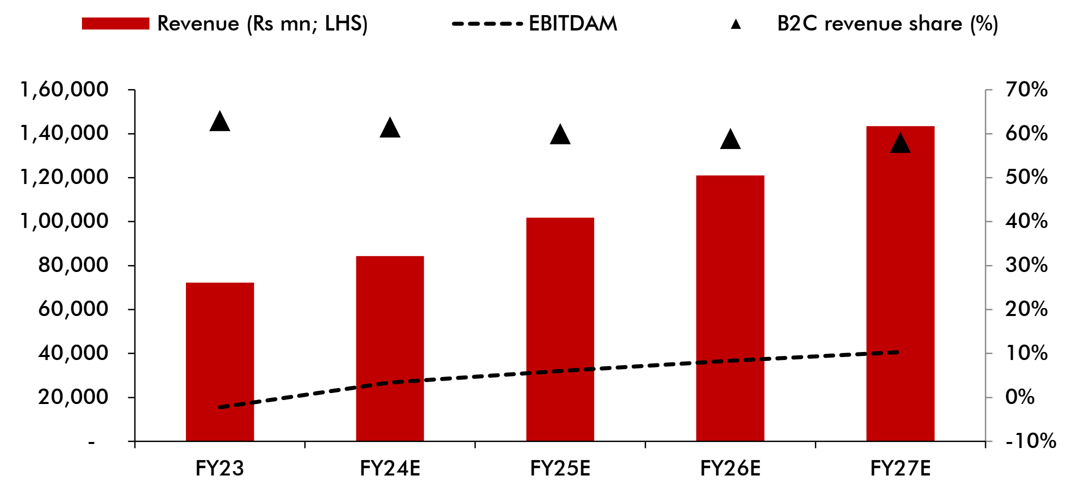
DCF-based FV implies 1-yr TP of ₹329; initiate with SELL

We value Delhivery on DCF for a 20-year period. Our 12M DCF-based target price is ₹329, implying a target multiple of 2x 1-year fwd target P/S.

Our key assumptions are:

- WACC of 14%.
- CoE of 14%.
  - **FY23-27E:** We expect revenue growth of 19% CAGR. We expect median EBITDAM to be in the range of 5%. B2C revenue share would decline to 58%. Other businesses will grow faster on a low base. Capex intensity to remain high at ~6% of sales.

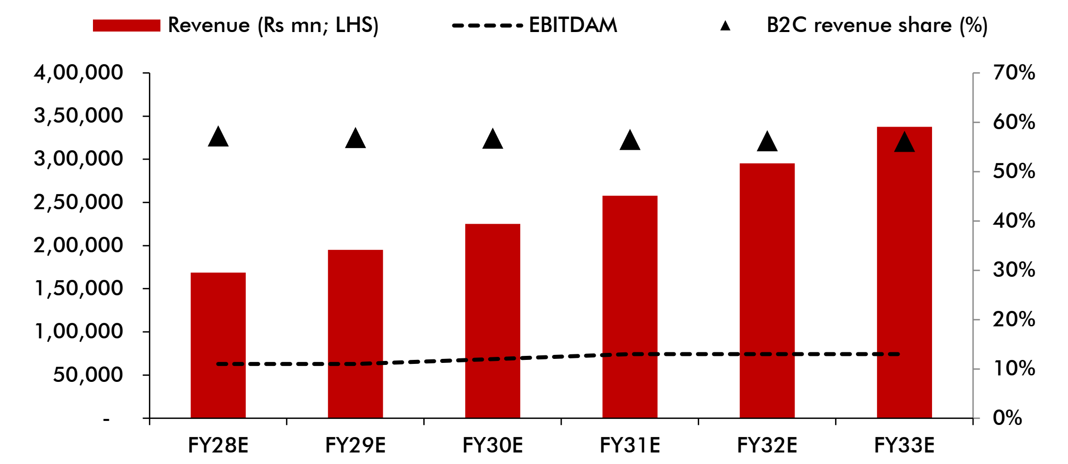
Exhibit 66: Over the next 4 years, we expect 19% revenue CAGR; margins to improve to 10% with B2C revenue share declining to 58%



Source: Company, Ambit Capital research

- **FY27-33E:** We expect revenue growth of 15% CAGR. EBITDAM to touch ~13%.

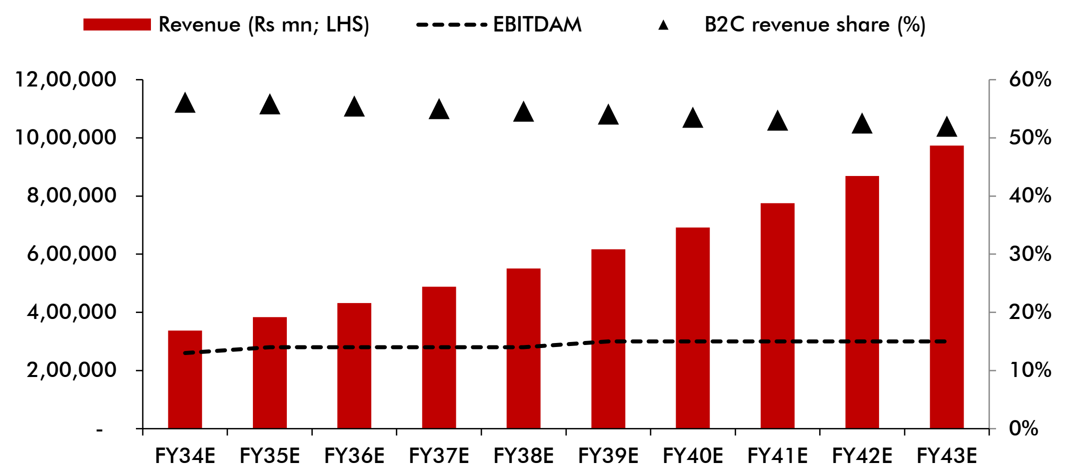
Exhibit 67: We expect 15% revenue CAGR over FY28E-33E; margins to improve to 13% with B2C revenue share remaining constant at 56%



Source: Company, Ambit Capital research

- **FY27-33E:** We expect revenue growth of 12% CAGR. EBITDAM to touch ~15%.

Exhibit 68: We expect 12% revenue CAGR over FY28E-33E; margins to improve to 15% with B2C revenue share declining marginally to 52%



Source: Company, Ambit Capital research

Terminal growth assumed at 7% after FY43E with terminal value contributing 61% of total FCFF.

Exhibit 69: DCF valuation implies 12M target price of ₹329/share

Total EV	**189,608**
- Explicit period FCFF	73,901
- Terminal period FCFF	115,707
Net debt FY25E	-52,297
Minority interest	
Equity value	241,906
No. of shares	735
Value per share	329
CMP	383
Upside/downside %	-14%

Source: Company, Ambit Capital research

Exhibit 70: Our assumptions imply extended period of growth until FY43E

DCF assumptions	**FY23-27E**	**FY273-33E**	**FY33-43E**
Revenue CAGR	18.7%	15.3%	12.5%
EBITDA CAGR	NA	21%	14%
EBITDA margin (Median)	4.6%	12.0%	15.0%
Gross block turns (Median; x)	2.2	2.6	3.0

Source: Company, Ambit Capital research

Exhibit 71: Our EBITDAM expectations for Delhivery are lower than consensus by 70bps for FY25E

₹ mn	**Ambit**		**Consensus**		**Deviation vs consensus**	
	FY24E	**FY25E**	**FY24E**	**FY25E**	**FY24E**	**FY25E**
Revenue	84,298	101,756	84,723	103,373	-1%	-2%
EBITDA	385	4,634	1,136	5,407	-66%	-14%
EBITDAM	0.5%	4.6%	1.3%	5.2%	-90bps	-70bps
PAT	-2,920	-85	-3,351	-152	-13%	-44%

Source: Company, Ambit Capital research, VisibleAlpha

Exhibit 72: Delhivery is not only trading above Indian logistics peers, but also higher than global logistics companies

	Mkt. cap	EV/EBITDA (x)			P/E (x)			P/B (x)			CAGR (FY23-25)		RoE			Pre-tax RoCE
	USD bn	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	EBITDA	EPS	FY23	FY24E	FY25E	FY23/ FY22
Indian Companies																
Blue Dart	2.1	19.0	19.1	15.9	44.1	48.9	36.5	15.4	11.9	9.6	9%	10%	40%	27%	28%	39%
TCI Express	0.7	27.6	24.6	20.2	37.9	34.1	29.3	8.7	7.5	6.1	11%	14%	24%	23%	23%	32%
Delhivery	3.5	NA	288.2	51.9	NA	NA	NA	3.2	3.3	3.4	NA	NA	-14%	-4%	-1%	-18%
Gati	0.2	NA	19.3	12.9	915.3	107.7	38.1	3.3	2.9	2.6	13%	390%	1%	3%	8%	12%
Global B2C companies																
Deutshce Post DHL	59.5	6.7	6.4	6.0	14.0	13.1	11.6	2.2	2.1	1.9	3%	10%	16%	16%	17%	31%
UPS Inc	132.8	11.1	10.3	9.3	17.7	16.3	14.6	6.6	6.1	5.6	5%	10%	38%	39%	39%	36%
FDX	66.8	8.5	7.6	6.7	17.9	14.6	11.9	2.7	2.4	2.2	2%	22%	15%	17%	19%	10%
Yamato	6.9	8.5	8.4	7.3	22.0	18.5	17.2	1.5	1.6	1.5	-3%	13%	7%	8%	9%	10%
ZTO	17.6	8.7	7.0	5.6	13.8	11.6	9.7	2.0	1.8	1.6	15%	19%	15%	15%	16%	21%
YTO Express	6.0	5.3	4.2	3.2	11.1	9.6	8.3	1.4	1.3	1.1	12%	16%	13%	14%	14%	23%
STO Express	1.8	7.3	5.5	3.9	29.0	17.0	11.7	1.5	1.4	1.2	12%	57%	5%	8%	10%	NA
Yunda	3.3	5.1	4.2	3.2	13.0	9.9	8.1	1.3	1.1	1.0	10%	27%	10%	12%	13%	11%
CJ Logistics	2.0	5.9	5.1	4.9	11.5	10.0	9.4	0.6	0.6	0.6	4%	11%	6%	6%	6%	9%
Global B2B companies																
Old Dominion	44.1	22.3	18.9	16.9	36.1	30.0	26.1	10.9	9.1	7.6	11%	18%	32%	35%	36%	44%
Saia	11.3	17.3	14.2	12.2	32.3	26.3	22.6	5.9	4.9	4.0	12%	20%	20%	20%	20%	28%
Arcbest	3.0	8.5	6.7	5.9	15.9	11.8	9.6	2.4	2.0	1.7	6%	28%	16%	19%	19%	39%
TFI International	10.4	10.3	8.6	7.9	19.4	15.4	13.1	3.9	3.4	3.0	6%	22%	21%	24%	25%	42%
XPO	10.3	13.1	10.6	9.3	31.7	23.8	19.2	8.3	6.3	4.8	7%	29%	26%	29%	27%	15%

Source: Ambit Capital research, Bloomberg

Exhibit 73: Explanation of our accounting flags on Page 1

Segment	Score	Comments
Accounting	AMBER	Volatility in depreciation rate is high for Delhivery. Moreover, there is high change in reserves and low FCF generation to median revenue. Provision for doubtful debtors as a proportion of debtors outstanding for more than 6 months has also increased.
Predictability	AMBER	Whilst Delhivery's network infrastructure and market share remain strong, macro trends like weakness in consumer demand could cause volatility. Also, Delhivery's ability to hold market share beyond price war needs to be seen.
Earnings Momentum	AMBER	Consensus earnings estimates have been downgraded by ~15% over the last 12 months.

Source: Company, Ambit Capital research

Catalysts and Risks

Catalysts

- **Market share losses owing in core business:** Owing to e-com platforms attempting to derisk their supply chains, new entrants such as Shadowfox, Elasticrun and others like Ecom/Xpressbees would gain market share in B2C express. This could mean market share loss for Delhivery.
- **Inability to replicate success of B2C express to other businesses:** Whilst Delhivery is attempting to scale up other businesses, PTL recovery after Spoton integration has taken more time than expected. Other businesses are also suppressing Delhivery's profitability. Whilst market believes Delhivery can replicate the success of B2C express business, we believe it is unlikely.

Risks

- **Higher-than-expected industry growth:** We expect Delhivery's e-com business to grow at 16% CAGR over FY23-26E, however better growth than industry could be a risk to our numbers.
- **Better-than-expected profitability:** While Delhivery currently has negative EBITDA margins, we expect profitability by FY26E, building 7% EBITDAM by FY26E. Better-than-expected profitability could be a risk to our estimates.

Financials - Consolidated

Income statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	68,823	72,253	84,298	101,756	120,969
Cost of goods sold	51,523	56,711	62,380	73,773	85,888
Gross Profit	17,300	15,542	21,917	27,983	35,081
Employee expenses	13,133	14,000	15,044	15,732	17,193
Other expenses	8,887	6,058	6,489	7,617	8,904
EBITDA	**(4,720)**	**(4,516)**	**385**	**4,634**	**8,985**
-growth (EBITDA)	284%	(4.3%)	(109%)	1103%	93.9%
Depreciation	6,107	8,311	6,734	7,805	9,287
EBIT	**(10,827)**	**(12,828)**	**(6,349)**	**(3,171)**	**(302)**
-growth (EBIT)	127%	18.5%	(50.5%)	(50.0%)	(90.5%)
Share of profit/loss of associates and JVs	(32)	136	190	238	297
Profit before tax	**(10,293)**	**(10,531)**	**(3,070)**	**(113)**	**2,703**
Tax	(183)	(453)	(150)	(29)	681
PAT	**(10,110)**	**(10,078)**	**(2,920)**	**(85)**	**2,022**
Consolidated profit after tax	**(10,110)**	**(10,078)**	**(2,920)**	**(85)**	**2,022**
EPS (basic) (₹)	(17.0)	(13.8)	(4.0)	(0.1)	2.7
EPS (diluted)	(17.0)	(13.8)	(4.0)	(0.1)	2.7

Source: Ambit Capital research, Company

Balance sheet

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Property, plant and equipment	6,225	7,951	10,311	12,074	13,233
Capital work in progress	584	215	215	215	215
Right of use assets	6,941	6,667	7,571	8,348	9,045
Goodwill	13,799	13,621	12,596	11,914	11,231
Other intangible assets	3,560	1,707	1,707	1,707	1,707
Intangible assets under development	15.0	19.4	19.4	19.4	19.4
Total fixed assets	**31,124**	**30,181**	**32,420**	**34,278**	**35,451**
Non-current investments	6,295	6,125	6,315	6,552	6,849
Deferred tax assets (net)	-	229	229	229	229
Other non-current assets	5,490	5,970	5,970	5,970	5,970
Total non-current assets	**42,908**	**42,504**	**44,934**	**47,029**	**48,499**
Inventories	253	194	226	273	324
Current investments	14,612	14,817	14,817	14,817	14,817
Trade receivables	9,903	9,436	8,314	9,200	9,943
Cash and cash equivalents	2,290	2,955	542	437	2,896
Other current assets	12,542	41,987	43,622	44,611	45,594
Total current assets	**39,600**	**69,389**	**67,522**	**69,337**	**73,574**
Total assets	**82,508**	**111,893**	**112,456**	**116,366**	**122,073**
Share capital	642	729	735	745	757
Other equity	58,932	91,043	90,602	92,060	95,243
Total equity	**59,574**	**91,771**	**91,337**	**92,805**	**95,999**
Long-term borrowings	1,176	1,144	904	664	424
Long-term provisions	383	511	511	511	511
Lease liabilities	5,728	5,343	6,052	6,898	7,704
Other non-current liabilities	629	313	313	313	313
Total non-current liabilities	**7,915**	**7,311**	**7,780**	**8,385**	**8,952**
Short-term borrowings	2,355	845	845	845	595
Trade payables	8,345	7,874	8,149	9,685	11,594
Lease liabilities	1,756	1,903	2,155	2,456	2,743
Other current liabilities	2,355	1,915	1,915	1,915	1,915
Short term provisions	207	275	275	275	275
Total current liabilities	**15,019**	**12,811**	**13,339**	**15,176**	**17,122**
Total liabilities	**22,934**	**20,121**	**21,119**	**23,561**	**26,074**
Total equity and liabilities	**82,508**	**111,893**	**112,456**	**116,366**	**122,073**

Source: Ambit Capital research, Company

Cash flow statement

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	**(10,293)**	**(10,531)**	**(3,070)**	**(113)**	**2,703**
Depreciation	6,107	8,311	6,734	7,805	9,287
Interest income	(710)	(2,286)	(3,907)	(3,703)	(3,661)
Interest expense	985	883	818	883	953
Other items	6,592	3,401	2,262	1,266	818
Working capital changes	(4,955)	664	(770)	(885)	(369)
Taxes	(132)	(716)	150	29	(681)
Cash flow from operations	**(2,406)**	**(273)**	**2,218**	**5,281**	**9,050**
(Net) capital expenditure	(5,397)	(5,940)	(6,069)	(6,614)	(7,258)
Acq./(disp.) of Investments	(23,346)	(29,217)	500	500	500
Interest/dividend Received	1,322	1,049	3,907	3,703	3,661
Cash flow from investments	**(27,421)**	**(34,107)**	**(1,662)**	**(2,411)**	**(3,097)**
Net short-term borrowings	17.6	(860)	-	-	(250)
Net long-term borrowings	(2,994)	(343)	(240)	(240)	(240)
Issuance of equity	34,916	39,100	33	49	57
Interest paid	(239)	(206)	(168)	(147)	(114)
Payment of lease liabilities	(2,682)	(2,579)	(2,592)	(2,638)	(2,947)
Other items	-	272	-	-	-
Cash flow from financing	**29,018**	**35,385**	**(2,967)**	**(2,976)**	**(3,493)**
Opening cash balance	**2,759**	**1,950**	**2,955**	**542**	**437**
Net change in cash	**(809)**	**1,005**	**(2,912)**	**(606)**	**1,959**
Closing cash balance	**1,950**	**2,955**	**542**	**437**	**2,896**
Free cash flow to firm	**(7,803)**	**(6,212)**	**(3,852)**	**(1,333)**	**1,791**

Source: Ambit Capital research, Company

Preferred Ratios

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	25.1%	21.5%	26.0%	27.5%	29.0%
EBITDA margin	(6.9%)	(6.3%)	0.5%	4.6%	7.4%
EBIT margin	(15.7%)	(17.8%)	(7.5%)	(3.1%)	(0.2%)
Net profit margin	(14.7%)	(13.9%)	(3.5%)	(0.1%)	1.7%
Cash conversion days	46	41	29	24	19.0

Source: Ambit Capital research, Company

Ratio analysis

Year to March (₹ mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross margin	25.1%	21.5%	26.0%	27.5%	29.0%
EBITDA margin	(6.9%)	(6.3%)	0.5%	4.6%	7.4%
EBIT margin	(15.7%)	(17.8%)	(7.5%)	(3.1%)	(0.2%)
Net profit margin	(14.7%)	(13.9%)	(3.5%)	(0.1%)	1.7%
Interest cover	(10.9)	(14.4)	(7.8)	(3.6)	(0.3)
Net debt/equity	(0.4)	(0.6)	(0.6)	(0.5)	(0.6)
Net debt/EBITDA	4.7	11.9	(133)	(11.0)	(5.9)
Working capital turnover	38	41	79	1,141	(157)
Cash conversion days	46	41	29	24	19.0
Inventory days	1.3	1.0	1.0	1.0	1.0
Receivable days	89	80	66	61	56
Payable days	44	40	38	38	38
Gross block turnover	3.9	3.3	3.0	2.9	2.8
pre-tax CFO/EBITDA	48.2%	(9.8%)	537%	113%	108%
pre-tax RoCE	(19.7%)	(15.0%)	(6.3%)	(3.1%)	(0.3%)
post-tax RoCE	(19.3%)	(14.4%)	(6.1%)	(3.1%)	(0.9%)
post-tax RoIC	(33.4%)	(27.5%)	(13.2%)	(6.3%)	(1.9%)
ROE (%)	(23.0%)	(13.3%)	(3.2%)	(0.1%)	2.1%

Source: Ambit Capital research, Company

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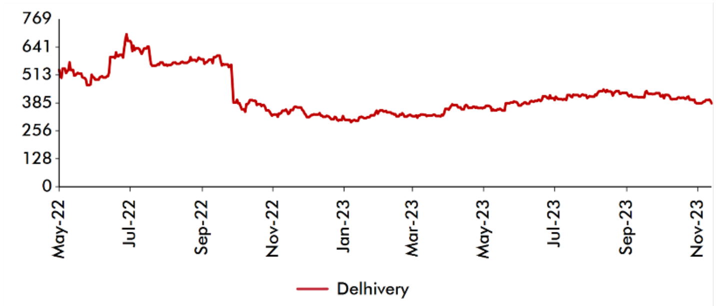
Delhivery (DELHIVER IN, SELL)



Source: ICE, Ambit Capital research

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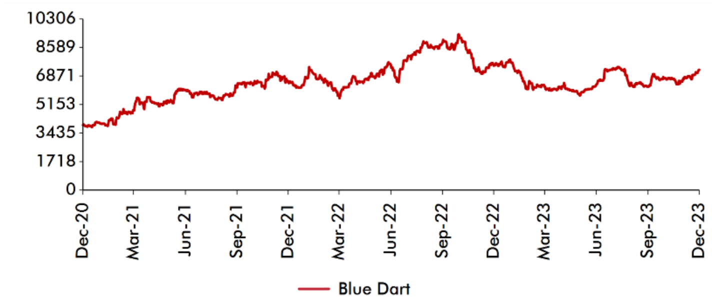

Source: ICE, Ambit Capital research

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