

## Scaling the Automated Frontier in Indian Logistics

During our visit to Delhivery's Lonad Bhiwandi facility, we observed firsthand the immense operational scale that supports the company's nationwide network of over 18,700 pincodes. As a centerpiece of Maharashtra's logistics infrastructure, this 7 lac sq. ft. mega gateway functions as a high-velocity freight sorting and transit hub, strategically positioned to capitalize on India's booming e-commerce and organized logistics sectors. The facility is a marvel of industrial engineering, featuring 196 docking stations designed to facilitate the rapid turnaround of approximately 1,600 vehicles per day while handling a staggering 8,000 tonnes of freight. What truly sets this hub apart is its sophisticated automation suite, headlined by 1.8 km of integrated double deck cross belt sorters and an expansive 5 km network of material conveyance systems. These proprietary systems allow the plant to achieve industry leading throughput, processing upwards of 32,000 shipments and 17,000 freight units every hour. This seamless integration of hardware and software not only optimizes floor space through its vertical, double-deck design but also significantly reduces manual touchpoints, reinforcing Delhivery's position as a technology first leader in the domestic supply chain.

### Strategic Business Segments:

#### Express Parcel: The volume engine and market leader

This remains Delhivery's flagship segment, providing time-bound, end-to-end pickup and delivery for e-commerce, D2C, and retail shipments. Following the strategic acquisition of Ecom Express, Delhivery has consolidated its dominance with a 50% market share, handling a massive volume of nearly 1 billion parcels annually. Currently, the company's highest-margin vertical, it operates at a service EBIDTA of 16%. Management expects margins to scale toward 20% through continued network optimization, higher density in last-mile routes, and increased automation at mega-gateways like Lonad Bhiwandi.

#### Part Truckload (PTL): The high-growth B2B margin driver

Delhivery has rapidly scaled to become the 2nd largest player in the PTL space, catering to B2B clients who require consolidated freight services rather than full truckloads. This segment is currently outperforming the core express market in terms of growth velocity. In Q3FY26, PTL freight tonnage grew 16.5% YoY, while revenue surged by 25% YoY. More impressively, service EBIDTA margins expanded to 11% (up from 3.8% in the previous year), driven by better capacity utilization and operating leverage. While competing with incumbents like Safexpress, Gati, and TCI, Delhivery's tech-stack allows for superior tracking and routing efficiency. The company is eyeing long-term margins above 16%, supported by periodic price revisions and the maturation of its "mesh" network.

#### Supply Chain Services (SCS): The integrated solutions arm

This segment offers a comprehensive suite of end-to-end logistics, including automated warehousing, inventory fulfillment, and complex order processing for both B2B and B2C enterprise clients. While growth remains steady and tied to long-term contract cycles, the segment is seeing rapid bottom-line improvement. Margin expansion is currently being driven by enhanced warehouse utilization and the optimization of legacy contracts. By integrating SCS with the Express and PTL networks, Delhivery creates a "sticky" ecosystem for large corporate clients, reducing churn and increasing the average revenue per customer.

Sector Outlook **Positive**

#### Stock

CMP (Rs.)	467
NSE Symbol	DELHIVERY
BSE Code	543529
Bloomberg	DELHIVER IN
Reuters	DELH.BO

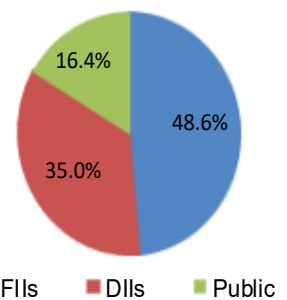
#### Key Data

Nifty	23,842
52WeekH/L(Rs.)	490 / 242
O/s Shares (Cr.)	75
Market Cap (Rs. Cr.)	34,852
Face Value (Rs.)	1

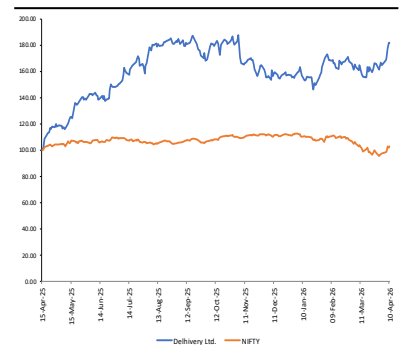
#### Average volume

3 months	26,79,515
6 months	27,44,854
1 year	33,29,560

#### Share Holding Pattern (%)



#### Relative Price Chart



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# Delhivery Ltd.

Our key takeaways from the visit are as follows:

## Capacity dynamics and operating leverage

- ⇒ The facility boasts a massive installed capacity of 5,00,000 units per day, though it currently operates at an average utilization of 65%.
- ⇒ Record Throughput: The plant has already demonstrated its peak-load capabilities by successfully processing 3,15,000 units in a single 24-hour window.
- ⇒ The "Beat the Peak" Outlook: Management expressed high confidence in breaching this record high in the near term. From a business scale perspective, the delta between current utilization (65%) and full capacity represents a significant operating leverage play, as volumes scale toward the 5 lac mark, fixed cost absorption is expected to accelerate, driving superior unit economics.

## B2C Segment: The "Zero Touch" automation benchmark

- ⇒ The B2C vertical representing the Express Parcel business is the facility's technological flagship. It operates on a fully automated, end-to-end flow from inbound unloading to final truck loading.
- ⇒ AI-driven sorting: AI-powered monitors scan Air Waybills (AWBs) in real-time, instantly bifurcating goods based on granular pincode and area-level logic.
- ⇒ Human free intervention: By eliminating human touchpoints in the sorting process, Delhivery minimizes "sorting leakage" (errors) and drastically reduces the time-per-shipment. This "Zero-Touch" architecture is the primary driver behind the segment's 16% service EBIDTA, with a clear path toward 20% as the system reaches peak efficiency.

## B2B Strategy: Phased automation for margin expansion

- ⇒ While the B2C segment is fully tech-enabled, the B2B (Part Truckload) operations are currently categorized into three distinct streams: Fully Automated, Semi-Automated, and Manual.
- ⇒ Transition strategy: The immediate strategic focus is the aggressive migration of manual and semi-automated volumes into the fully automated stream.
- ⇒ The margin narrative: Management's goal is to maximize facility automation to de-link volume growth from headcount growth. By reducing reliance on manual labour in the B2B segment, Delhivery aims to replicate the high-margin profile of its Express business. We expect this transition to be a key catalyst in moving PTL service EBIDTA margins from the current 11% toward the long-term target of 16% and above.

## Key Growth Drivers

### Network densification: expanding the geographic moat

Delhivery is aggressively deepening its footprint in Tier 2, 3, and 4 cities, which are increasingly becoming the primary engines of India's e-commerce consumption. By expanding its network of pickup and delivery points, the company is significantly reducing the "distance to customer," which directly lowers the cost of the last-mile leg. This densification not only supports volume growth from under-penetrated regions but also enhances service reliability, making it harder for competitors to match their reach and speed in smaller town clusters.

### Technology and automation: The efficiency multiplier

The core of Delhivery's operational edge lies in its proprietary tech stack, which powers sophisticated routing algorithms and real-time tracking. During our visit, the impact of these systems was evident in the seamless synchronization of vehicle arrivals and departures. By automating high-throughput gateways like Lonad Bhiwandi, Delhivery improves sorting accuracy and reduces shipment dwell time. This continuous integration of automation effectively decouples volume growth from labour costs, creating a scalable, high-quality service infrastructure that drives long-term margin expansion.

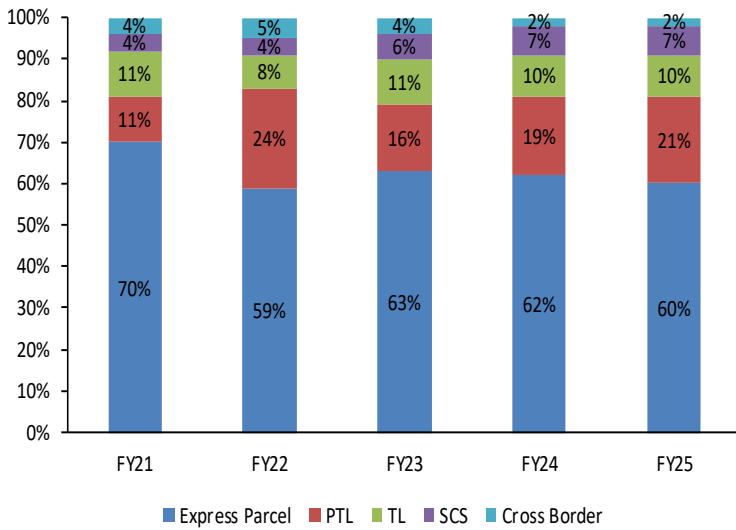
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## Valuation & Outlook

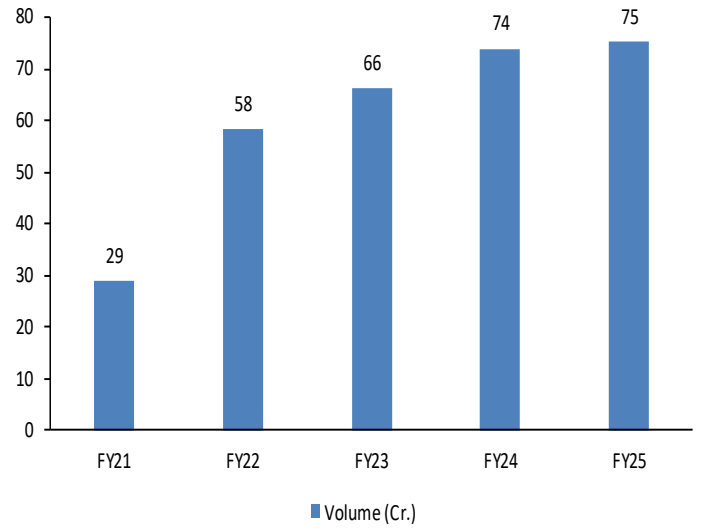
Delhivery is at a pivotal inflection point where its heavy investment cycle in automated "Mega-Gateways" is transitioning into a phase of high-margin harvesting. With the Lonad Bhiwandi facility currently operating at 65% utilization, there is a clear 35% "free" growth runway before additional major Capex is required. As volumes scale toward the 5,00,000 daily unit threshold, we expect significant bottom-line expansion driven by fixed-cost absorption. The successful integration of Ecom Express and the aggressive shift toward automated B2B (PTL) sorting provide a strong visibility for service EBITDA to move toward the 18-20% range in the medium term. While the logistics sector remains sensitive to competitive pricing and the threat of captive insourcing by e-commerce giants, Delhivery's technological moat and network densification (18,700+ pincodes) make it a difficult infrastructure to replicate. At current levels, the valuation is increasingly supported by the company's ability to grow PTL revenues at 25% YoY while simultaneously expanding margins. **We, thus, expect Delhivery Ltd. to generate sustained growth over the long term and is trading at a PE of 62.4x on FY27e EPS estimates.**

# Delhivery Ltd.

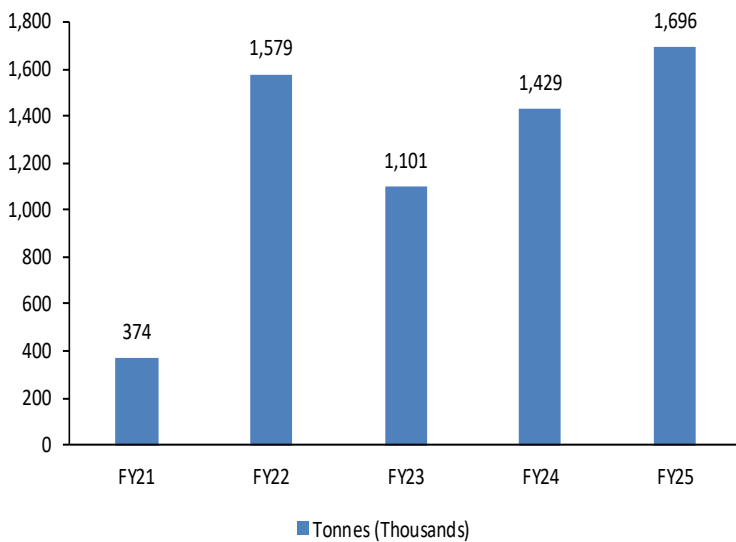
## Revenue split between segments



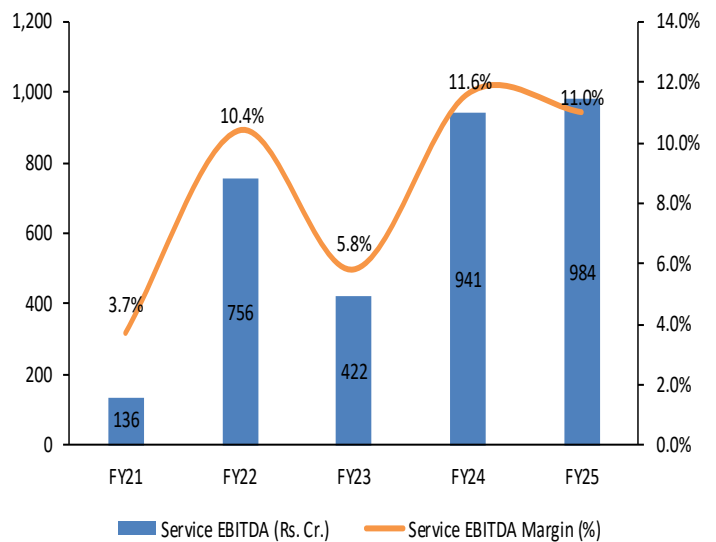
## Express parcel shipment volume



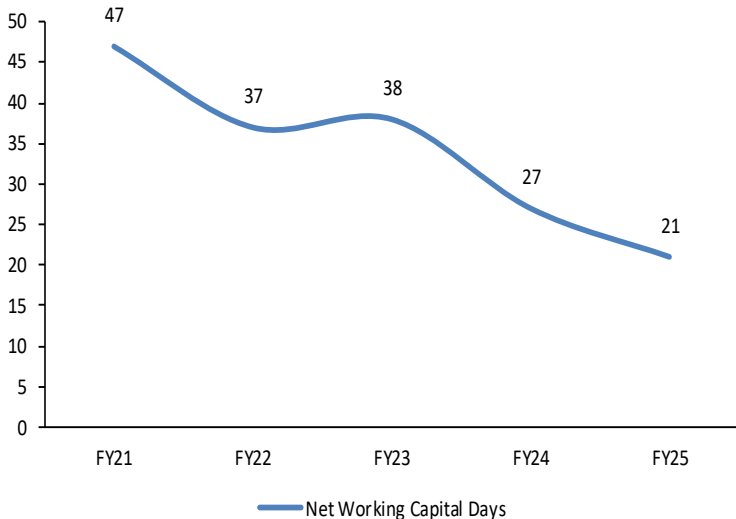
## Part Truckload volume in tonnes



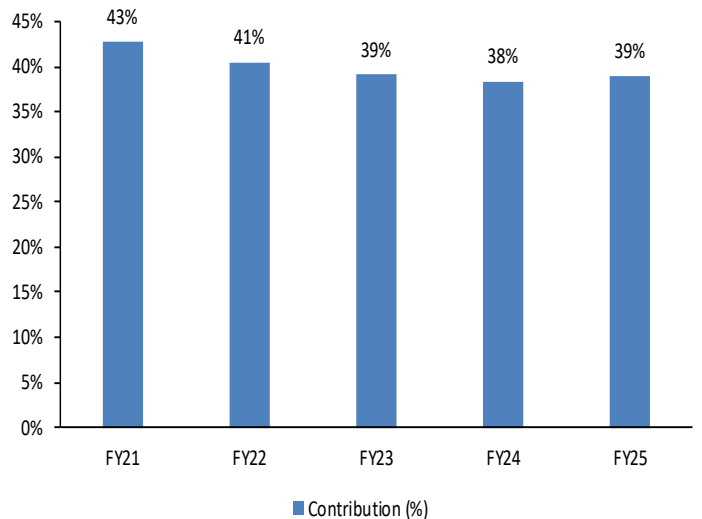
## Improving service EBITDA and EBITDA margins



## Decreasing net working capital days



## Revenue concentration: Top 5 customers



Source: Company, BP Equities Research

# Delhivery Ltd.

Key Financials						
YE March (Rs. Cr.)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	6,882	7,225	8,142	8,932	10,341	12,061
Revenue Growth (Y-o-Y)	88.7%	5.0%	12.7%	9.7%	15.8%	16.6%
EBITDA	-475	-452	127	376	613	1,067
EBITDA Growth (Y-o-Y)	NA	NA	NA	196.1%	63.0%	74.2%
Net Profit	-1,011	-1,008	-249	162	191	563
Net Profit Growth (Y-o-Y)	NA	NA	NA	NA	17.7%	195.3%
Diluted EPS	(15.8)	(13.8)	(3.4)	2.2	2.5	7.5
Key Ratios						
EBITDA margin (%)	-6.9%	-6.3%	1.6%	4.2%	5.9%	8.8%
NPM (%)	-14.7%	-14.0%	-3.1%	1.8%	1.8%	4.7%
RoE (%)	-17.0%	-11.0%	-2.7%	1.7%	2.0%	5.5%
RoCE (%)	-16.3%	-13.1%	-5.9%	-1.5%	3.4%	6.5%
Valuation Ratios						
P/E (x)	-29.8x	-33.9x	-138.8x	216.1x	184.2x	62.4x
EV/EBITDA	-74.9x	-78.5x	281.2x	95.6x	58.2x	33.2x
P/BV (x)	5.9x	3.8x	3.8x	3.7x	3.7x	3.4x
Market Cap. / Sales (x)	5.1x	4.9x	4.3x	3.9x	3.4x	2.9x

Source: Bloomberg, Company, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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