

DELHIVERY

Financials valuations (INR b)

Y/E March	2019	2020	2021
Sales	16.5	27.8	36.5
Sales Gr. (%)	61.7	68.1	31.1
EBITDA	-16.2	-1.7	-1.2
EBITDA mrg. (%)	-97.9	-6.2	-3.4
Adj. PAT	-17.8	-2.7	-3.7
Adj. EPS (INR)	-34.7	-5.2	-7.2
BV/Sh.(INR)	65.9	61.5	54.5
Ratios			
RoE (%)		-8.2	-12.5
RoCE (%)		-6.4	-8.7
Payout (%)		-	-

Leading in the Express lane

We analyzed Delhivery's DRHP to understand its business model, opportunity in the various industry segments of Express Parcel Services, part truck load (PTL), truckload (TL), supply chain solutions (SCM), etc., and the competitive landscape. Following are the key takeaways:

- The largest player with a fully integrated Logistics services portfolio:** Delhivery is the largest and fastest growing fully-integrated Logistics services player in India by revenue as of FY21. It provides a full-range of Logistics services, including delivery of Express Parcel and heavy goods, PTL freight, TL freight, Warehousing, supply chain solutions, Cross-border Express, freight services, and supply chain software. It also offers value added services such as e-commerce return services, payment collection and processing, installation and assembly services, and fraud detection. The wide range of services has reduced its dependencies on any single business line, thus reducing the effects of cyclicity in the customers' businesses on its operations. This also leads to a higher share of wallet and customer retention.
- Technology and automation at its core:** Delhivery has proprietary technology systems that enable it to offer integrated Logistics services to a wide variety of customers. Its technology stack consists of over 80 applications that encompass all supply chain processes including order management, warehouse management, transportation management, financial transactions such as billing and remittance, tracking and supply chain analytics. It uses machine learning, artificial intelligence and operations research to build institutional intelligence, automation and dynamic optimization capabilities that enables it to solve several complex operational problems like maximizing trip utilization, forecasting delays, network planning, etc.
- Robust industry opportunity:** The Indian Logistics sector offers a large addressable opportunity, with a direct spend of USD216b in FY20 and is expected to grow at 9% CAGR to USD365b by FY26. The Express Parcel Service segment, which is mostly catered to by the organized players, is expected to grow at 28-32% CAGR, primarily driven by the e-commerce industry, which grew by 31% over FY18-20 and is estimated to grow by 30-33% over FY20-26. Growth was mainly led by: a) rising mid-income group, b) availability of low-cost smartphones and reliable internet, and c) emergence of new markets in the form of Tier II towns. The PTL/SCM segments are expected to grow at 13%/9% CAGR over FY20-26, with business preferences shifting to organized from unorganized players.
- Shift to organized players to aid companies like Delhivery:** Organized players accounted for ~3.5% of the Logistics market in FY20 and are expected to grow at 35% CAGR over FY20-26, taking their share to 12.5-15% by FY26, driven by e-commerce penetration and evolving business models such as direct-to-consumer (D2C), omnichannel, direct-to-retail, etc. This shift has gathered pace with the rollout of GST, which increased demand for national, integrated Supply Chain Service providers with integrated warehousing and Transportation

models, that allow customers to scale operations at lower fixed costs, while creating opportunities for optimizing footprints and capacity utilization, lesser inventory, and faster and cheaper fulfillment.

- **Asset light business model:** Delhivery has an asset light business model, which helps it to scale up volumes rapidly at lower fixed costs and with greater flexibility. Network partners play a significant role in its business operations such as pickup and mid-mile (trucking and air) and last-mile delivery. It has partnered with over 6,000 vendors and network partners to provide pickup, delivery services, and truckload capacity. It operates over 12.42m sq. ft. of leased infrastructure and the majority of its vehicles are leased.
- **Diverse customer base:** Delhivery serves a diverse base of 21,342 active customers across e-commerce, Consumer Durables, Electronics, Lifestyle, FMCG, Industrial goods, Automotive, Healthcare, and Retail. Its customer base includes most of the key e-commerce players in India and over 675 D2C brands. Its superior service quality, vast reach, efficiency, and deep integration with customers' ERP systems and business processes have led to customer stickiness.
- **Unique network design:** Delhivery operates a dense dynamic mesh network, making it efficient, fast, and agile in responding to changes in volumes, shipment profiles, and environmental conditions. The mesh structure allows it to reduce overall touchpoints in the shipment's journey, thus reducing handling and improving precision. Its vast infrastructure network includes 124 gateways, 20 automated sorting centers, 83 fulfillment centers, 35 collection points, 24 returns processing centers, 249 service centers, 120 intermediate processing centers, and 2,235 direct delivery centers. It operates 5.39m sq. ft. of space spread across 71 warehouses. Its nationwide infrastructure network helps it to service 17,045 pin codes.
- **Key risks:** Some of the key risks that are material to the operating model of Delhivery include: a) its heavy reliance on e-commerce, despite diversifying into other industry verticals, b) dependency on network partners and other third parties for Transportation vehicles and manpower, c) lower barriers to entry in many of the segments in which it operates, which has increased competition from several organized and unorganized players, and d) dependency on certain large customers who contribute significantly to its business.

About Delhivery

Delhivery was incorporated in CY11, and in a span of 10 years has become the largest and fastest growing fully-integrated Logistics player in India by revenue. It has achieved this feat through a combination of world-class infrastructure, Logistics operations of the highest quality, and its cutting-edge engineering and technology capabilities. It provides a range of services, which include Express Parcel Services, PTL and TL services, Cross-border services, Reverse Logistics, and B2B and B2C warehousing.

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Logistics sector in India

Fragmented market

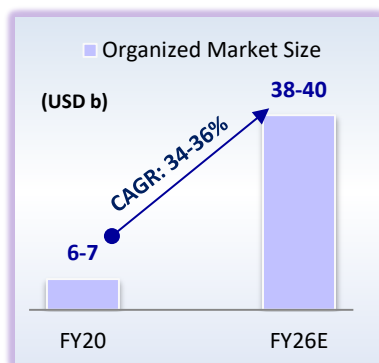
- The Indian Logistics market is highly fragmented compared to other markets, with:
 - over 85% of fleet owners operating less than 20 trucks,
 - trucks are usually smaller in size and poorly utilized, driving less than 325km/day on an average,
 - smaller warehouses (less than 10,000 sq. ft.) account for nearly 90% of Warehousing space in India.
- **Organized players accounted for ~3.5% of the Logistics market (Road Transportation, Warehousing, and Supply Chain Services only) in FY20.**

Exhibit 1: Comparison between India, China, and US Logistics markets

Parameter	India	China	US
CY20 GDP (USD t)	2.7	14.7	21
Logistics market spend* (USD t)	0.39	2.2	1.6
Total Logistics spend as a percentage of GDP	~14%	~15%	~8%
Direct spends as a percentage of GDP	~8%	~10%	~7%
Indirect spends as a percentage of GDP	~6%	~5%	~1%
Per capita Logistics spend (USD)	280	1,540	4,860
Per capita direct Logistics spend (USD)	150	1,050	4,460
Per capita indirect Logistics spend (USD)	130	490	400
Share of top 10 organized players	~1.5%	7-10%	~15%
Average warehouse size (sq. ft.)	8-12k	20-50k	100-200k
Average size of truck (ft.)	24-32	45	48
The average daily distance travelled by trucks (km)	325	423	500+

*CY20 for US and China, FY20 for India

Source: Company DRHP, RedSeer, MOFSL



Logistics market on the cusp of a transformation; the share of organized players to increase

The Indian Logistics sector is set to witness a transformation, led by:

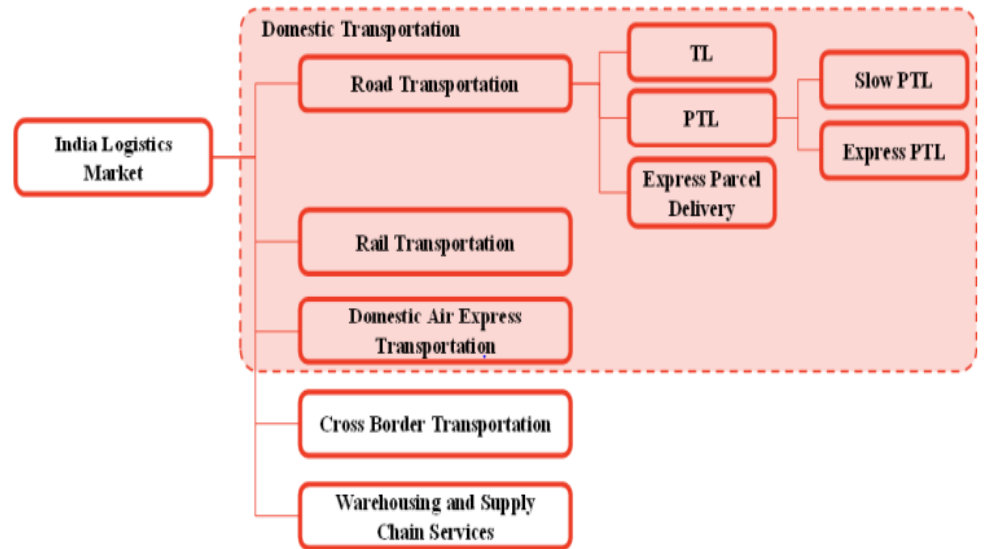
- **Demand for integrated services:** With the rollout of GST, enterprise customers are increasingly looking to optimize their supply chains for speed and efficiency. This is driving demand for reliable, national, integrated supply chain service providers, with integrated Warehousing and Transportation models, which allow customers to scale operations at lower fixed costs, while creating opportunities for optimizing footprints and capacity utilization, lower inventory, and faster and cheaper fulfillment.
- **Technology driven transformation:** Traditional fleet owners face utilization challenges due to seasonal demand and go on to charge customers for the cost of empty backhaul due to the lack of demand. New-age Logistics companies are solving issues using technology for route consolidation and to forecast and match demand and supply more efficiently.
- **Infrastructure improvements:** Improving road infrastructure, combined with the availability of larger truck sizes, is leading to higher capacity utilization and lower cost of operations for organized players.

The Indian Logistics sector is one of the largest in the world and presents a large addressable opportunity, with a direct spend of USD216b in FY20. It is expected to grow at 9% CAGR to USD365b by FY26. With the above mentioned factors, the share of organized players is expected to grow at 35% CAGR over FY20-26 to 12.5-15% by FY26.

Segmentation of the Indian Logistics industry

The Logistics market primarily comprises of Transportation and Warehousing, of which Transportation accounted for 70%, or USD151b, in FY20.

Exhibit 2: Segmentation of the Logistics industry in India

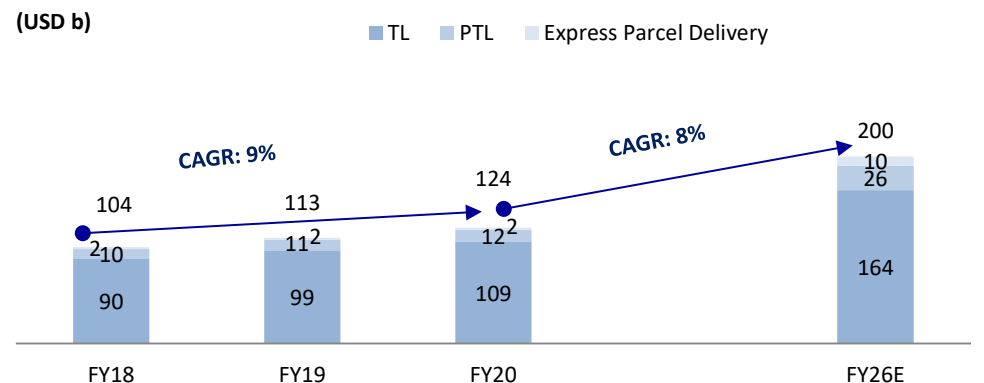


Source: Company DRHP, MOFSL

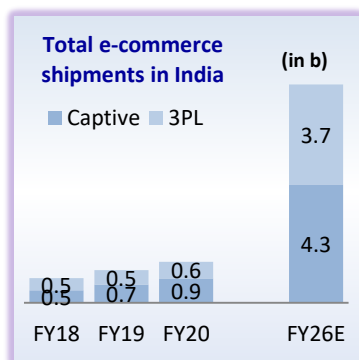
Road Transportation

India has the second largest road network in the world, with 150,000km of the national highway network. Around 70-80% of freight movement in India are short-to-medium haulage, where Road Transportation is the quickest and cheapest alternative.

Exhibit 3: Road transportation market in India



Source: Company DRHP, RedSeer, MOFSL



Express Parcel Services:

- Express delivery refers to delivery of parcels weighing less than 40kg.
- These are typically e-commerce orders or business documents, with standard turnaround times of less than 3-4 days.
- The Indian e-commerce industry grew by 31% over FY18-20 and is estimated to further grow by 30-33% over FY20-26.
- The segment is mostly catered to by organized players.
- Barriers to entry are high since Express Parcel delivery requires a large reach, scale of operations, flexibility, deep technology integration, and the ability to provide bespoke value added services.
- Total e-commerce volume was estimated at 1.5b shipments in FY20 and is expected to grow at 32-35% CAGR to 8-9b by FY26. 3PL players handled 41% of e-commerce shipments in FY21 and are expected to rise to ~46% by FY26.

Factors leading to the boom in e-commerce

- **Rising mid-income group creating B2C demand:** The middle income segment, with an annual income of USD7,500-15,000, currently constitutes ~27% of the working age population and is expected to expand to ~40% over the next five years.
- **Smartphone users:** Availability of low-cost smartphones and reliable internet is expected to drive the smartphone users to ~800m by CY25 from ~500m in CY20. As a result, online shoppers are expected to double to 330-350m by FY26 from 160m in FY21.
- **Emergence of new markets:** Economic growth in beyond Tier II towns is increasing demand for reliable turnaround times and efficiency comparable to larger urban centers, further driving the need for integrated and national Logistics players. This demand is expected to drive e-commerce growth, with ~38% growth seen in beyond Tier II markets v/s ~31% growth for the overall market over FY21-26.
- **Evolving business models:** The addition of newer models of e-commerce marketplaces such as direct-to-consumer (D2C), omnichannel, and social commerce is expected to disrupt Retail models. D2C is expected to grow to ~600m shipments in FY26 from ~100m shipments in FY21. B2C, newer distribution channels, and go-to-market strategies such as direct-to-retail (D2R) and direct-to-consumer (D2C) are driving the need for innovation in the traditional B2B supply chain.

Part truck load (PTL):

- PTL freight refers to delivery of consignments weighing between 10kg and 2,000kg.
- The PTL market, which was estimated to be USD13b in FY20, is expected to double to USD26b by FY26.
- It is further subdivided into two key segments: a) Express PTL (turnaround time: 3-5 days; smaller consignment sizes) b) Traditional PTL (relatively time-insensitive, heavier consignment sizes).
- Organized players accounted for 11% of the PTL market in FY20 and are projected to increase to 32% by FY26.

Factors driving the shift to organized players in India

- a) **Changes to the supply chain structures:** Larger and consolidated Warehousing have led to increasing need for speed and reliability over longer distances.
- b) **Changing customer expectations:** Brands and retailers, with omnichannel operations, increasingly need to match turnaround times of e-commerce players at affordable costs.
- c) **Infrastructure improvements:** Improving road Infrastructure, combined with the availability of larger trucks, is leading to higher capacity utilization and lower cost of operations for organized players.
- d) **Penetration of technology:** Availability of road network information, weather, and telemetry data from IOT devices enables organized players to make better decisions on route and fleet management.
- e) **Category expansion:** Newer e-commerce categories such as appliances, home, and furniture are better suited to move through PTL networks due to their large parcel size.

Truckload (TL):

- Delivery of a full truck/trailer load of freight directly from the shipper or origin point to consignee or point of destination.
- The largest segment of Road Transportation, with a market size of USD109b in FY20, is expected to grow at 7% CAGR to USD163b by FY26.
- End-users usually include FMCG, Agriculture, raw materials, Automotive and spare parts, Manufacturing, Retail, and Pharmaceutical industries.

Challenges in the TL market

- a) Inefficient matching of supply and demand, especially on backhaul lanes.
- b) Significant price volatility for customers and earnings volatility for fleet owners due to seasonality and other supply shocks.
- c) High cost of working capital financing.
- d) Inconsistent service quality and long wait times.

Rail Transportation

- The domestic Rail Transportation market stood at ~USD21b in FY20 and is expected to grow at 17% CAGR to USD47b by FY26.
- Historical under-investment in capacity expansion and a lack of upgradation of existing capabilities has decreased rail's share in freight to 18% in CY20 (71% for Road Transportation).
- Development of the Dedicated Freight Corridor and introduction of roll-off-roll-on (RORO) capabilities on select routes is going to increase the current share of the Railways as rail could be cost-effective and an efficient alternative for a significant share of India's freight.

Air Express Transportation

- The domestic Air Express Transportation market was estimated at USD0.8b in FY20 and is expected to touch USD1.2b by FY26.
- A large and fragmented base of domestic freight forwarders functions as booking and fulfillment agents in Air Express.
- The segment is expected to grow at a slower rate than the overall Logistics market owing to higher rates.

Cross-border Logistics

- Cross-border Transportation is primarily undertaken through air and ocean shipping.
- The Cross-border air transport market stood ~USD5.4b in FY20 and is expected to touch USD8.2b by FY26.
- Ocean freight constitutes 25-30% of the total Cross-border Transportation market.
- Air freight is dominated by international integrators such as FedEx and DHL and domestic and international passenger airlines, while ocean freight is primarily serviced by large liner companies such as AP Moeller Maersk.

Warehousing

- Growth in Warehousing has been robust (44% CAGR) over FY17- 20.
- Demand for Warehousing is being driven by rapid growth in e-commerce, organized Retail, Manufacturing, and international trade.
- Rollout of GST has increased the demand for large, consolidated Warehousing.

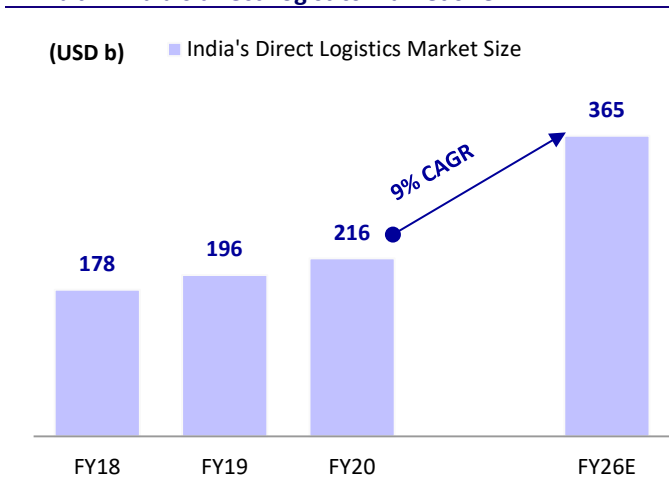
Supply Chain Services

- The Indian Supply Chain Services market (including Warehousing) was estimated to be USD65b in FY20 and is expected to touch USD109b by FY26.
- Share of organized players is expected to grow at 42-45% CAGR to USD13-15b in FY26 from USD1.6b in FY20.
- The integrated Supply Chain Services market size is pegged ~USD6b in FY20 and is expected to grow at 20% CAGR to ~USD17b by FY26.

The integrated Supply Chain Services segment is evolving and is designed to solve structural challenges such as:

- Improving real-time visibility and control of key supply chain metrics.
- Managing operations across multiple demand channels, especially those combining online and offline.
- Need to reduce inventory cost through optimal sourcing or manufacturing and placement.
- Expansion into newer markets (beyond Tier 2) while maintaining service quality.

Exhibit 4: India's direct Logistics market size



Source: Company DRHP, RedSeer, MOFSL

Exhibit 5: Segment-wise breakup of the market

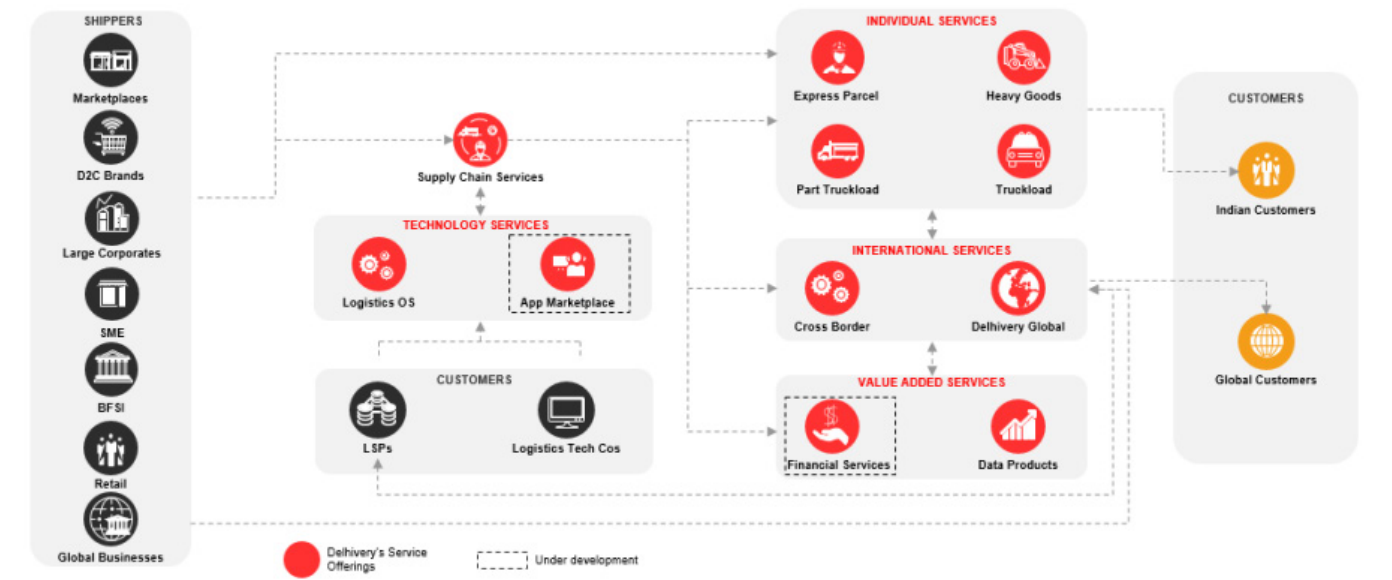
Segments (USD b)	FY20	FY26E	CAGR (%)
Express Parcel services	2.3	10-12	28-32
Part truck load	13	26	13
- Traditional PTL	10	18	10
- Express PTL	3	9	20
Truckload	109	163	7
Total Road	124	200	8
Rail	21	47	17
Air	0.8	1.2	7
Cross-border	5.4	8.2	7
Supply chain	65	109	9
- Warehousing	51	85	9
- Other storage costs	8	8	0
- Integrated supply chain	6	17	20
Sub-total	216	365	9

Source: Company DRHP, RedSeer, MOFSL

Business overview

Delhivery has become the largest and fastest growing fully integrated Logistics player in India, growing at 48.5% CAGR over FY19-21, to clock a revenue of INR36.5b in FY21. It is a professionally managed company and does not have an identifiable promoter in terms of SEBI ICDR Regulations and the Companies Act.

Exhibit 6: Delhivery's service offerings



Source: Company DRHP, MOFSL

Express Parcel segment (70% of FY21 revenue)

- The largest and fastest growing 3PL Express Parcel (and Heavy Parcel) delivery player in India by FY21 volume and revenue.
- It has a market share of ~20% of overall e-commerce volumes (including captive players) in India in 1QFY22.
- Delivered more than 1b shipments since its incorporation.
- Shipment volumes have grown annually by more than six times to 5.26m shipments in FY21 from 0.85m shipments in FY19.
- Services 17,045 pin codes in India (~88% of the total pin codes).
- Launched Delhivery Direct, a C2C shipping service in Jun'21, which enables individual consumers to ship parcels from their homes.

PTL Freight segment (11% of FY21 revenue)

- It is the third largest PTL Freight player in India in terms of FY21 revenue (including Spoton Logistics Pvt. (Spton)), with a market share of ~8.3% of the organized PTL market in India.
- It provides a full suite of freight services including door-to-door, hub-to-hub delivery, and value-added services such as transportation of oversize cargo (up to 1t/shipment) and reverse pickups.
- Acquired Spoton in Aug'21 to further scale-up its PTL Freight Services business.
- Serviced 7,700 active customers in 1QFY22 (*Data available only up to 1QFY22*) across industries such as Consumer Durables, Auto, Lifestyle, Fashion, e-commerce, FMCG, and Retail.

TL Freight segment (6% of FY21 revenue)

- a) Freight brokerage platform 'Orion' connects shippers with fleet-owners and suppliers of truckload capacity across the country via a centralized bidding and matching engine.
- b) Has 449 active customers and over 1,850 transportation partners as of FY21.
- c) Acquired RoadPiper Technologies Pvt. in Jan'20, a digital freight broker with a fleet owner, load-matching, and pricing applications.

Supply Chain Services segment (11% of FY21 revenue)

- a) Provides integrated solutions of Warehousing, Transportation operations, Infrastructure, Network, and Technology with deep data science and business intelligence capabilities.
- b) Uses warehouse management system ('Godam'), which supports multi-tenant and multi-channel operations.
- c) Operates over 5.39m sq. ft. of Warehousing infrastructure across 71 warehouses as of Jun'21.
- d) Around 139 active customers used SCM services in 1QFY22.

Cross Border Services segment (3% of FY21 revenue)

- a) Delhivery has integrated global networks and airlines on its platform, providing a single-window visibility on Express and global freight shipping to its shippers.
- b) It has established a reciprocal alliance with Aramex to expand coverage in the Middle East and North Africa. It is in the process of establishing a strategic alliance with FedEx for expansion of coverage in North America, Europe, Australia, and Asian markets.
- c) About 407 active customers availed cross-border shipping services, transacting over 2,050 ton of air freight in FY21.

Exhibit 7: Key segment analysis

Y/E March	FY19	FY20	FY21	1QFY22
Express Parcel				
Revenue (INR m)	13,731	19,289	25,505	7,854
Shipments (in m)	148	225	289	102
Realization (INR/shipment)	92.5	85.9	88.2	77.2
PTL				
Revenue (INR m)	1,402	2,307	3,842	1,176
Freight tonnage ('000t)	122	243	374	106
Realization (INR/t)	11,529	9,476	10,276	11,066

Source: Company DRHP, MOFSL

Key differentiators for Delhivery

- **Integrated solutions:** Provides a full range of Logistics services, with 70% of revenue contributed from the fast growing Express Parcel Services segment and 11%/6%/11%/3% of PTL/TL/supply chain/cross-border services.
- **Proprietary Logistics operating system:** It has over 80 applications through which it provides various services, orchestrated by a platform to govern transaction flows from end-to-end. The platform is designed as a set of foundational layers, libraries, and APIs that form the building blocks for Logistics applications.
- **Automation and Data Intelligence:** As per RedSeer, Delhivery has the **highest investments towards technology and automation** among e-commerce focused Logistics players in India. It operates 20 fully and semi-automated sorting centers and 86 gateways across India, with a sorting capacity of 3.98m shipments/day. It uses machine learning extensively to build various capabilities, including intelligent geolocation, network design, route optimization, load aggregation, ETA prediction, product identification, and fraud detection, which enables it to execute operations in an efficient and precise manner.
- **Network infrastructure** includes 124 gateways, 20 automated sorting centers, 83 fulfillment centers, 35 collection points, 24 return processing centers, 249 service centers, 120 intermediate processing centers, and 2,235 direct delivery centers. Operates **5.39m sq. ft.** of Warehousing infrastructure across 71 warehouses.

Exhibit 8: Key operating metrics (excluding Spoton)

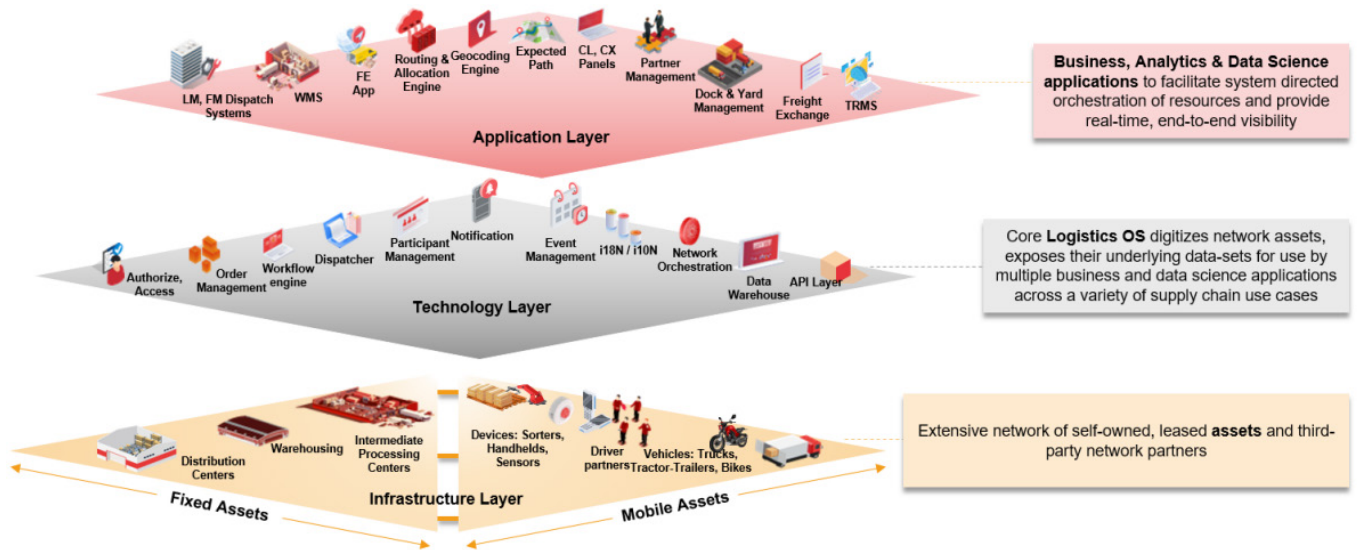
Y/E March	FY19	FY20	FY21	1QFY22
Pin code reach	13,485	15,875	16,677	17,045
Infrastructure (in m sq. ft.)	5.96	9.85	12.23	12.42
No. of gateways	73	83	88	86
Rated Automated Sort Capacity (in m parcels/day)	1.58	2.26	2.62	3.17
Number of delivery points	2,258	2,973	3,382	3,501
Team size	28,830	40,416	53,086	66,348
No. of active customers	4,867	7,957	16,741	21,342

Source: Company DRHP, MOFSL

Technological superiority:

Delhivery’s technology platform has a layered system architecture, comprising infrastructure, technology, and application layers. Over 80 applications are bundled into solutions on the application layer, which aids in demand forecasting, network design, tracking and real-time optimization, and decision support. It has a 474 membered engineering, data science, and a products team that focuses on enhancing technology and automation.

Exhibit 9: Integration of logistics operating system with infrastructure and applications



Source: Company DRHP, MOFSL

Exhibit 10: Major applications and their purpose

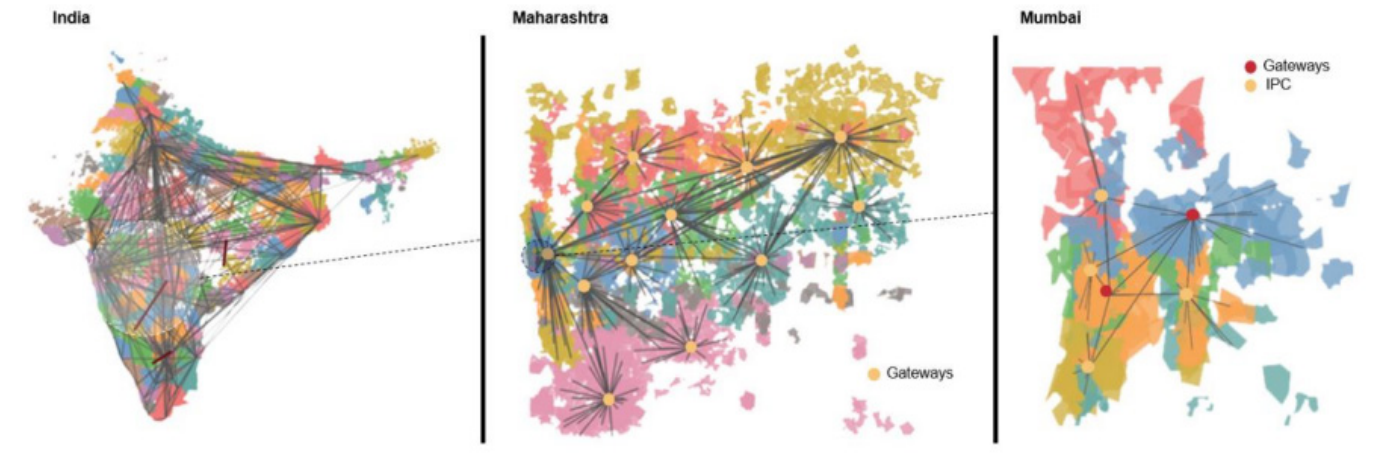
Operational applications	Purpose
Transportation management system	❖ Tracks shipment and asset movement in real-time across the entire network, including partner operations
Mid mile system	❖ In-facility activities such as sorting, consolidation, de-consolidation, loading/ unloading, trans-shipment, line-haul schedule management, and tracking
Last mile and dispatch system	❖ Helps to plan, create, and manage the delivery routes; receive guidance to consignee addresses; communicate with consignees while on their delivery route; and view their performance and earnings
Fleet management system	❖ Enables fleet owners and suppliers of fleet capacity to enter into contracts, track their service metrics (quality, usage, and earnings) against those contracts, and manage claims and disputes
Godam	❖ Manages order fulfillment operations and transportation services for orders
Orion	❖ Matches demand from shippers with suppliers of truckload capacity in real-time
Customer and partner facing applications	
Axle, Roadpiper	❖ Mobile applications provide real-time order visibility to truckload partners and allow them to bid and win contracts
Telescope	❖ A supply chain visibility product for enterprises. It provides a configurable, end-to-end view of the customers’ entire supply chain
Consumer Applications	❖ Provides door-to-door domestic shipping services to individual consumers from the comfort of their homes

Source: Company, MOFSL

Infrastructure and automation

Delhivery operates a dense dynamic mesh network, making it efficient, fast, and agile in responding to changes in volumes, shipment profiles, and environmental conditions. The mesh structure allows it to reduce overall touchpoints in the journey of shipments through the network, reducing handling, and improving precision.

Exhibit 11: Delhivery's mesh network illustration



Source: Company DRHP, MOFSL

Multi-level sorter in the gateway



Gateways

- It has 124 large Logistics facilities that form the core of its network, perform pickups, sorting, consolidation and deconsolidation, dispatch, and customs clearance operations.
- Gateways are connected to each other in a dynamic mesh network via line-haul transportation.
- Around 21 gateways are equipped with 27 automated parcel sorters having a Rated Automated Sort Capacity of 3.98m shipments per day.

Fulfillment centers

- Operates 83 fulfillment centers, with an aggregate floor area of 5.52m sq. ft.
- The same are located in strategic supply and consumption clusters to enable customers to place inventory closer to their end-consumers and reduce overall order fulfillment timelines.

Intermediate processing centers

- Operates 120 intermediate processing centers, which receives consolidated loads from gateways for a set of delivery centers mapped to them.
- Increases the ability to use larger line-haul vehicles, reduce sorting complexity, and act as load stabilizers in the network.

Service and delivery centers

- Service and delivery centers perform last-mile delivery of consignments and pickup operations from their catchment areas.
- Operates 3,397 delivery and 249 service centers, of which 2,235 delivery centers are self-operated, while 1,162 are operated by its partners.

Return processing centers

- Operates 24 dedicated facilities to process e-commerce sale returns to customer warehouses.

Fleet

- The majority of its line-haul and intra-city distribution requirements are met through partner fleet owners and suppliers of truckload capacity via middle-mile systems and the Orion platform.
- It operates its own fleet of heavy trucks and tractor-trailers, which are employed in its line-haul network.

Key risks

- **Dependency on network partners and other third parties:** Delhivery had 12,665 permanent employees, around 26,370 last mile delivery agents, and 27,313 contracted workers, in addition to temporary workers that they hire from time to time to provide last mile delivery services, as of Jun'21. It has entered into agreements with manpower agencies to provide the required number of contractual personnel in time. The majority of its trucks and other transportation vehicles are leased from third-party fleet partners.
- **The asset light business model can lead to volatility in costs:** Delhivery's entire infrastructure is leased. It operates over 15.15m sq. ft. of leased infrastructure (including Spoton). Rental costs for the leased facilities and pricing for the leased vehicles are subject to potential increases, with the former being subject to contractual escalations. The facility lease agreements provide for annual rent increases of ~7%, while vehicle lease agreements are short-term in nature, with rental prices linked to the market price of diesel.
- **Heavy reliance on e-commerce:** Delhivery has diversified itself from e-commerce into other industry verticals, including Customer Electronics, Consumer Durables, FMCG, Healthcare, Lifestyle, Automobiles, and Manufacturing. The contribution of e-commerce customers to total revenue continues to remain significant. Revenue from the Express Parcel service, which largely caters to e-commerce customers, stands ~60% of revenue from contracts with customers in 1QFY22. According to RedSeer, Delhivery had a market share of ~20% of overall e-commerce volumes (including captive players) in India during the same period.
- **High competition:** The Logistics industry in India is highly competitive, owing to higher fragmentation and a presence of a large number of unorganized players. Many segments in which Delhivery operates in have lower barriers to entry. Increased competition from unorganized third-party Logistics or Transport providers could force it to lower prices, thereby reducing its profit margin or market share.
- **Dependency on certain large customers:** A significant portion of its business is attributable to certain large customers, with the top five customers contributing ~42% of FY21 revenue from its contracts with customers. The success of Delhivery depends on its ability to generate repeat customer use and increase the size of the business from its existing customers. Termination of contracts by any significant customer may materially and adversely affect revenue, cash flows, and its prospects.

- **Technology:** Delhivery's proprietary technology infrastructure, powered by its self-developed software, applications, and data-science capabilities, orchestrates its network. It depends heavily on technology systems to control its Logistics operations, manage inventory, process and bill shipments, process payments, record cash payments by customers, among other processes. Reliability, availability, and consistent performance of its technology infrastructure are critical to its ability to operate the business and deliver a high-quality customer service.

Peer comparison and competitive landscape

Domestic competition

Blue Dart Express

- Blue Dart has an unparalleled network covering over 35,000 locations.
- It caters to more than 220 countries and territories worldwide through its group company – DHL, the premier global brand in the Express distribution services.
- It commands ~50%/~17% market share in the Air/Surface Express segment.
- The revenue mix of Ground Express/Air Express stands ~30%/70%, with the e-commerce segment contributing 20% of the pie.
- Around 80% of the revenue is from the B2B Express Segment, while B2C contributes the rest.
- Blue Dart's key differentiator continues to be its customer centricity, which offers customers flexibility and security, with product and service offerings such as late pick-up/early delivery, reliability, security, and tracking visibility across the delivery chain.
- With a fleet of six Boeing 757 freighters (offering a payload of over 500t per flight) and a fleet of 11,122 vehicles, the company handled shipments of 0.72mt in FY21.
- Of the six aircrafts, three each are owned/ leased.
- It has employee strength of over 12,000, delivering 24 shipments/second.
- The total domestic/international shipments carried by Blue Dart Express in FY21 stood at 185m/0.8m.
- The company launched Blue Dart Med-Express consortium, which uses drone technology to deliver medicines to the interiors of the nation. The initiative is still under pilot study.

Exhibit 12: Blue Dart Express's EBITDA margin improves post restructuring of the business

Y/E March (INR m)	FY18	FY19	FY20	FY21
Revenue	27,909	31,655	31,664	32,797
YoY growth (%)	4.1	13.4	0.0	3.6
EBITDA	2,598	1,735	1,878	3,766
EBITDA margin (%)	9.3	5.5	5.9	11.5
Adjusted PAT	1,421	876	258	1,222

Source: Blue Dart Annual Report , MOFSL

 **VRL LOGISTICS LTD**
VRL Logistics

- VRL has a long history of operations (~40 years), primarily focusing on the less than truckload (LTL) segment.
- It derives nearly 90%/7% of its business from the Goods Transportation/ Passenger Bus Service segment.
- VRL majorly caters to the LTL segment (90% of revenue from the Goods Transport segment).
- **It operates its own fleet of 4,687 trucks (capacity: 69,000t) and 280 buses.**
- Around 4,253 (91%) of its owned trucks are debt free, with no associated financial costs.
- About 2,460 (52%) vehicles are fully depreciated, but are operating in optimal condition.
- It uses a hub-and-spoke model to aggregate small parcels and maximize capacity utilization of its vehicles.
- It operates in 22 states and four Union Territories, with a network of 715 branches, 142 agencies, and 45 strategically placed hubs.
- Primarily focused on the B2B segment, which is considered to be more stable as compared to B2C.
- It is well-diversified in terms of its end-use segment and customer base, with the top 10 customers contributing only 3% revenue of the Goods Transport business.
- It caters to a wide range of industries, which includes Plastics, Food products, Rubber, Agri products, Pharma, FMCG, Metals, etc.
- It uses biodiesel (23% of its fuel requirement in FY21), which helps it reduce fuel costs.
- The company procures 40-45% of the fuel requirement directly from the refinery, 40-45% from designated petrol pumps of IOCL, and the rest is met through bio-diesel. Diesel from the refinery is INR3-4/liter cheaper than the market price.

Exhibit 13: VRL grew at 5% revenue CAGR over FY18-20, before getting hit by the lockdown in FY21

INR m	FY18	FY19	FY20	FY21
Revenue	19,223	21,095	21,185	17,629
YoY growth (%)	6.6	9.7	0.4	-16.8
EBITDA	2,342	2,440	2,983	2,475
EBITDA margin (%)	12.2	11.6	14.1	14.0
Adjusted PAT	926	919	901	451

Source: VRL Annual Report, MOFSL


TCI Express

- The Express business of TCI was demerged to form a separate entity – TCI Express (TCIE) – in CY17.
- The B2B segment contributes 95% of TCIE's revenue.
- TCIE has an enviable and difficult to replicate network presence, with over 825 branches, tie-ups with vendors for 5,000 containerized trucks, 28 sorting centers, and caters to a whopping 40,000 locations.
- The company operates on an asset light model, where it ties up with multiple small truckers for its fleet requirements.
- TCIE's business is well-diversified across SME (50%), Automotive (13%), Pharmaceutical (13%), Engineering (10%), and Lifestyle (8%).

- The company is focused on expansion through investments in sorting centers, automation, and enhancing its tech capabilities.
- It derives a bulk of its revenue from Surface Express (85%), and rest from Air Express (8%), and e-commerce (5%).
- It has ventured into: a) Pharma cold chain services, b) C2C business, and c) Rail Express, which is expected to contribute 1/4th of total revenue in the next five years.

Exhibit 14: TCIE grew at 20% PAT CAGR over FY18-21

INR m	FY18	FY19	FY20	FY21
Revenue	8,851	10,238	10,320	8,440
YoY growth (%)	18.0	15.7	0.8	-18.2
EBITDA	907	1,190	1,213	1,343
EBITDA margin (%)	10.2	11.6	11.8	15.9
Adjusted PAT	584	728	891	1,006

Source: TCIE Annual Report, MOFSL

Exhibit 15: Competitive landscape of Delhivery

	Delhivery	Blue Dart	Gati	TCI Express	TCI	VRL Logistics
Hubs	124	NA	33	28	25	45
Branches	2235	2,113	668	825	900	715
Pin codes	17,045	14,000	19,800	~95%*	NA	NA
Team size	66,348	12,000	NA	3,000	4,000	19,763
Active customers (in m)	0.02	NA	NA	0.2	0.2	0.25
Warehouse capacity (in m sq. ft.)	5.39	2.89	4.1	NA	12.0	NA

Note: NA refers to 'not available'; *95% of pin codes in India; Source: Company DRHP, Industry Reports, MOFSL

Domestic competition – supply chain services**Mahindra Logistics**

- Mahindra logistics (MLL) is one of the largest players in the organized 3PL.
- It offers customized end-to-end Logistics solutions, including transportation and distribution, Warehousing, in-factory Logistics, and value-added services.
- It has a network of 50 hubs and operates from more than 200 locations.
- It operates an asset light business model, where the assets (vehicles and warehouses) are provided by a large network of business associates (~1,450).
- It manages over 17m sq. ft. of Warehousing space (multi-user warehouses, built-to-suit warehouses, stockyards, network hubs, and cross-docks).
- Its largest end-use segment of Automotive (~60% share) contributed to MM's group companies.
- Key clients include Volkswagen, Vodafone Idea, Thermax, JSW Steel, Ashok Leyland, Siemens, Bosch, BMW, 3M, and Mercedes-Benz.
- It also provides technology-enabled people transportation solutions and services across India through its enterprise mobility segment to more than 100 domestic and multinational companies operating in the IT, ITeS, Business Process Outsourcing, Financial Services, Consulting, and Manufacturing.

Exhibit 16: MLL continues to grow with a stable client base

INR m	FY18	FY19	FY20	FY21
Revenue	34,161	38,513	34,711	32,637
YoY growth (%)	28.1	12.7	-9.9	-6.0
EBITDA	1,197	1,512	1,583	1,342
EBITDA margin (%)	3.5	3.9	4.6	4.1
Adjusted PAT	653	864	552	328

Source: MLL Annual Report, MOFSL



International peers

FedEx (US)

- FedEx is the world's largest Express transportation company, with unmatched global network serving over 220 countries and territories.
- It has a strong presence in the US with 63,000 US locations, 94% of the people in the US are within five miles of FedEx's holding location.
- FedEx Corporation operates through three key segments: a) FedEx Express, b) FedEx Ground, and c) FedEx Freight.
- FedEx Express operates 87,000 vehicles and 684 aircrafts, of which 662 are owned and 22 are on lease.
- The FedEx Ground operates 625 facilities, including 40 hubs (average size of ~475,000 sq. ft.)
- It delivers 15.5m shipments per day with the help of a 0.56m team worldwide.

Exhibit 17: FedEx's revenue grew at 9% CAGR over FY18-21

Y/E May (USD m)	FY18	FY19	FY20	FY21
Revenue	65,450	69,693	69,217	83,959
YoY growth (%)	8.5	6.5	-0.7	21.3
Operating Income	4,272	4,466	2,417	5,857
Operating margin (%)	6.5	6.4	3.5	7.0
Net Income	4,572	540	1,286	5,231

Source: FedEx Corp Annual Report, MOFSL



ZTO Express (China)

- Founded in CY02, ZTO Express (ZTO) is one of the leading Express delivery companies in China in terms of parcel volume, with a 20.4% market share in CY20. It delivers 17b parcels in a year.
- ZTO is a trusted Express delivery partner for millions of commerce customers, including online merchants and consumers selling and buying products on Chinese leading e-commerce sites such as Alibaba, PDD, and JD.com.
- ZTO operates a highly scalable network partner model that enables it to expand its nationwide network quickly and provide e-commerce merchants with a greater geographic reach at a low cost.
- Under a network partner model, it operates mission-critical line-haul transportation and sorting network within the Express delivery service value chain, whereas its network partners operate outlets that provide first-mile pickup and last-mile delivery services.
- It operates self-owned 10,400 line-haul vehicles, 96 sorting hubs, and 30,300 pickup and delivery outlets through 5,600 direct network partners.

Exhibit 18: ZTO grew at 23% revenue CAGR over FY18-20

Y/E December (USD m)	FY18	FY19	FY20
Revenue	2,560	3,176	3,864
YoY growth (%)	27.6	24.1	21.7
Operating income	630	785	729
Operating margin (%)	24.6	24.7	18.9
Net income	638	815	661

Source: ZTO Annual Report, MOFSL

IPO proceeds

- The fresh issue of shares aggregates to INR50b.
- There is an offer for sale up to INR24.6b.

Exhibit 19: IPO proceeds to be utilized in the following manner:

Particulars	Amount (INR m)
Funding organic growth initiatives	25,000
Funding inorganic growth through acquisitions and other strategic initiatives	12,500
General corporate purposes [#]	[*]
Total*	[*]

Source: Company DRHP, MOFSL

*To be finalized upon determination of the offer price and updated in the prospectus prior to filing with the RoC.

#The amount utilized for general corporate purposes will not exceed 25% of net proceeds.

A. Funding of organic growth initiatives

It proposes to utilize INR25b out of the net proceeds towards funding organic growth initiatives.

- **Building scale in existing business lines and develops new adjacent business lines:**

- Offering customized and integrated supply chain solutions for the specific needs of clients in existing industries.
- Increase penetration into new industries like Healthcare, Distribution, and Agriculture.
- Investing in advertising, marketing, and branding initiatives on digital and offline platforms to enhance its brand identity.
- Launching new services and capabilities such as traditional non-Express PTL freight, domestic air freight, intra-city distribution, freight forwarding, and temperature-controlled Logistics.
- Selectively expands its presence in other international markets, through capital-efficient, partnership-driven models.

- **Expanding its network infrastructure:**

- Expands capacity at its 20 automated sorting centers, commissions new sorters at strategic locations, and invests in portable automation to enhance capacity at collection and return centers and intermediate processing centers.
- Transition of some cargo and two-wheeler fleet to electric vehicles.

- **Upgrading and improving its proprietary Logistics operating system:**

- Upgradation of the technology platform.
- Investing in machine learning and artificial intelligence capabilities, which aids in maximizing vehicle utilization, selecting appropriate delivery vehicles, predicting delays in real-time, etc.
- Addition of new technology development centers in India and Europe, Middle East, and Southeast Asia.

B. Funding inorganic growth through acquisitions and other strategic initiatives

It proposes to utilize INR12.5b out of the net proceeds towards funding inorganic growth via acquisitions and other strategic initiatives.

Delhivery has spent INR15.4b on acquisitions and strategic initiatives in the past five years (excluding the asset purchase from FedEx and TNT India Pvt.). It is continuously evaluating inorganic opportunities for investments, acquisitions, and partnerships that would fit well with its strategic business objectives.

Delhivery – Shareholder information

Exhibit 20: Funding rounds over the years

Period	Amount (USD m)	Investors
Apr'12	1.2	❖ Times Internet
Aug'13	5.4	❖ Times Internet and Nexus Venture Partners
Aug'14	34.6	❖ Multiples Alternate Asset Mgmt., Time Internet, and Nexus Venture
Apr'15	80.4	❖ Tiger Global, Times Internet, and Nexus Venture
Oct'16	7.3	❖ Times Internet, Multiples Private Equity Fund, Tiger Global, and Nexus Opportunity fund
Mar'17	134.6	❖ Carlyle Group, Tiger Global, and Fosun International
Dec'18	408.8	❖ SoftBank Vision Fund, Carlyle Group, and Fosun International
Aug'19	115.0	❖ CPP Investment Board
Dec'20	25.0	❖ Steadview Capital, Malabar Investment Managers, and Avendus Future Leaders
May'21	277.0	❖ Baillie Gifford, Fidelity Investments, GIC, and Chimera Investments
Jul'21	100.0	❖ Federal Express Corporation
Sep'21	76.4	❖ Lee Fixel Addition
Sep'21	125	❖ Lee Fixel Addition

Source: VCC Edge; Media Reports; Includes secondary stake sale

Exhibit 21: Shareholders holding 1% or more of the paid-up share capital

List of shareholders	Pre-offer equity shareholding (%)
SVF Doorbell (Cayman)	22.8
Nexus Ventures III	9.2
CA Swift Investments	7.4
Canada Pension Plan Investment Board	7.1
Internet Fund III	6.1
Times Internet	5.1
Suedasien Investmentfonds A	3.6
Alpine Opportunity Fund II	2.8
Gamnat	2.5
Alpha Wave Ventures	2.3
Mr. Sahil Barua	2.2
Mr. Mohit Tandon	1.9
Mr. Suraj Saharan	1.8
Chimera Investment	1.7
Nexus Opportunity Fund.	1.4
Steadview Capital Mauritius	1.3
Bennett, Coleman and Company Limited	1.2
Alpine Opportunity Fund V	1.2
Mr. Kapil Bharati	1.1
Deli CMF	1.1
Steadview Capital Opportunities	1.1
Total	84.77

Source: Company DRHP, MOFSL

Management overview

Mr. Sahil Barua – Managing Director and Chief Executive Officer

Mr. Sahil Barua holds a bachelor's degree in mechanical engineering from the National Institute of Technology Karnataka, Surathkal and a post-graduate diploma in management from the Indian Institute of Management Bangalore. He has previously been associated with Bain & Company India Pvt. as a consultant.

Mr. Ajith Pai Mangalore – Chief Operating Officer

Mr. Ajith Pai Mangalore holds a bachelor's degree in mechanical engineering from the National Institute of Technology Karnataka, Surathkal and a post-graduate diploma in management from the Indian Institute of Management Bangalore. He has been a part of Delhivery since CY14 and prior to that he was associated with the Lodha Group as Associate Vice President – Procurement.

Mr. Amit Agarwal – Chief Financial Officer

Mr. Amit Agarwal holds a bachelor's degree in technology from the Indian Institute of Technology, Kanpur. He has a wide exposure to various fields such as consulting, finance, mortgage, insurance, and equity research. He joined Delhivery in CY12 and prior to that he was associated with the Ace group.

Mr. Sandeep Kumar Barasia – Chief Business Officer

Mr. Sandeep Barasia holds a bachelor's degree in commerce from the Bond University and a master's degree in business administration from the London Business School, University of London. He was previously associated with Bain & Company India Pvt. as a Vice-President (Partner).

Mr. Kapil Bharati – Chief Technology Officer

Mr. Kapil Bharati holds a bachelor's degree in technology (mechanical engineering) from the Indian Institute of Technology, Delhi. He has previously served as founder and Chief Technology Officer at Athena Information Solutions Pvt. and as Senior Manager Technology at Sapient and Publicis Sapient.

Subsidiary details

Delhivery has 10 subsidiaries, of which eight/two are direct/indirect subsidiaries. The group has a 28.56% interest in Leucon Technology Pvt., an associate involved in the business of data processing.

Exhibit 22: Subsidiary details

Name of the entity	Type	Stake (%)
Delhivery Freight Services Pvt.	Subsidiary	100
Spoton Logistics Pvt.	Subsidiary	100
Spoton Supply Chain Solutions Pvt.	Subsidiary	100
Skynet Logistics Pvt. (DCBSPL)	Subsidiary	100
Delhivery USA	Subsidiary	100
Delhivery Corp.	Subsidiary	100
Delhivery HK.	Subsidiary	100
Delhivery Robotics	Subsidiary	100
Delhivery Singapore	Subsidiary	100
Orion Supply Chain Pvt.	Subsidiary	100
Leucon Technology Pvt.	Associate	29

Source: Company DRHP, MOFSL

Acquisition of Spoton

- Delhivery acquired 100% stake in Spoton Logistics with effect from 24th Aug'21 for INR15.1b.
- Spoton is engaged in Express PTL freight service in India.
- Its network infrastructure includes 38 gateways, 145 service centers, and 2.73m sq. ft. of space under management. It services 12,639 pin codes.
- It offers PTL freight services to 5,392 active customers across industry verticals.
- It delivered 0.8MT of freight in FY21.
- According to RedSeer, Delhivery became the third largest PTL freight player in India after the acquisition of Spoton, with a market share of ~8.3% of the organized market.

Association with FedEx

- Delhivery has entered into an asset purchase agreement with FedEx Express Transportation and Supply Chain Services (India) Pvt and TNT India Pvt in Jul'21 to acquire from FedEx certain assets, facilities, and customer contracts relating to FedEx's domestic Express Services business.
- The strategic alliance with FedEx is also targeted at expanding Delhivery's coverage in North America and European markets.
- Delhivery and FedEx have executed a share subscription agreement dated Jul'21, and a supplemental agreement dated Oct'21 pursuant to which FedEx has subscribed to 20.9m equity shares of Delhivery.
- FedEx Express has the right to appoint a non-executive, non-independent Director on the Board (which nominee shall initially be Donald F. Colleran, President and CEO of FedEx Express).

Financials and valuations

Consolidated Income Statement				(INR m)
Y/E March	FY19	FY20	FY21	1QFY22
Net Sales	16,539	27,806	36,465	13,177
Change (%)		68.1	31.1	
Raw Materials	12,507	21,896	27,883	10,238
Gross Margin (%)	24.4	21.3	23.5	22.3
EBITDA	-16,185	-1,720	-1,229	-714
Margin (%)	-97.9	-6.2	-3.4	-5.4
Depreciation	1,700	2,556	3,546	818
EBIT	-17,885	-4,276	-4,776	-1,531
Int. and Fin. Charges	358	492	886	227
Other Income	410	2,081	1,918	463
Profit before Taxes before EO items	-17,833	-2,688	-3,744	-1,296
Extraordinary Items	0	0	-413	0
Profit before Taxes	-17,833	-2,688	-4,157	-1,296
Tax	0	1	0	0
Effective Tax Rate (%)	0.0	0.0	0.0	0.0
Reported PAT	-17,833	-2,689	-4,157	-1,296
Adjusted PAT	-17,833	-2,689	-3,744	-1,296
Margin (%)	-107.8	-9.7	-10.3	-9.8

Consolidated Balance Sheet				(INR m)
Y/E March	FY19	FY20	FY21	1QFY22
Equity Share Capital	10	10	16	16
Preference Capital	392	392	354	410
Reserves	33,482	31,303	27,998	47,010
Net Worth	33,883	31,704	28,368	47,436
Total Loans	936	2,568	3,013	3,424
Deferred Tax Liabilities	-596	-1,049	-1,230	-912
Capital Employed	34,223	33,223	30,151	49,948
Gross Block	6,818	10,588	15,057	14,962
Less: Accum. Depn.	2,102	3,287	4,710	4,785
Net Fixed Assets	4,716	7,301	10,347	10,177
Goodwill on Consolidation	164	186	186	186
Capital WIP	9	267	768	369
Investments	11,551	11,877	11,282	29,903
Curr. Assets, Loans, and Adv.	23,589	22,891	22,163	24,274
Inventory	226	178	259	283
Account Receivables	2,147	6,013	5,946	6,950
Cash and Bank Balance	16,634	4,087	2,774	1,668
– Cash	16,626	1,200	2,759	1,668
– Bank balance	8	2,887	16	0
Loans and Advances	4,582	12,612	13,184	15,373
Curr. Liability and Prov.	5,806	9,299	14,595	14,961
Account Payables	1,682	3,049	4,798	5,481
Other Current Liabilities	3,947	5,980	9,457	9,115
Provisions	176	270	341	365
Net Current Assets	17,783	13,592	7,568	9,313
Appl. of Funds	34,223	33,223	30,151	49,948

Financials and valuations

Cash Flow Statement				(INR m)
Y/E March	FY19	FY20	FY21	1QFY22
OP/(Loss) before Tax	-17,833	-2,688	-4,157	-1,296
Depreciation	1,700	2,556	3,546	818
Interest and Finance Charges	15	-968	-374	-15
Direct Taxes Paid	-228	-452	-182	319
(Inc.)/Dec. in WC	-1,725	-5,295	-395	-2,479
CF from Operations	-18,071	-6,847	-1,563	-2,653
Others	15,644	508	1,610	956
CF from Operations incl. EO	-2,427	-6,339	48	-1,697
(Inc.)/Dec. in FA	-1,566	-2,136	-2,486	-511
Free Cash Flow	-3,993	-8,475	-2,438	-2,208
(Pur.)/Sale of Investments	-7,882	-8,107	5,149	-19,149
Others	54	917	720	846
CF from Investments	-9,394	-9,325	3,383	-18,814
Issue of Shares	28,901	15	191	19,928
Inc./(Dec.) in Debt	34	305	-770	-291
Interest Paid	-351	-487	-888	-217
Dividend Paid	0	0	0	0
Others	0	0	0	0
CF from Fin. Activity	28,584	-167	-1,467	19,420
Inc./Dec. in Cash	16,763	-15,831	1,964	-1,090
Add: Opening Balance	-137	16,626	795	2,759
Closing Balance	16,626	795	2,759	1,668

Ratios

Y/E March	FY19	FY20	FY21
Basic (INR)			
EPS	-34.7	-5.2	-7.2
Cash EPS	-31.4	-0.3	-0.4
BV/Share	65.9	61.5	54.5
DPS	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0

Return Ratios (%)

RoE		-8.2	-12.5
RoCE		-6.4	-8.7
RoIC		-38.5	-30.2

Working Capital Ratios

Fixed Asset Turnover (x)		3.2	2.8
Asset Turnover (x)	0.5	0.8	1.2
Inventory (Days)	5	2	3
Debtor (Days)	47	79	60
Creditor (Days)	37	40	48

Leverage Ratio

Net Debt/Equity (x)	-0.8	-0.4	-0.4
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