



Delhivery vs ShadowFax - This Goliath seems invincible!

The 3PL B2C market had gone through an upheaval in the last 12-18 months. Rising insourcing by one of the top marketplaces, Meesho, curtailed 3PL volumes and increased competition. To give you some perspective, insourcing ratio of Meesho has increased from 1.8% in FY23 to 64.5% in 1HFY26. Have a look at the table below.

Exhibit 1: Insourcing for Meesho has increased to 64.5% in 1HFY26

Particulars (in mn)	FY23	FY24	FY25	1HFY26
Orders shipped	867	1,146	1,588	1,078
Orders shipped via Valmo	16	224	764	695
Captive insourcing ratio	1.8%	19.5%	48.1%	64.5%

Source: Company, PL

Note: Valmo is the captive logistics arm of Meesho

In such a competitive environment, one of the prominent 3PL B2C player, ShadowFax, is expected to debut on Dalal Street soon. Hence, we thought of drawing parallels with the Goliath (Delhivery) of 3PL market. Will David (ShadowFax) be able to overcome Goliath like it happened in the classic biblical story? Read on to find out more as we draw comparisons on various aspects like scale, margins, network reach etc.

Who has a better network infrastructure & reach?

Apparently, both Delhivery and ShadowFax operate on a "mesh network". Mesh network consists of higher proportion of point-to-point connections with dynamic shipment routes determined by an automated algorithm. This enables faster turnaround time and better route flexibility allowing delivery with precision. Thus, in terms of technological prowess, prima facie, both seem to be at par. However, as can be seen below, when it comes to network breadth as reflected by pin-code reach, Delhivery has an edge over ShadowFax.

Exhibit 2: Delhivery has better pin- code reach than ShadowFax

Pin-code reach	FY23	FY24	FY25	1HFY26
Delhivery	18,540	18,793	18,833	18,830
ShadowFax	7,955	13,169	14,387	14,758

Source: Company, PL

B2C parcel business – Who has better scale & margins?

As can be seen in the tables below, Delhivery's B2C volumes are ~2x of ShadowFax as of 1HFY26. Realization per parcel is also at a 22% premium to ShadowFax during the same period. Realization is a function of a) weight, b) distance, c) mode of transportation and d) mode of payment (CoD results in higher charge as there is a maintenance cost attached to handling cash).

Exhibit 3: Brief KPIs & financials of B2C segment for Delhivery

Particulars	FY23	FY24	FY25	1HFY26
B2C volumes (In mn)	663	740	752	454
Realization per parcel (Rs)	68.7	68.6	70.7	66.4
B2C revenue (Rs mn)	45,520	50,770	53,180	30,140
Adjusted EBITDA margin*	2.6%	7.8%	6.8%	6.6%

Source: Company, PL

Note: *After eliminating attributable corporate overheads

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Exhibit 4: Brief KPIs & financials of B2C segment for ShadowFax

Particulars	FY23	FY24	FY25	1HFY26
B2C volumes (In mn)	210	302	342	228
Realization per parcel (Rs)	49.4	49.4	50.2	54.2
B2C Revenue (Rs mn)	10,354	14,946	17,161	12,387
Adjusted EBITDA margin	NA	NA	NA	NA

Source: Company, PL

Note: Segmental EBITDA margin is NA

Delhivery's realization could be higher than ShadowFax as the network might be handling volumetric parcels. While Shadowfax's realization per parcel witnessed a jump to Rs54.2 in 1HFY26 (average realization of Rs49.7 per parcel over the last 3 years) as it started handling higher volumetric parcels, the lost shipment ratio increased to 12.0% of express revenue due to rising handling inefficiencies. This indicates migrating to higher weights to increase blended realization requires a better mechanism to handle supply chain complexities.

Exhibit 5: Lost shipments ratio is higher for ShadowFax

Lost shipments as a % of express revenue	FY23	FY24	FY25	1HFY26
Delhivery	3.6%	2.0%	2.2%	2.0%
ShadowFax	6.5%	6.3%	8.2%	12.0%

Source: Company, PL

Even on the profitability aspect, Delhivery's express parcel EBITDA margin (after reducing attributable corporate overheads) is higher than ShadowFax. While ShadowFax does not report segmental EBITDA margin of B2C business, the blended adjusted EBITDA margin at company-wide level stood at -7.2%/1.0%/2.0%/2.9% in FY23/FY24/FY25/1HFY26 implying Delhivery has of an edge on this aspect. Overall, Delhivery has better scale, superior margins (our educated guess) and higher yields as compared to ShadowFax.

Who has higher client concentration risk?

Client concentration is the biggest risk for 3PL players in B2C express market as volumes are getting curtailed due to rising insourcing by Meesho. We have seen how high exposure to a single client led to the downfall of E-com Express. As can be seen in the table below, the client concentration risk is significantly higher for ShadowFax.

Exhibit 6: Client concentration risk is high in ShadowFax

Revenue share of largest client	FY23	FY24	FY25	1HFY26
Delhivery	16.9%	16.4%	16.5%	NA
ShadowFax	59.5%	59.2%	48.0%	48.9%

Source: Company, PL

Who has better business diversification?

Given stiff competition in the 3PL market, business diversification assumes prime importance. As can be seen in the table below, express parcel business formed 62%/69% of the topline for Delhivery/ShadowFax respectively in 1HFY26.

Exhibit 7: Express business formed 62% of the topline for Delhivery in 1HFY26

Segmental revenue contribution	FY23	FY24	FY25	1HFY26
Express revenue	63%	62%	60%	62%
PTL revenue	16%	19%	21%	22%
FTL revenue	6%	7%	7%	6%
SCM revenue	11%	10%	10%	8%
Cross border revenue	4%	2%	2%	1%

Source: Company, PL

Exhibit 8: Express business formed 69% of the topline for ShadowFax in 1HFY26

Segmental revenue contribution	FY23	FY24	FY25	1HFY26
Express revenue	73%	79%	69%	69%
Hyperlocal revenue	18%	13%	21%	20%
Logistics services revenue	9%	7%	10%	11%

Source: Company, PL

As can be seen in the above tables, Delhivery's business is fairly diversified across B2C and B2B segments while ShadowFax is predominantly a B2C play. Delhivery has also entered 2 new services – Rapid Commerce and Delhivery Direct and has small exposure to international markets. Nonetheless, ShadowFax has a decent exposure to hyperlocal business that is expanding at a rapid pace. While most quick commerce players have their own captive arms for delivery, and the current outsourcing ratio is ~13-15%, the opportunity to expand is considerable as the industry is in nascent stage.

Which company should trade at a premium?

Delhivery has better network reach, superior financials, lower client concentration risk, and diversified business portfolio when compared to ShadowFax. Hence, we believe it should trade at a premium to ShadowFax. Delhivery trades at 36x/25x our FY27E/FY28E pre-IND AS EBITDA estimate. Even if ShadowFax's growth potential is better than Delhivery, we believe it should trade at a discount to the market leader given high client concentration risk. Building a market leadership position in 3PL business with a single client concentration risk of ~16% indicates a long tail of D2C clients. We believe achieving this kind of position will be a tall task for any other player as early mover advantage will be missing. Further, as Delhivery's network expands, operating leverage will improve and some of these benefits can be passed on to the clients if competitive pressure arises. We maintain ACCUMULATE on Delhivery with a TP of Rs489 (38x Sep-27E EBITDA).

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Apeejay Surrendra Park Hotels	BUY	240	131
2	Chalet Hotels	BUY	1,183	874
3	Delhivery	Accumulate	489	422
4	DOMS Industries	BUY	3,085	2,606
5	Imagicaaworld Entertainment	BUY	73	49
6	Indian Railway Catering and Tourism Corporation	BUY	840	656
7	InterGlobe Aviation	Hold	5,233	4,907
8	Lemon Tree Hotels	BUY	185	149
9	Mahindra Logistics	BUY	386	317
10	Navneet Education	Reduce	119	156
11	Nazara Technologies	Hold	253	279
12	PVR Inox	BUY	1,261	1,043
13	S Chand and Company	BUY	291	185
14	Safari Industries (India)	BUY	2,570	2,119
15	Samhi Hotels	BUY	305	201
16	TCI Express	BUY	705	569
17	V.I.P. Industries	Hold	380	387
18	Zee Entertainment Enterprises	BUY	158	92

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Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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