

## Margins continue to remain under pressure

Blue Dart's management continued to describe the business environment as volatile and challenging. The company continues to invest in building long term capabilities. This has negatively impacted profitability in the short-term. Revenues grew 7% YoY, buoyed by stable growth in the B2B segment, compared to the B2C segment, which remained challenging. Reported EBITDA margins contracted 41 bps YoY to 5.7% (I-direct estimate: 5.5%) with absolute EBITDA remaining flat YoY to ₹ 45 crore (I-direct estimate: ₹ 44 crore). However, adjusting for the Ind-AS 116 leases effect, EBITDA margins were at 4.4% (decline of ~170 bps YoY). Subsequently, reported PAT de-grew 80% to ₹ 5 crore (I-direct estimate of ₹ 22 crore) mainly due to adjustments related to Ind-AS 116 leases accounting (higher depreciation and interest rates). Adjusted PAT (₹ 20 crore), on the other hand, came broadly in line with the I-direct estimates, in spite of the below expected operational performance, aided by lower tax rate (10% vs. estimated 35%).

## Focus on network expansion, tapping growing industries

Amid a challenging economic and competitive scenario, Blue Dart is focusing on expanding its reach, improving transit times and targeting higher revenue from small towns and SME segment. It has already reached ~18000 pin codes and expects to reach ~19200 pin codes across India in a few months. The widespread infrastructure, push towards automation and building a strong IT network will enable the company to have a competitive advantage over existing domestic players and new entrants.

## B2B market share stable; eyeing growth in ground express

B2B: B2C and air: surface split for Blue Dart remained at ~78:22 and 76:24, respectively. Blue Dart continues to be the market leader in the organised B2B and air segment (~47% market share). With an improvement in the road infrastructure, regulations benefitting organised players (GST, E-way bill, etc) and booming growth in e-commerce (30-50% logistics outsourced), the management is focusing on growth opportunities in surface logistics, which is growing at a faster pace vs. the air express segment.

## Valuation and Outlook

Blue Dart has been in investment mode over the last few quarters with enhanced spending on increasing its network reach. The management is of the view that it takes 12-18 months for incremental assets to start delivering in a positive manner for the company and ultimately lead to a rise in blended margins (we expect margins to rise in FY21). However, due to higher competition in the B2C segment and continued capex, we maintain our **HOLD** recommendation, valuing the stock at 40x FY21 earnings with a target price of ₹ 2500.



### Particulars

Particular	Amount
Market Capitalization (₹ crore)	5,576
Total Debt (FY19) (₹ Crore)	425.0
Cash (FY19) (₹ Crore)	268.7
EV (₹ Crore)	5,732.4
52 week H/L	3744\2180
Equity Capital (₹ Crore)	23.7
Face Value (₹)	10.0

### Key Highlights

- Business environment remained challenging in Q1FY20
- B2B:B2C and air: surface split for company at 78:22 and 76:24, respectively
- BlueDart has undertaken an investment programme for two to three years that will make it ready for the next leg of growth
- Maintain HOLD

### Research Analyst

Bharat Chhoda  
bharat.chhoda@icicisecurities.com

Harshal Mehta  
harshal.mehta@icicisecurities.com

### Key Financial Summary

₹ crore	FY17	FY18	FY19	FY20E	FY21E	CAGR (%)
Net Sales	2689.5	2799.2	3174.4	3567.4	4082.8	11.0
EBITDA	341.7	351.3	285.5	278.3	379.7	2.7
EBITDA margins (%)	12.7	12.5	9.0	7.8	9.3	
PAT	137.0	144.7	89.8	83.2	148.5	2.0
P/E (x)	39.9	38.6	62.2	67.1	37.6	
P/B (x)	13.0	10.5	9.7	9.1	8.3	
RoCE (%)	32.2	29.3	17.0	15.8	24.5	
RoE (%)	32.6	27.2	15.5	13.6	22.2	

**Exhibit 1: Variance Analysis**

	Q1FY20	Q1FY20E	Q1FY19	YoY (%)	Q4FY18	QoQ (%)	Comments
Revenue	786.6	798.7	732.8	7.3	716.8	9.7	YoY growth mere 7% due to general slowdown in economy during quarter
Freight Handling & Service cost	530.1	535.1	485.5	9.2	465.9	13.8	
Employee Expenses	146.4	139.8	131.7	11.2	114.8	27.5	Higher employee expenses indicating continued higher investments in expanding reach of company
Administrative & Oth Expenses	65.5	79.9	71.1	-7.8	79.3	-17.4	
Total Expense	742.0	754.8	688.2	7.8	660.0	12.4	
EBITDA	44.6	43.9	44.5	0.0	56.8	-21.5	
EBITDA Margin (%)	5.7	5.5	6.1	-41 bps	7.9	-225 bps	Margins look strong mainly due to Ind-AS116 lease adjustments, unadjusted margins at ~4.4%
Depreciation	33.8	12.2	11.2	200.3	11.1	205.2	
Interest	8.3	3.0	3.9	111.8	3.9	114.0	
Other Income	4.3	4.6	4.5	-4.4	5.3	-17.6	
Exceptional Gain/Loss	0.0	0.0	0.0	-	0.0	-	
PBT	6.9	33.2	33.9	-79.8	47.1	-85.4	
Total Tax	2.3	11.6	11.9	-80.8	13.0	-82.5	
PAT	4.6	21.6	22.1	-79.2	34.1	-86.6	PAT out of sync with EBITDA due to higher depreciation and interest expense related to Ind-AS 116 accounting for adjustments

Source: ICICI Direct Research

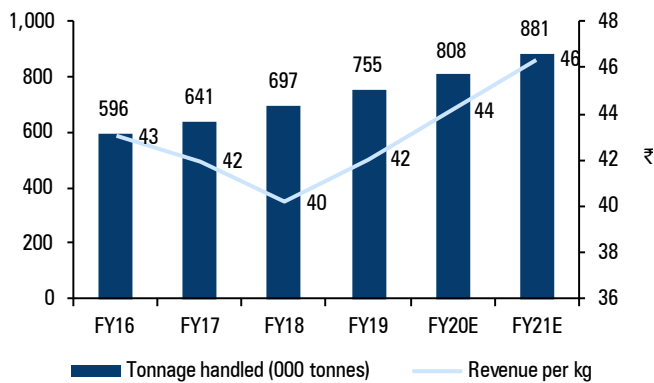
**Exhibit 2: Key Metrics**

(₹ Crore)	FY20E					FY21E			Comments
	FY18	FY19	Old	New	% Change	Old	New	% Change	
Revenue	2,799.2	3,174.4	3,564.0	3,567.4	0.1	4,134.1	4,082.8	-1.2	
EBITDA	351.3	285.5	345.7	278.3	-19.5	446.5	379.7	-15.0	
EBITDA Margin (%)	12.5	9.0	9.7	7.8	-190 bps	10.8	9.3	-150 bps	Higher growth in surface transport and continued investments expected to impact margins
PAT	144.7	89.8	140.7	83.2	-40.9	206.9	148.5	-28.2	
EPS (₹)	60.9	37.8	59.2	35.0	-40.9	87.1	62.5	-28.3	

Source: Company, ICICI Direct Research

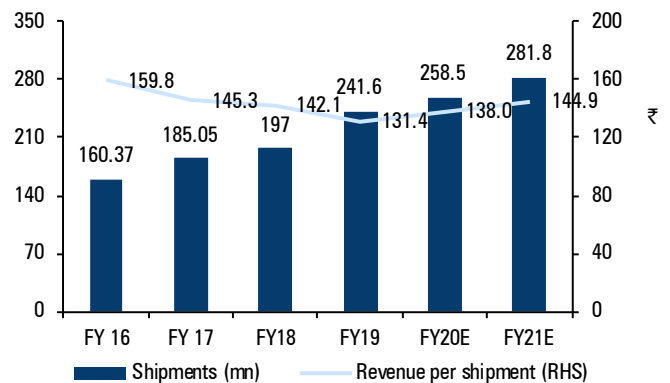
## Key Metrics

Exhibit 3: Tonnage likely to grow at 8% CAGR (FY19-21E)



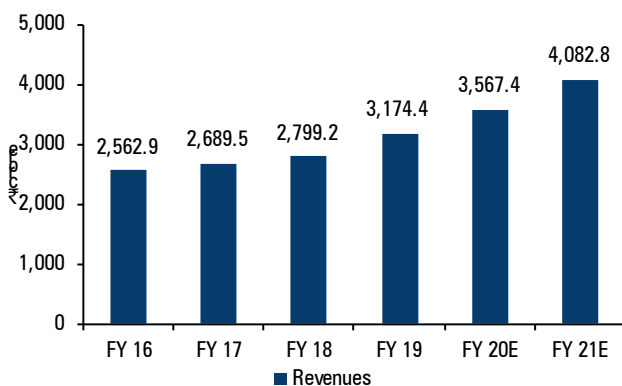
Source: ICICI Direct Research, Company

Exhibit 4: Shipments to grow at 8% CAGR in FY19-21E



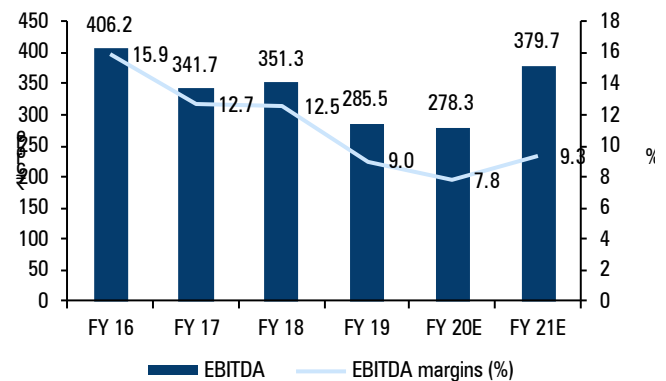
Source: ICICI Direct Research, Company

Exhibit 5: Revenues to grow at CAGR of 13% over FY19-21E



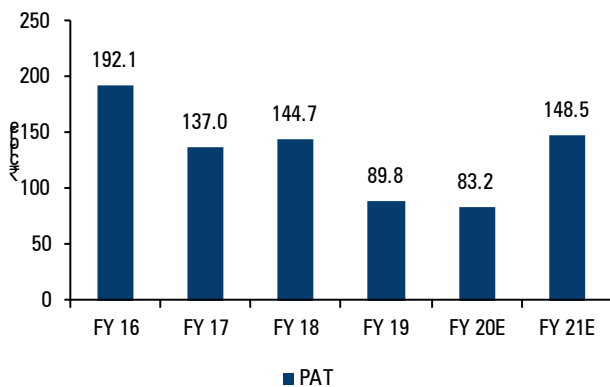
Source: ICICI Direct Research, Company

Exhibit 6: EBITDA to grow at CAGR of 15% over FY19-21E



Source: ICICI Direct Research, Company

Exhibit 7: PAT to grow at CAGR of 29% over FY19-21E



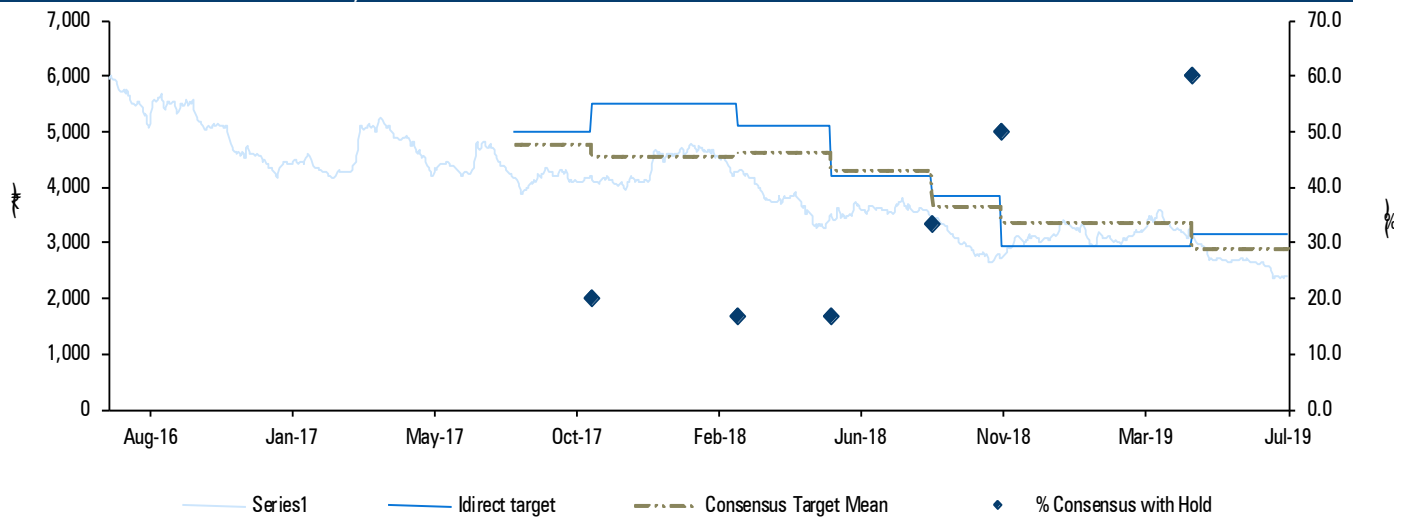
Source: Company, ICICI Direct Research

Exhibit 8: Valuation ratios

	Sales (₹ cr)	Sales Growth (%)	EPS (₹)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	2689.5	4.9	58.9	-29.0	39.9	16.5	32.6	32.2
FY18	2799.2	4.1	60.9	3.5	38.6	16.1	27.2	29.3
FY19	3174.4	13.4	37.8	-38.0	62.2	20.1	15.5	17.0
FY20E	3567.4	12.4	35.0	-7.3	67.1	20.6	13.6	15.8
FY21E	4082.8	14.4	62.5	78.5	37.6	14.9	22.2	24.5

Source: Company, ICICI Direct Research

Exhibit 9: Recommendation history vs. Consensus



Source: ICICI Direct Research, Reuters

Exhibit 10: Shareholders

Rank	Name	Latest Filing Date	% O/S Position (m)	Change (m)
1	DHL Express Singapore Pte. Ltd.	30-Jun-19	75.0	17.8
2	ICICI Prudential Life Insurance Company	30-Jun-19	3.8	0.9
3	Bright Star Investments Pvt. Ltd.	30-Jun-19	3.4	0.8
4	Life Insurance Corporation of India	30-Jun-19	2.6	0.6
5	Matthews International Capital Manage	31-Mar-19	2.1	0.5
6	Damani Estates & Finance Pvt. Ltd.	30-Jun-19	1.3	0.3
7	The Vanguard Group, Inc.	30-Jun-19	0.9	0.2
8	First State Investments (Singapore)	30-Sep-18	0.6	0.1
9	BlackRock Institutional Trust Company,	30-Jun-19	0.5	0.1
10	L&T Investment Management Limited	30-Jun-19	0.4	0.1

Source: ICICI Direct Research, Reuters, Company

Exhibit 11: Shareholding Pattern

(in %)	Sep-18	Dec-18	Mar-19	Jun-19
Promoter	75.0	75.0	75.0	75.0
FII	5.6	4.5	4.5	4.5
DII	3.9	3.1	2.3	2.1
Others	15.5	17.5	18.2	18.4

Source: ICICI Direct Research, Reuters, Company

Exhibit 12: Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
ICICI Prudential Life Insurance Company Ltd.	1.38	0.04	Morgan Stanley Investment Management (Indi	-3.88	-0.08
Life Insurance Corporation of India	0.01	0.00	HDFC Asset Management Co., Ltd.	-1.43	-0.03
Reliance Nippon Life Asset Management Limited	0.00	0.00	SBI Funds Management Pvt. Ltd.	-0.76	-0.02
Vanguard Investments Australia Ltd.	0.00	0.00	Mahindra Asset Management Company Pvt. L	-0.29	-0.01

Source: ICICI Direct Research, Reuters

## Financial Summary

**Exhibit 13: Profit & Loss Statement** ₹ crore

(Year-end March)	FY18	FY19	FY20E	FY21E
Total operating Income	2,799.2	3,174.4	3,567.4	4,082.8
Growth (%)	4.1	13.4	12.4	14.4
Operating and handling cost	1,086.8	1,321.0	1,498.3	1,714.8
Other Aircraft Expenses	156.7	155.0	214.0	245.0
Fuel Charges	194.4	238.5	285.4	326.6
Other Operating Expenses	41.0	51.7	71.3	81.7
Employee Cost	584.5	698.4	731.3	775.7
Other Expenses	384.6	424.4	488.7	559.3
Total Expenditure	2,448.0	2,889.0	3,289.2	3,703.1
EBITDA	351.3	285.5	278.3	379.7
Growth (%)	0.0	-0.2	0.0	0.4
Depreciation	114.5	127.9	139.8	152.3
Interest	40.5	42.7	37.5	32.4
Other Income	20.7	19.2	23.2	26.5
PBT	217.0	134.1	124.1	221.6
Tax	72.3	44.4	41.0	73.1
Adjusted PAT	144.7	89.8	83.2	148.5
Growth (%)	3.5	-38.0	-7.3	78.5
EPS	60.9	37.8	35.0	62.5

Source: ICICI Direct Research; Excludes IND-AS116 effects due to lack of information

**Exhibit 14: Cash flow Statement** ₹ crore

(Year-end March)	FY18	FY19	FY20E	FY21E
Profit after Tax	144.7	89.8	83.2	148.5
Add: Depreciation	114.5	127.9	139.8	152.3
Add: Interest	40.5	42.7	37.5	32.4
Increase in Current Liabilities	100.5	171.5	-37.7	62.2
Increase in Current Assets	-30.6	-83.3	-2.5	-76.4
Others	-52.9	-105.2	0.0	0.0
CF from operating activities	316.7	243.3	220.3	318.9
(Inc)/dec in Investments	0.4	-1.1	-10.0	-10.0
(Inc)/dec in Fixed Assets	-199.5	-287.4	-110.0	-110.0
Others	-36.6	6.0	0.0	0.0
CF from investing activities	-235.7	-282.5	-120.0	-120.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-68.6	90.1	-60.0	-60.0
Less: Interest	-40.5	-42.7	-37.5	-32.4
Others	-8.3	31.8	-50.1	-89.5
CF from financing activities	-117.4	79.2	-147.7	-181.9
Net Cash flow	-36.4	40.0	-47.4	17.1
Opening Cash	265.0	228.7	268.7	221.3
Closing Cash	228.7	268.7	221.3	238.4

Source: ICICI Direct Research; Excludes IND-AS116 effects due to lack of information

**Exhibit 15: Balance Sheet** ₹ crore

(Year-end March)	FY18	FY19	FY20E	FY21E
<b>Liabilities</b>				
Equity Capital	23.8	23.8	23.8	23.8
Reserve and Surplus	508.1	554.0	587.0	646.0
Total Shareholders funds	531.8	577.7	610.8	669.7
Total Debt	406.1	496.2	436.2	376.2
Long term Provisions	4.4	3.6	3.6	3.6
Other Long term liabilities	16.3	18.3	18.3	18.3
Deferred Tax Liability	0.00	0.00	0.00	0.00
Total Liabilities	958.6	1,095.8	1,068.8	1,067.8
<b>Assets</b>				
Gross Block	793.3	1,018.4	1,118.4	1,218.4
Less: Acc Depreciation	275.0	364.0	503.8	656.1
Net Block	518.3	654.4	614.6	562.3
Capital WIP	99.2	90.7	100.7	110.7
Total Fixed Assets	617.5	745.0	715.2	672.9
Non-current Investments	55.8	56.9	66.9	76.9
Other Non-current assets	69.2	109.6	109.6	109.6
Deferred Tax Asset	20.3	36.6	36.6	36.6
Inventory	21.3	26.0	29.3	33.6
Debtors	422.3	491.0	488.7	559.3
Loans and Advances	1.0	0.9	0.9	1.0
Other Current Assets	66.6	76.5	78.0	79.6
Cash	228.7	268.7	221.3	238.4
Current investments	0.0	0.0	0.0	0.0
Total Current Assets	739.8	863.2	818.3	911.8
Creditors	368.4	434.3	391.0	447.4
Other liab & Provisions	175.6	281.2	286.8	292.6
Total Current Liabilities	544.0	715.5	677.8	740.0
Net Current Assets	195.8	147.7	140.5	171.8
Application of Funds	958.6	1,095.8	1,068.8	1,067.8

Source: ICICI Direct Research; Excludes IND-AS116 effects due to lack of information

**Exhibit 16: Key Ratios**

(Year-end March)	FY18	FY19	FY20E	FY21E
<b>Per share data (₹)</b>				
EPS	60.9	37.8	35.0	62.5
Cash EPS	109.1	91.6	93.8	126.6
BV	252.1	276.1	318.7	341.8
DPS	15.0	12.5	17.5	31.2
Cash Per Share	96.2	113.1	93.2	100.3
<b>Operating Ratios (%)</b>				
EBITDA Margin (%)	12.5	9.0	7.8	9.3
PBT / Total Operating inc	7.8	4.2	3.5	5.4
PAT Margin	5.2	2.8	2.3	3.6
Inventory days	2.8	3.0	3.0	3.0
Debtor days	55.1	56.5	50.0	50.0
Creditor days	48.0	49.9	40.0	40.0
<b>Return Ratios (%)</b>				
RoE	27.2	15.5	13.6	22.2
RoCE	29.3	17.0	15.8	24.5
RoIC	43.8	26.7	23.1	39.7
<b>Valuation Ratios (x)</b>				
P/E	38.6	62.2	67.1	37.6
EV/EBITDA	15.6	19.2	20.0	13.4
EV/Sales	2.0	1.7	1.6	1.2
Market Cap / Sales	2.0	1.8	1.6	1.4
Price to Book Value	10.5	9.7	9.1	8.3
<b>Solvency Ratios</b>				
Debt/EBITDA	1.2	1.7	1.6	1.0
Debt / Equity	0.6	0.7	0.6	0.5
Current Ratio	1.2	1.1	1.1	1.2
Quick Ratio	1.8	1.8	1.9	2.3

Source: ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



**Pankaj Pandey**

**Head – Research**

**pankaj.pandey@icicisecurities.com**

**ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com**

## ANALYST CERTIFICATION

I/We, Bharat Chhoda, MBA; Harshal Mehta MTech (Biotech), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited Sebi Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com)

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icidirect.com](http://icidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.