

## Shadowfax Technologies Ltd. - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
20 January 2026	22 January 2026	₹118 to ₹124	<b>AVOID</b>

### Investment Summary

Shadowfax Technologies presents a compelling investment case as a rapidly expanding, technology-first logistics provider that powers India's digital commerce infrastructure through a scalable asset-light model covering over 14,700 pin codes. A primary driver for this outlook is the company's unique ability to deliver agile and customizable logistics solutions, distinguishing it as the only player of scale to offer both inter-city express parcel movement and time-sensitive hyperlocal services like quick commerce. This versatility enables enterprise clients, ranging from major e-commerce marketplaces to D2C brands, to accelerate their go-to-market strategies using specialized capabilities such as reverse logistics and same-day fulfillment. By leveraging this flexible service suite alongside a vast crowdsourced fleet, Shadowfax has demonstrated consistent market share gains and improved adjusted EBITDA margins, positioning itself for sustainable long-term growth.

### Company Overview

Shadowfax Technologies Ltd, incorporated in June 2016, is a new-age, technology-led third-party logistics (3PL) company that facilitates digital commerce across India through a unique asset-light model. It provides services such as e-commerce and D2C deliveries, quick commerce, same-day delivery, and personal courier services through its Flash app. The company operates a nationwide network covering over 14,700 pin codes with more than 4,000 logistics touchpoints and 53 sort centers. Shadowfax follows an asset-light model, leasing facilities and transport while owning key automation and machinery. It works with major clients like Meesho, Flipkart, Swiggy, Zomato, Blinkit, and Nykaa. The company also operates a dedicated fleet of over 3,000 trucks daily as part of its asset-light linehaul network. As of September 2025, the company was supported by over 200,000 active delivery partners and a large workforce of permanent and contract employees.

### Business Model

Shadowfax generates revenue primarily through a fee-per-order model across three distinct service lines: Express, Hyperlocal, and Other Logistics Services. The Express segment handles forward parcel delivery and complex reverse logistics like returns and exchanges for e-commerce platforms, while the Hyperlocal segment caters to time-sensitive needs such as quick commerce and food delivery. Pricing is dynamic, varying based on shipment weight, distance, delivery speed, and operational complexity, which ensures a flexible structure that aligns costs with the specific service level required by diverse enterprise clients.

The company utilizes a unified, nationwide infrastructure comprising of first-mile pickup centers, middle-mile sorting hubs, and last-mile delivery points to facilitate movement. This network operates on a hybrid mesh design that connects various nodes like cross-docks and anchor districts to optimize routing and speed for faster throughput. To maintain capital efficiency, Shadowfax employs an asset-light approach where logistics facilities and linehaul trucks are leased rather than owned. This structure allows the business to scale operations rapidly during peak demand periods without the burden of heavy capital expenditure on fixed assets.

A core component of the business model is the extensive use of a crowdsourced, gig-based delivery fleet that is interoperable across all service lines. Proprietary technology, such as the Frodo app and an AI-driven allocation engine, dynamically matches supply with demand in real-time based on rider skill and location. This system enables riders to switch between delivering food, quick commerce items, or e-commerce parcels, ensuring consistent fleet utilization throughout the day. Additionally, a franchisee network supports last-mile reach in low-density areas, keeping fixed overheads low while expanding geographic coverage.

## Industry Outlook

India's logistics sector is expanding rapidly, supported by a transition to a consumption-led economy and a retail market projected to grow at 8-10% annually through FY 2030. This momentum is primarily driven by the surge in digital commerce, particularly the quick commerce segment, which is expected to grow at 50-62% CAGR, necessitating efficient hyperlocal and express delivery networks. Strategic government initiatives like Gati Shakti and the National Logistics Policy are optimizing infrastructure, while the gig workforce is anticipated to reach approximately 24 million by FY 2030, enhancing operational scalability. Furthermore, the industry is witnessing a structural shift where enterprises and captive units are increasingly outsourcing to third-party logistics providers to leverage their extensive geographic reach and specialized supply chain capabilities.

## Investment Rationale

### 1. Agile and customizable logistics services that enable faster go-to-market for clients

Shadowfax is the only third-party logistics (3PL) provider of scale in India offering both end-to-end e-commerce delivery and hyperlocal services like quick commerce and food delivery. This versatility allows them to serve a diverse range of clients, from e-commerce giants like Flipkart and Meesho to quick commerce platforms like Zepto and Blinkit. Their comprehensive service suite includes specialized options such as reverse pickup logistics, hand-in-hand exchanges, and same-day "Prime" deliveries, which help clients launch faster and manage complex logistics requirements efficiently.

### 2. Largest last-mile gig-based delivery partner infrastructure

The company operates India's largest crowdsourced gig-based delivery fleet among 3PL e-commerce players, providing significant scalability and cost advantages. This fleet is interoperable, meaning the same delivery partners can switch between delivering food, grocery, or e-commerce parcels based on real-time demand, ensuring high utilization rates throughout the day. Managed through their proprietary 'Frodo' app, this model allows Shadowfax to maintain a variable cost structure while ensuring service reliability across more than 2,300 cities.

### 3. Extensive nationwide network

Shadowfax has built a vast logistical footprint covering 14,758 pin codes through a network of over 4,299 touchpoints, comprising first-mile, middle-mile, and last-mile centers. Their infrastructure operates on a flexible, asset-light model where facilities and vehicles are leased, allowing for rapid expansion and adaptation to volume changes. This network is supported by automated sort centers and a hybrid mesh transportation system that optimizes routing and connectivity, ensuring speed and reliability across the country.

### 4. Proprietary technology capabilities

A core competitive advantage is their in-house, modular technology stack designed to handle complex logistics scenarios on a scale. Key innovations include an AI-driven allocation engine that dynamically matches demand with supply in real-time, and 'SF Maps' for precise address intelligence. Additionally, they employ 'SF Shield,' an advanced fraud detection system that uses AI and video surveillance to ensure shipment security and transparency at every stage of the supply chain.

### 5. Proven business model, with focus on profitability, while delivering healthy growth

The company has demonstrated a strong track record of balancing rapid revenue growth with capital efficiency and profitability. They have consistently expanded their Adjusted EBITDA margins while maintaining the highest capital turnover ratio among their 3PL peers in India as of March 2025. This financial health is driven by their asset-light structure and disciplined approach to operations, allowing them to generate significant revenue relative to the capital invested.

### 6. Experienced management team supported by entrepreneurial founders

Shadowfax is led by its founders, Abhishek Bansal and Vaibhav Khandelwal, who are supported by a seasoned management team with deep functional expertise in finance, technology, and operations. This leadership structure combines entrepreneurial vision with professional execution capabilities, which has been pivotal in scaling the business. Their strong focus on organizational culture and governance has also earned them recognition as a 'Great Place to Work'



## Key Risks

### 1. History of Net Losses and Negative Cash Flows

The company has a history of incurring financial losses, reporting net losses of ₹118.82 million in Fiscal Year 2024 and ₹1,426.38 million in Fiscal Year 2023. Additionally, it has experienced negative cash flows from operating, investing, and financing activities in certain periods. As the company plans to continue investing heavily in network expansion, technology, and new service lines, there is a risk that expenses will increase, potentially preventing the company from maintaining profitability or generating positive cash flow in the future.

### 2. High Revenue Concentration from Key Clients

Shadowfax is highly dependent on a small number of large commercial relationships for the majority of its business. For instance, its single largest client contributed approximately 48-60% of its revenue from operations across the last three fiscal years and the recent six-month period. If the company were to lose any of these key clients, or if these clients were to significantly reduce their business volumes or bargain for less favorable terms, it would severely impact the company's revenue and overall financial health,

### 3. Dependence on Network Infrastructure and Facilities

The business operations rely heavily on a unified nationwide network comprising over 4,299 touchpoints, including first-mile and last-mile centers, sort centers, and leased facilities. Any disruption to this infrastructure—caused by factors such as equipment failure, power outages, strikes, political unrest, or natural disasters—could halt shipment pickups and deliveries. Such disruptions would lead to operational inefficiencies, delays, and increased costs, ultimately harming the company's reputation and financial condition.

### 4. Reliance on a Non-Exclusive Gig Workforce

The company's delivery model depends on a large, crowd-sourced network of over 200,000 monthly active delivery partners who work on a gig basis without exclusive contracts. Because these partners are free to switch to competitor platforms or stop working at any time, the company faces the risk of supply shortages, especially during peak demand. An inability to attract or retain enough delivery partners, or a need to pay higher incentives to keep them, could disrupt business operations and erode margins.

### 5. Outstanding Criminal and Civil Litigation

The company, its directors, promoters, and subsidiaries are involved in various legal proceedings, including criminal and civil litigations. As of the date of the Red Herring Prospectus, there are outstanding criminal proceedings against the company, its directors, and promoters, as well as numerous cases filed by the company. An adverse outcome in any of these proceedings could result in significant liabilities, penalties, or restrictions on business operations, which would negatively affect the company's reputation and financial results.

## Peer Comparison and Competitive Landscape

Shadowfax competes primarily with listed logistics majors like **Blue Dart Express** and **Delhivery**. While its FY25 revenue of ₹2,485 Cr is lower than Blue Dart (₹5,762 Cr) and Delhivery (₹9,372 Cr), the company distinguishes itself as the fastest-growing third-party logistics provider of scale in India. Financially, Shadowfax reported an Adjusted EBITDA margin of 1.96%, which is comparable to Delhivery's 1.65%. A key differentiator is its asset-light model, which enables it to achieve a capital turnover ratio of **3.96x**, the highest among its listed peers, indicating superior efficiency in generating revenue relative to the capital employed.

## Financial Snapshot

Metric	In (Cr)		
	FY23	FY24	FY25
Revenue (₹ Cr)	1415	1884	2485
EBITDA (₹ Cr)	(113)	11.37	56
Net Profit (₹ Cr)	(142)	(11.88)	6.06
EBITDA Margin (%)	-7.98%	0.6%	2.25%
PAT Margin (%)	-10%	-0.63%	0.24%
EPS (Basic) (₹)	(3.38)	(0.28)	0.13

## IPO Details and Use of Proceeds

Parameter	Details
Issuer	Shadowfax Technologies Ltd.
IPO Structure	Fresh Capital-cum-Offer for Sale
Issue Size	15,38,12,096 shares (aggregating up to ₹1,907 Cr) Fresh Issue 8,06,45,161 shares (aggregating up to ₹1,000 Cr) Offer for Sale - 7,31,66,935 shares of ₹10 (aggregating up to ₹907 Cr)
Price Band	₹118 to ₹124 per share
Face Value	₹10 per share
Post-Issue Market Cap	₹7,168.85 Cr. (Upper Band)
IPO Opening Date	January 20, 2026
IPO Closing Date	January 22, 2026
Listing	BSE & NSE
Promoter Holding (Pre/Post)	19.3%/16.71%
Book Running Lead Manager(s)	ICICI Securities Ltd. Morgan Stanley India Co.Pvt.Ltd JM Financial Ltd.
Use of Proceeds	<ul style="list-style-type: none"> <li>Rs. 423 Cr - Funding of capital expenditure requirements of the Company in relation to the network infrastructure</li> <li>Rs. 139 Cr.- Funding of lease payments for new first mile centers, last mile centers and sort centers</li> <li>Rs. 89 Cr. - Funding of branding, marketing and communication costs</li> <li>Unidentified inorganic acquisitions and general corporate purposes</li> </ul>



## Valuation and Recommendation

At an **upper price band of ₹124**, the company trades at a **Market Cap to Sales ratio of 2.9x**, implying a **post-issue market cap of ₹7,168 Cr** based on FY25 revenue of ₹2485 Cr. While Shadowfax is the fastest-growing 3PL of scale with a unique asset-light model, the valuation appears justified relative to listed peers like Blue Dart and Delhivery. Despite achieving profitability in FY25, margins remain thin at 0.24% (PAT), and the business carries high risk due to outstanding criminal and civil litigation on its directors, promoters and subsidiaries. Its significant revenue concentration, with the largest client contributing ~48% of revenue, also poses a risk. Given these factors, we assign a **AVOID** rating.

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