

Flight to safety continues unabated...

BlueDart has been reporting a stellar uptick in performance post Q1, registering revenue growth of 8% and 21% YoY in Q2 and Q3, respectively. Shift in consumer buying behaviour and consumption patterns, led to higher growth in the B2C and B2B segments. Due to the strong growth, the utilisation of assets remained high (85%+). The revenue performance was further assisted by expansion in EBITDA margins by 1880 bps and 780 bps to 26.4% and 24.3% in Q2 and Q3, to yield an absolute EBITDA of ₹ 229 crore (up 3x YoY) and ₹ 252 crore (up 77% YoY), respectively. The company was able to maintain its EBITDA margins at 24-26%, led by cost efficiencies and higher operating leverage. BlueDart has also acquired two Boeing 757-200 aircraft to derive economic value in the long run.

Strong growth returns after seven to eight quarters

QoQ BlueDart illustrated momentum towards higher revenue growth i.e. Q1, Q2 and Q3 resulted in -47%, 10% and 21% growth, respectively. Higher contribution from segments such as e-commerce, pharmaceuticals, consumer electronics, etc, played a crucial role for the healthy uptick in revenue performance. Air freight also continued to remain a beneficiary of the changed dynamics of constrained belly cargo space (expected to remain-so in the near term). The company has also hiked its shipment charges by 9.6% from January 1 onwards to adjust annual inflation, fuel price, currency etc. We expect revenues to grow at 10% CAGR in FY20-23, buoyed by the annual realisation hikes and recovery in the overall economy.

Extending advantage over other players by higher automation

Unlike its private competitors, BlueDart is a largely debt free company, which continues to strive for higher profitability by providing services to its customers, which includes greater investment in technology, digitisation (contactless delivery, route optimisation, customer mobile app, etc). Widespread IT network and initiatives such as 100% digitised cash collection, would help the company win back its lost market share from private players, which continue to see higher stress in cash flow management, inflated labour costs and other administrative expenses.

Valuation & Outlook

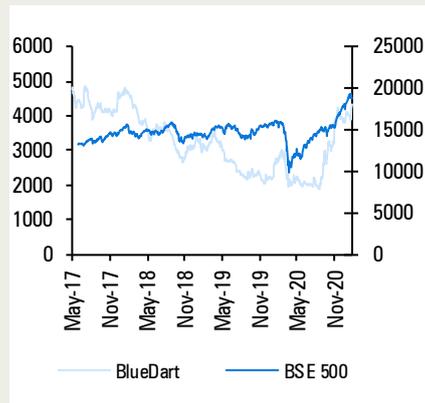
BlueDart has been a beneficiary of flight to quality trend post Q1, which resulted in higher tonnage growth, backed by greater digital connect with customers and focus on servicing bigger customers and brands. On the B2C segment, healthy growth returned to its fold, further shoring up BlueDart's strategy to participate in only profitable orders. With a revival in its B2C and B2B segments and a continued expansion in margins, along with strengthening of FCF, we change our recommendation from HOLD to BUY with a revised target price of ₹ 6300 (earlier ₹ 2100).



Particulars

Particular	Amount
Market Capitalization (₹ cr)	13,009
Total Debt (FY20) (₹ cr)	410.0
Cash (FY20) (₹ cr)	100.0
EV (₹ cr)	13,318.6
52 week H/L	5480/1822
Equity Capital (₹ cr)	23.7
Face Value (₹)	10.0

Price Performance



Key Risks to our call

- Rising competitive intensity from surface players
- Oversupply of freighters in air cargo segment

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Key Financial Summary

₹ crore	FY19	FY20	FY21E	FY22E	FY23E	CAGR (%)
Net Sales	3174.4	3175.1	3267.2	3740.3	4201.1	7.3
EBITDA	285.5	474.2	681.1	808.4	921.6	34.0
EBITDA margins (%)	9.0	14.9	20.8	21.6	21.9	
PAT	89.8	-41.9	102.4	217.6	292.6	34.4
P/E (x)	144.9	NA	127.1	59.8	44.5	
P/B (x)	22.5	26.5	23.3	17.6	13.1	
RoCE (%)	17.0	35.7	50.2	63.4	63.5	
RoE (%)	15.5	4.5	13.1	29.4	29.4	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating Income	3,175.1	3,267.2	3,740.3	4,201.1
Growth (%)	0.0	2.9	14.5	12.3
Operating and handling cc	1,324.1	1,197.5	1,398.4	1,578.1
Other Aircraft Expenses	74.0	65.3	74.8	84.0
Fuel Charges	210.2	212.4	243.1	273.1
Other Operating Expenses	47.7	49.0	56.1	63.0
Employee Cost	733.5	751.5	822.9	903.2
Other Expenses	311.4	310.4	336.6	378.1
Total Expenditure	2,701.0	2,586.1	2,931.9	3,279.5
EBITDA	474.2	681.1	808.4	921.6
Growth (%)	66.1	43.6	18.7	14.0
Depreciation	347.3	430.8	468.1	506.1
Interest	117.4	103.7	75.7	62.2
Other Income	15.5	19.6	26.2	37.8
Extraordinary Expense	64.1	29.5	0.0	0.0
PBT	-39.1	166.3	290.8	391.1
Tax	2.7	34.4	73.2	98.4
PAT	-41.9	102.4	217.6	292.6
Growth (%)	-146.6	-344.5	112.6	34.5
EPS	-17.6	43.1	91.6	123.2

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	-41.9	102.4	217.6	292.6
Add: Depreciation	347.3	430.8	468.1	506.1
Add: Interest	117.4	103.7	75.7	62.2
Increase in Current Liabilit	65.7	9.4	66.1	64.7
Increase in Current Assets	-26.9	-59.3	-33.8	-80.9
Others	-97.6	0.0	0.0	0.0
CF from operating activitie	364.1	586.9	793.7	844.8
(Inc)/dec in Investments	-2.7	-200.0	-40.0	-200.0
(Inc)/dec in Fixed Assets	-197.5	-110.0	-210.0	-210.0
Others	25.8	34.9	43.1	53.0
CF from investing activitie	-174.4	-275.1	-206.9	-357.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-86.2	50.0	-230.0	-100.0
Less: Interest	-45.6	-50.6	-25.3	-14.3
Others	-226.6	-236.2	-246.2	-256.7
CF from financing activitie	-358.5	-236.8	-501.5	-371.0
Net Cash flow	-168.7	75.1	85.3	116.7
Opening Cash	268.7	100.0	175.1	260.4
Closing Cash	100.0	175.1	260.4	377.1

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Liabilities				
Equity Capital	23.8	23.8	23.8	23.8
Reserve and Surplus	467.1	533.7	715.5	972.4
Total Shareholders funds	490.8	557.4	739.2	996.1
Total Debt	410.0	460.0	230.0	130.0
Long term Provisions	5.0	5.0	5.0	5.0
Other Long term liabilities	953.9	907.3	863.1	821.1
Deferred Tax Liability	0.0	0.0	0.0	0.0
Total Liabilities	1,859.6	1,929.7	1,837.3	1,952.2
Assets				
Gross Block	2,371.4	2,571.4	2,871.4	3,171.4
Less: Acc Depreciation	706.5	1,137.3	1,605.4	2,111.5
Net Block	1,665.0	1,434.2	1,266.1	1,059.9
Capital WIP	18.0	28.0	38.0	48.0
Total Fixed Assets	1,683.0	1,462.2	1,304.1	1,108.0
Non-current Investments	59.6	259.6	299.6	499.6
Other Non-current assets	170.7	136.6	109.3	87.4
Deferred Tax Asset	6.1	6.1	6.1	6.1
Inventory	27.0	31.3	30.7	34.5
Debtors	528.2	581.8	614.8	690.6
Loans and Advances	0.8	0.8	0.8	0.8
Other Current Assets	65.3	66.6	67.9	69.3
Cash	100.0	175.1	260.4	377.1
Current investments	0.0	0.0	0.0	0.0
Total Current Assets	721.3	855.7	974.8	1,172.4
Creditors	401.0	402.8	461.1	517.9
Other liab & Provisions	380.1	387.7	395.5	403.4
Total Current Liabilities	781.2	790.5	856.6	921.3
Net Current Assets	-59.8	65.1	118.2	251.0
Application of Funds	1,859.6	1,929.7	1,837.3	1,952.2

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	-17.6	43.1	91.6	123.2
Cash EPS	45.4	112.1	170.7	212.4
BV	312.4	321.5	363.5	414.9
DPS	12.5	12.5	12.5	12.5
Cash Per Share	42.1	73.7	109.6	158.7
Operating Ratios (%)				
EBITDA Margin (%)	14.9	20.8	21.6	21.9
PBT / Total Operating inco	-1.2	4.2	7.8	9.3
PAT Margin	-1.3	3.1	5.8	7.0
Inventory days	3.1	3.5	3.0	3.0
Debtor days	60.7	65.0	60.0	60.0
Creditor days	46.1	45.0	45.0	45.0
Return Ratios (%)				
RoE	4.5	13.1	29.4	29.4
RoCE	35.7	50.2	63.4	63.5
RoIC	49.3	61.2	71.8	66.4
Valuation Ratios (x)				
P/E	-310.8	127.1	59.8	44.5
EV/EBITDA	27.4	18.5	15.1	12.7
EV/Sales	4.1	3.9	3.3	2.8
Market Cap / Sales	4.1	4.0	3.5	3.1
Price to Book Value	26.5	23.3	17.6	13.1
Solvency Ratios				
Debt/EBITDA	0.9	0.7	0.3	0.1
Debt / Equity	0.8	0.8	0.3	0.1
Current Ratio	0.9	1.1	1.1	1.3
Quick Ratio	2.0	2.3	2.9	3.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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