Delhivery Ltd. – Investment BUY Call

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 13 July 2026

CMP -> 515
Buying Range -> 515 to 525
Upside Potential-> 15%
Investment Horizon -> 6 to 9 Months
Target price -> 592

1. Investment Rationale – Structural Logistics Leader Entering a High-Profitability Phase

We maintain a BUY recommendation on Delhivery Ltd. for a medium-term investment horizon of 6–9 months, supported by strong execution across its core transportation businesses, sustained operating leverage, improving capital efficiency, positive free cash flow generation and multiple high-growth business verticals entering commercialization. The company has successfully transformed itself from an e-commerce logistics provider into India's largest integrated third-party logistics platform, offering Express Parcel, Part Truckload (PTL), Supply Chain Services (SCS), Truckload, Cross-Border Logistics and several technology-enabled logistics solutions on a common operating platform. Management continues to focus on expanding profitability rather than merely pursuing volume growth, while simultaneously investing in next-generation AI, automation, robotics and digital logistics infrastructure that should strengthen competitive advantages over the coming years. The successful integration of Ecom Express, continued improvement in transport margins, scaling of Supply Chain Services and monetisation of newer initiatives such as Delhivery Direct, Rapid and International Cross-Border logistics collectively provide multiple earnings drivers over the next several quarters.

2. Business Overview – Integrated Logistics Platform with Multiple High-Growth Engines

Delhivery operates one of India's most comprehensive logistics ecosystems covering over 18,800 pin codes and more than 220 international destinations through strategic partnerships. Its integrated platform consists of four primary business segments—Express Parcel, Part Truckload Freight (PTL), Supply Chain Services (SCS) and Truckload & Cross-Border Logistics—all supported by an internally developed technology platform comprising over 80 proprietary applications, AI models and logistics software. The Express Parcel business remains the largest contributor to revenue and profitability, serving e-commerce marketplaces, direct-to-consumer (D2C) brands, retail companies and enterprises. PTL caters to organised freight movement across manufacturing, industrial and consumer sectors. Supply Chain Services provides integrated warehousing, inventory management, fulfilment, transportation and distribution solutions for clients across automotive, FMCG, consumer durables, industrial products and e-commerce. The Truckload and Cross-Border businesses complement the logistics ecosystem by offering domestic truck aggregation and international parcel movement through partnerships with FedEx and Aramex. The company's products find applications across e-commerce, quick commerce, FMCG, automotive, industrial manufacturing, pharmaceuticals, electronics, consumer durables, retail and MSME exports, making Delhivery a diversified play on India's expanding logistics and consumption economy.

3. Q4FY26 & FY26 Financial Performance – Strong Growth with Meaningful Margin Expansion

Delhivery delivered an impressive financial performance during FY26, reflecting strong volume growth alongside sustained improvement in profitability. Revenue from services increased approximately 17% YoY to around INR 10,500 crore, while adjusted EBITDA expanded significantly to approximately INR 457 crore, resulting in adjusted EBITDA margins improving to 4.4% compared with 1.7% during FY25. Reported EBITDA almost doubled to approximately INR 640 crore, while profit after tax remained positive despite temporary integration expenses relating to the Ecom

Express acquisition. During Q4FY26, revenue from services grew nearly 30% YoY to around INR 2,850 crore, supported by exceptionally strong shipment growth and continued improvement across transport businesses. Quarterly adjusted EBITDA increased substantially, with EBITDA margins expanding to above 5%, reflecting favourable operating leverage despite ongoing investments in new business initiatives. Importantly, management highlighted that these financial results exclude most temporary integration costs, implying further profitability improvement once the integration process is completed.

4. Transport Business – Express Parcel and PTL Emerging as Powerful Profit Drivers

The Transport segment, comprising Express Parcel and Part Truckload Freight, continues to be Delhivery's primary earnings engine and represents the largest medium-term growth catalyst. Express Parcel shipments crossed 1.05 billion shipments during FY26, registering over 40% YoY growth, while Q4FY26 shipments surged by more than 72% YoY, significantly outperforming normal seasonal trends. Express Service EBITDA margins improved to 17.2% during FY26 and reached 18.8% during Q4FY26, positioning margins at the upper end of management's long-term guidance. Management has indicated that there is no structural reason preventing Express margins from moving sustainably above 18% over time as utilisation improves further. Simultaneously, the PTL business has undergone a remarkable turnaround, with Service EBITDA margins improving from negative levels two years ago to 13.4% during Q4FY26, while full-year margins expanded to 11%. Management expects PTL margins to gradually reach the 16–18% range over the next five to eight quarters, supported by sustained freight volume growth exceeding 20%, higher network utilisation and continued benefits from shared infrastructure. These two transport businesses are expected to remain the primary contributors to earnings growth over the next two to four quarters.

5. Ecom Express Integration, Capex Optimisation & Capacity Expansion – A Multi-Year Structural Growth Catalyst

The acquisition and integration of Ecom Express represents one of Delhivery's most significant long-term strategic initiatives and materially strengthens its competitive positioning. The transaction, completed in July 2025 for approximately INR 1,369 crore, has added nearly 35 million shipments per month of sorting capacity, while management retained seven strategically important sorting facilities and successfully integrated customer operations and technology within a short period. Importantly, integration costs are now expected to be only INR 150–160 crore, nearly half the original estimate, reflecting disciplined execution. More importantly, this acquisition eliminates the requirement for major parcel sorting investments for the next two to three years, effectively creating a capex-free capacity expansion cycle. Consequently, management expects capital expenditure intensity to decline further from the already improved 4.7% of revenue in FY26 towards its long-term objective of around 4%, thereby enhancing free cash flow generation while supporting sustained shipment growth. Higher network utilisation, elimination of duplicate infrastructure, lower operating costs and better asset productivity are expected to drive meaningful operating leverage over the coming quarters.

6. Supply Chain Services & High-Margin Business Opportunities – The Next Earnings Growth Engine

Beyond transportation, Supply Chain Services (SCS) is emerging as Delhivery's next high-margin growth engine and offers significant long-term value creation potential. Unlike conventional warehousing businesses, Delhivery provides integrated supply-chain redesign solutions covering inventory planning, warehousing, fulfilment, transportation and distribution using its own technology platforms, warehouse management systems and transportation management software. During FY26, Service EBITDA from SCS increased almost four-fold to approximately INR 79 crore, while margins expanded to 10.9%, reflecting improving operating leverage and better warehouse utilisation. Management has indicated an active business pipeline of nearly INR 1,800 crore across automotive, industrial manufacturing, FMCG, consumer products and e-commerce, providing strong revenue visibility over the next three years. The company expects this business to scale towards INR 1,800–2,000 crore annual revenue, with 12%+ Service EBITDA margins and 20%+ Return on Capital Employed, making it one of the highest-return businesses within the portfolio. Additionally, increasing adoption of quick commerce, organised retail, omnichannel distribution and outsourced logistics by private enterprises should continue supporting robust demand for integrated supply-chain solutions over the medium term.

7. Balance Sheet, Cash Flow Performance & Capital Allocation – Financial Strength Supporting Sustainable Growth

Delhivery's balance sheet has strengthened considerably over the past year, providing ample financial flexibility for future expansion without meaningful leverage. The company ended FY26 with approximately **INR 4,555 crore** of cash, cash equivalents and investments while maintaining negligible financial debt, thereby providing significant strategic optionality for both organic and inorganic growth opportunities. One of the most encouraging developments during FY26 was the generation of **positive Free Cash Flow of approximately INR 89 crore**, achieved nearly one year ahead of management's original expectations despite absorbing Ecom Express integration costs. Net cash generated from operating activities increased sharply to approximately **INR 911 crore**, reflecting stronger profitability, improving working capital efficiency and disciplined capital allocation. Receivable days, payable management and overall capital intensity have steadily improved over the past several years, while management continues targeting lower capital expenditure requirements and better asset utilisation. The combination of healthy operating cash flows, declining capex intensity and a cash-rich balance sheet significantly reduces dependence on external funding and creates a strong foundation for sustained business expansion, technology investments and future acquisitions.

8. Operating Leverage, Technology Leadership & Future Margin Expansion

Delhivery appears well positioned to deliver meaningful operating leverage over the next several quarters as shipment volumes continue growing across existing infrastructure. The company has invested heavily over the past several years in automated sorting centres, mega gateways, robotics, AI-enabled logistics software, proprietary mapping solutions, warehouse automation and intelligent transportation systems. These investments are now beginning to generate measurable returns through improved network utilisation, lower unit operating costs and higher productivity. Management expects Transport adjusted EBITDA margins to continue expanding towards 10%, while Express Parcel margins have already reached the upper end of the guided range and PTL margins are expected to improve steadily over the next five to eight quarters. Furthermore, corporate overheads are expected to gradually decline as a percentage of revenue as business scale increases. Delhivery's proprietary Naksha LLM Suite, AI-powered address intelligence, automated billing, robotics, autonomous warehouse systems, Delhivery Maps, TransportOne platform and warehouse automation collectively strengthen the company's technological moat while reducing manual intervention and improving delivery precision. Expansion of Delhivery Direct, Cross-Border logistics, Rapid, Financial Services and AI-driven logistics solutions should further enhance revenue diversification without requiring proportionate capital investments, thereby supporting sustainable margin expansion and higher returns on capital over the medium term.

9. New Growth Drivers, Business Transformation & Future Revenue Opportunities

Delhivery has successfully evolved from being an e-commerce logistics company into a diversified technology-led logistics platform with multiple scalable growth engines beyond its core transportation business. Over the next 2–4 quarters, revenue growth is expected to be driven primarily by Express Parcel, PTL Freight, Cross-Border Logistics, Supply Chain Services and rapidly scaling new initiatives. The recently launched Economy Air Parcel service enables affordable exports from Tier-II and Tier-III cities to the USA, UK, Canada and Australia using Delhivery's existing domestic network and strategic partnerships with FedEx and Aramex, while management has identified Europe and GCC countries as the next expansion markets. As this business utilises the existing logistics infrastructure, it becomes profitable from inception without requiring incremental capital investment. Simultaneously, Delhivery Direct, the company's on-demand intra-city delivery platform, is already operational across multiple cities and management expects it to evolve into a INR 1,000–1,500 crore business over the next few years while requiring minimal balance sheet investment. The company is also expanding Delhivery Rapid, shared dark-store infrastructure, financial services for logistics partners, proprietary SaaS logistics platforms, AI-enabled mapping solutions and automation technologies. These initiatives collectively transform Delhivery into a comprehensive logistics operating system rather than merely a transportation company, thereby creating multiple long-duration revenue streams with higher profitability potential.

10. Industry Tailwinds, Government Support & Key Risks

India's logistics industry continues to benefit from several long-term structural tailwinds including rapid growth in e-commerce, quick commerce, organised retail, omnichannel distribution, manufacturing expansion, increasing exports, formalisation of supply chains and the Government's continued focus on improving logistics infrastructure through initiatives such as the National Logistics Policy, PM Gati Shakti, Dedicated Freight Corridors, multimodal logistics parks and digital infrastructure development. Simultaneously, private sector investments across automotive, consumer goods, electronics, industrial manufacturing, pharmaceuticals and quick commerce are increasing demand for integrated third-party logistics providers capable of offering nationwide transportation, warehousing and fulfilment solutions. However, investors should also monitor certain near-term risks including temporary integration-related disruptions arising from the Ecom Express acquisition, slower-than-expected recovery in discretionary consumption, pricing pressure due to competitive intensity within the logistics industry, execution risks in scaling newer business verticals, fluctuations in freight demand from e-commerce clients and any delay in achieving targeted profitability in PTL and Supply Chain Services. Although fuel costs are largely protected through pass-through mechanisms, macroeconomic slowdown, weaker consumer demand or lower manufacturing activity could temporarily moderate shipment volumes. Nevertheless, Delhivery's diversified customer base, integrated network, technology leadership and strong balance sheet substantially mitigates these risks over the medium term.

11. Investment Conclusion – BUY for Medium-Term Wealth Creation

We maintain a BUY recommendation on Delhivery for a 6 to 9-month investment horizon, supported by improving profitability, robust operating leverage, strengthening free cash flow generation and multiple structural growth drivers across its diversified logistics ecosystem. The company has successfully demonstrated its ability to scale volumes while simultaneously expanding margins and improving return ratios. The successful integration of Ecom Express has significantly enhanced network capacity, reduced future capital expenditure requirements and created a multi-year runway for profitable growth. Express Parcel continues to deliver industry-leading shipment growth with margins already exceeding historical guidance, while PTL Freight is steadily progressing towards its long-term profitability targets. Supply Chain Services has entered an inflection point with a sizeable qualified pipeline and meaningful margin expansion potential, whereas newer businesses including Cross-Border Logistics, Delhivery Direct, Rapid, AI-powered logistics software and financial services offer additional optionality for future earnings growth. The company's substantial cash reserves, positive free cash flow, disciplined capital allocation, declining capex intensity, expanding technology moat and strong execution capabilities position it favourably to benefit from India's rapidly growing logistics and supply-chain transformation. With multiple operating leverage drivers, improving capital efficiency, expanding high-margin businesses and favourable sectoral tailwinds, Delhivery appears well placed to deliver sustainable earnings growth and shareholder value creation over the coming quarters, making it an attractive medium-term investment opportunity.

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team