SoftBank set to dispatch $450 million to Delhivery

Investment likely to catapult delivery firm into unicorn club, make SoftBank single-largest investor as founders seek to pare holdings substantially.

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NEW DELHI & MUMBAI: SoftBank Group Corp, the world's largest technology investor, is in the final stages of sealing a $450 million investment in Delhivery, India's largest ecommerce-centric logistics company by revenue. The transaction is likely to value the Gurgaon-based company at over $1 billion, catapulting it into the unicorn club.

Through its Vision Fund, SoftBank is set to invest an estimated $350 million (about Rs 2,500 crore) in fresh capital into the company, according to multiple sources aware of the development. Additionally, the Tokyo-headquartered strategic holding investor is expected to undertake secondary transactions, estimated at $100 million, to further bump up its stake in the company.

Delhivery's investors include bulge-bracket investor Carlyle Group, China's Fosun International, New York-based investment firm Tiger Global, Nexus Venture Partners and Times Internet, the digital arm of the Times of India Group that publishes The Economic Times.

As part of secondary exits, the company's founders are likely to pare holdings substantially.

Announcement likely next month

SoftBank will emerge as the single largest shareholder with a 32% stake while Carlyle will control 11%. When contacted by ET, a SoftBank spokesperson said that the Japanese investor does not comment on speculation.

Delhivery's chief executive Sahil Barua and managing director Sandeep Barasia did not respond to ET's queries till press time. A formal announcement is expected next month.

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The upcoming deal will see Delhivery founders cash out and getting new stock options at a strike price equal to 15% of the price per share in the latest round, said the people cited above. SoftBank's interest in backing Delhivery was first reported by ET on October 4.

The development comes after it was reported that the logistics firm had decided to push back plans for an anticipated $350 million initial public offering, an issue it had been working on for more than 18 months.

Delhivery has raised an estimated

$260 million in previous rounds. At the last one in March last year, which saw the entry of the Carlyle Group, Delhivery was valued at about $800 million.

In the financial year ended March 2017, Delhivery's losses narrowed to Rs 249 crore from Rs 371 crore a year earlier, while revenue rose to Rs 751 crore from Rs 523 crore, according to regulatory filings with the ministry of corporate affairs.

Even though the sector is seeing significant growth, the captive logistics units of the two biggest ecommerce platforms — Flipkart's Ekart and Amazon's ATS — control 50% of the market and are investing heavily to scale up further.

On top of that, the share of third-party logistics in ecommerce has been declining from 55% in 2015 to 45% in 2017, according to consulting company Redseer. Players like Delhivery therefore have been trying to expand services that cater to bigger and more lucrative enterprise or business to business (B2B) logistics. To be sure, ecommerce shipments still account for 75% of Delhivery's revenue and have grown 40% in the past year from 6.5 million to 12 million a month.

Like PolicyBazaar, a SoftBank portfolio company that had been contemplating an IPO, a fund infusion from the investor will allow Delhivery to stay private longer.

SoftBank prefers such a strategy, given its ability to write outsized cheques and back its portfolio companies over the long term, beyond the investment cycles of most private equity firms.

The development also comes at a time when the Japanese investor is said to be negotiating a potential investment of $200 million in baby and mother care portal FirstCry as it scouts for fresh deals in India, buoyed by hefty returns on its investment in online retailer Flipkart, recently acquired by Walmart in a $16-billion deal.

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