

Blue Dart Express

Estimate change 

TP change 

Rating change 

| | |
|-----------------------|-------------|
| Bloomberg | BDE IN |
| Equity Shares (m) | 24 |
| M.Cap.(INRb)/(USDb) | 162.2 / 2.1 |
| 52-Week Range (INR) | 7499 / 5220 |
| 1, 6, 12 Rel. Per (%) | 12/9/15 |
| 12M Avg Val (INR M) | 171 |

Financial Snapshot (INR b)

| Y/E MARCH | 2022 | 2023E | 2024E |
|-------------------|-------|-------|-------|
| Sales | 44.1 | 50.9 | 56.1 |
| EBITDA | 7.0 | 7.7 | 8.2 |
| Adj. PAT | 4.1 | 4.4 | 4.7 |
| EBITDA Margin (%) | 16.0 | 15.1 | 14.6 |
| Adj. EPS (INR) | 173.8 | 185.8 | 196.7 |
| EPS Gr. (%) | 237.6 | 6.9 | 5.9 |
| BV/Sh. (INR) | 402.4 | 538.2 | 684.8 |
| Ratios | | | |
| Net D:E | -0.2 | -0.3 | -0.3 |
| RoE (%) | 50.5 | 39.5 | 32.2 |
| RoCE (%) | 50.1 | 42.1 | 34.0 |
| Payout (%) | 31.5 | 26.9 | 25.4 |
| Valuations | | | |
| P/E (x) | 39.3 | 36.8 | 34.8 |
| P/BV (x) | 17.0 | 12.7 | 10.0 |
| EV/EBITDA(x) | 22.3 | 20.0 | 18.5 |
| Div. Yield (%) | 0.9 | 0.7 | 0.7 |
| FCF Yield (%) | 3.3 | 2.5 | 2.2 |

Shareholding pattern (%)

| As On | Mar-22 | Dec-21 | Mar-21 |
|----------|--------|--------|--------|
| Promoter | 75.0 | 75.0 | 75.0 |
| DII | 9.5 | 9.4 | 11.3 |
| FII | 3.3 | 3.2 | 2.0 |
| Others | 12.2 | 12.4 | 11.7 |

FII Includes depository receipts

CMP: INR6,835

TP: INR7,715 (+13%)

Neutral

Cost-control initiatives drive margin performance

e-commerce vertical continues to grow well

- BDE reported a healthy revenue growth (+21% YoY) of ~INR11.7b in 4QFY22 (inline), driven by higher growth in the Surface and e-commerce segments. Revenue grew ~34% YoY to INR44b in FY22, led by ~30%/4-5% growth in volumes/realization.
- EBITDA margin stood at 18.7% in 4QFY22 (est. 15.7%), up 70bp YoY and 245bp QoQ. Margin improvement in 4QFY22 was led by a sharp reduction in employee costs, which fell 6% YoY and 22% QoQ. The cost rationalization measures in the last two years also yielding results, resulting in improved margin. Strong operational performance saw APAT grow 52% YoY in 4QFY22.
- We raise our FY23/FY24 EPS estimate by 10%/14% , factoring in an improved margin outlook. We retain our Neutral rating on the stock, with a revised TP of INR7,715/share (21x FY24E EV/EBITDA).

Robust volume growth in FY22

- BDE witnessed a healthy (+30% YoY) volume growth by carrying 932.7kt in FY22 (v/s 718.5kt in FY21). The e-commerce vertical has been growing very well and now constitutes ~25% of the business.
- Capacity utilization is currently near its peak. To cater to incremental volumes, BDE is likely to add one aircraft soon to its fleet.
- The company expects volume growth momentum to continue as all major end-use verticals are doing well.

Highlights from the management commentary

- BDE has a fuel surcharge mechanism in place, which acts as an effective hedge. As per the mechanism, fuel price rise is a complete pass on to customers. Hence margin impact is not much due to the diesel price rise.
- Margin improvement in 4QFY22 was due to lower employee costs. This was due to: a) the festive season in 3Q had resulted in temporary hiring and there was a COVID-related bonus rolled out in 2Q, and b) reversal of certain provisions of ~INR80m in 4QFY22.
- The Surface segment contributes around one-third of revenue. Surface is growing faster than Air, with higher double-digit growth for Surface v/s high single-digit growth for the Air segment.

Valuation and view

- BDE is witnessing strong growth in volumes, which is expected to continue. With utilization levels peaking, it is crucial for BDE to add an aircraft to its fleet size. Margin is likely to stabilize at 14.5-15% levels, with higher fuel prices and rising competition.
- We raise our FY23/FY24 EPS estimate by 10%/14%, factoring in an improved margin outlook. With decent volume growth and margin, we expect BDE to clock a revenue/EBITDA/PAT CAGR of ~13%/8%/6% over FY22-24. We maintain our Neutral rating, with a revised TP of INR7,715/share (21x FY24E EV/EBITDA).

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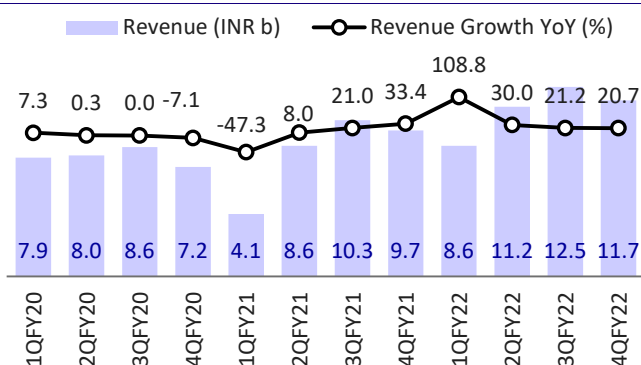
Standalone quarterly snapshot

| Y/E March (INR m) | FY21 | | | | FY22 | | | | FY21 | FY22 | FY22E | Var. (%) |
|------------------------------|---------------|--------------|---------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Net Sales | 4,142 | 8,644 | 10,349 | 9,662 | 8,648 | 11,236 | 12,548 | 11,659 | 32,797 | 44,090 | 11,845 | (2) |
| Change (YoY %) | -47.3 | 8.0 | 21.0 | 33.4 | 108.8 | 30.0 | 21.2 | 20.7 | 3.6 | 34.4 | 22.6 | |
| EBITDA | -1,182 | 1,475 | 1,734 | 1,739 | 834 | 1,986 | 2,039 | 2,179 | 3,766 | 7,038 | 1,857 | 17 |
| Margin (%) | -28.5 | 17.1 | 16.8 | 18.0 | 9.6 | 17.7 | 16.2 | 18.7 | 11.5 | 16.0 | 15.7 | |
| Change (YoY %) | -365.3 | 143.1 | 159.0 | 1,009.2 | -170.6 | 34.6 | 17.6 | 25.3 | 100.5 | 86.9 | 6.8 | |
| Depreciation | 428 | 509 | 547 | 523 | 430 | 433 | 430 | 394 | 2,007 | 1,687 | 433 | |
| Interest | 75 | 88 | 77 | 78 | 68 | 59 | 54 | 59 | 317 | 241 | 74 | |
| Other Income | 22 | 19 | 24 | 62 | 58 | 64 | 78 | 85 | 127 | 285 | 54 | |
| PBT before EO expense | -1,662 | 898 | 1,133 | 1,201 | 394 | 1,558 | 1,632 | 1,811 | 1,569 | 5,395 | 1,404 | 29 |
| Extra-Ord. expense | 0 | 342 | -83 | 0 | 0 | 360 | 0 | 0 | 259 | 360 | 0 | |
| PBT | -1,662 | 556 | 1,216 | 1,201 | 394 | 1,198 | 1,632 | 1,811 | 1,311 | 5,035 | 1,404 | 29 |
| Tax | -383 | 142 | 278 | 310 | 100 | 303 | 410 | 457 | 347 | 1,271 | 354 | |
| Rate (%) | 23.0 | 25.6 | 22.9 | 25.8 | 25.4 | 25.3 | 25.1 | 25.2 | 26.5 | 25.2 | 25.2 | |
| Reported PAT | -1,279 | 414 | 938 | 891 | 294 | 895 | 1,222 | 1,354 | 963 | 3,764 | 1,050 | 29 |
| Adj. PAT | -1,279 | 756 | 855 | 891 | 294 | 1,254 | 1,222 | 1,354 | 1,222 | 4,124 | 1,050 | 29 |
| Change (YoY %) | NA | 440.1 | 175.4 | NA | NA | 66.0 | 43.0 | 52.0 | 373.1 | 237.6 | 17.9 | |
| Margin (%) | -30.9 | 8.7 | 8.3 | 9.2 | 3.4 | 11.2 | 9.7 | 11.6 | 3.7 | 9.4 | 8.9 | |

E: MOFSL estimates

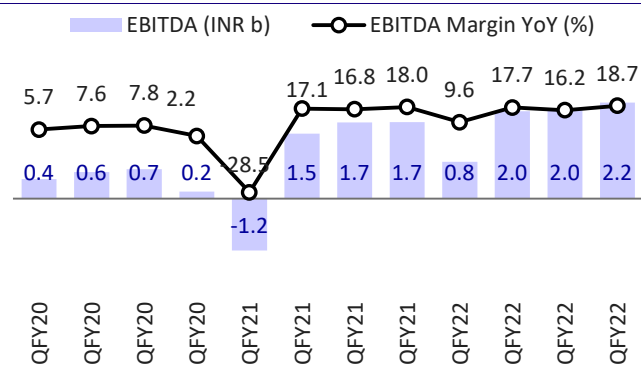
4QFY22 in charts

Exhibit 1: Revenue rises by 21% YoY



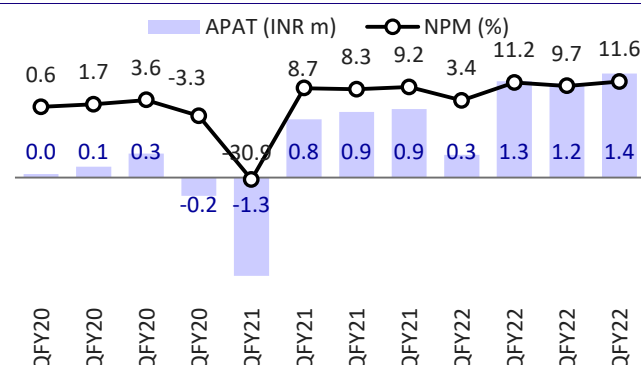
Source: Company, MOFSL

Exhibit 2: EBITDA margin improves by 70bp YoY



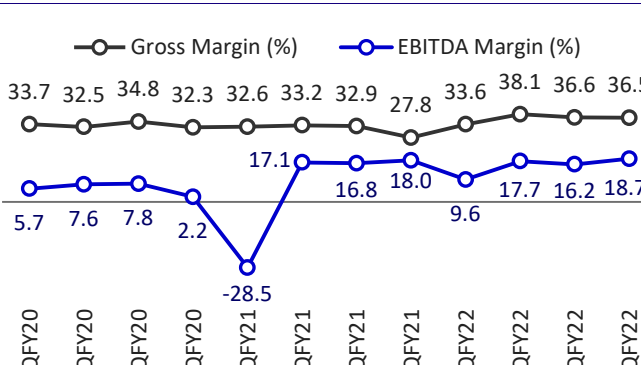
Source: Company, MOFSL

Exhibit 3: PAT up 52% YoY



Source: Company, MOFSL

Exhibit 4: Strong operating performance improves margin



Source: Company, MOFSL



Highlights from the management commentary

Operational highlights

- Strong demand in the last five-to-six quarters has resulted in a growth in revenue. The latter declined in 4Q compared to 3QFY22 (festive quarter) due to seasonality.
- The Surface segment contributes around one-third of revenue. Surface is growing faster than Air, with higher double-digit growth for Surface v/s high single-digit growth for the Air segment.
- Documents contribute around one-fourth of revenue and are similar to pre-COVID levels.
- Interest cost was lower in FY22 due to debt repayments.
- Total dividend stood at INR60 in FY22.
- Improved cash flow led to a repayment of debt.
- Earlier it leased aircrafts and reported the same as ROU, but now has to depreciate for the life of the aircraft. Hence, there is a jump in depreciation in recent years.
- e-commerce is a key vertical for the company and constitutes roughly one-fourth of revenue.
- The pricing strategy for BDE remains the same across end-use industries.

Margin improvement

- Rationalization measures started two years back are yielding results, leading to an improved margin.
- Employee cost was lower in 4Q as: a) the festive season in 3Q had resulted in temporary hiring and there was a COVID-related bonus rolled out in 2Q, and b) reversal of certain provisions of ~INR80m in 4QFY22.
- Since the situation in the last four-to-five months has normalized, the management expects volume and margin to sustain going forward.
- Margin in the Surface and Air segments are almost similar. Hence, the impact on overall margin won't be much with the Surface segment growing faster.

Price hike

- BDE announces GPI annually to cover inflationary cost. Calculation of realization per shipment at the macro level doesn't provide a true picture as the weightage of shipments vary.
- It has a fuel surcharge mechanism in place, which acts as an effective hedge. As per the mechanism, fuel price rise is a complete pass on to customers, which may be with a one-month lag.
- An annual price hike of 8-9% in Jan'22 led to a 4-5% effective realization across clients.

Capacity expansion

- BDE is operating at very high capacity utilization in both Air and Surface segments. Hence, it will be expanding both its Surface and Air capacities.
- Expansion in capacity will definitely decrease yields in the short term, but would be beneficial in the long term.

- There is a need to upgrade transshipment hubs to handle larger volumes, for which it will incur capex. Currently, the space under management is ~3m sq. ft.

Competition

- Other e-commerce companies may have similar type of shipments, whereas BDE is in Surface and Air Express. So, calculating the realization per shipment at the macro level may not be correct.
- Belly cargo is a completely different ball game as compared to the business model of BDE. Volume expansion through belly cargo isn't possible. In the case of cargo aircrafts, it can be scaled up. Hence, BDE doesn't view players operating in the belly cargo space as competition.
- BDE doesn't compete on pricing. Competitors, who have been providing cheaper shipments, have also raised prices.
- Its pre-COVID market share in the e-commerce segment was 18%. Healthy double-digit growth is seen in this segment.
- Its competitors were into aggressive pricing and were incurring huge losses. But now that they have started to raise prices and cut their losses, BDE will gain market share, with an improvement in margin.

Outlook

- Margin may reduce by 100-200bp from 18% levels, with an increase in operational costs from capacity addition and automation in the near term.
- Capex will be in the INR1.5-2b range over the next one-to-two years.

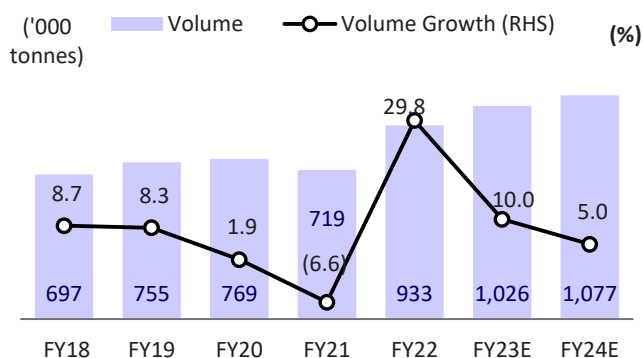
Exhibit 5: Revisions to our forecast

| (INR m) | FY23E | | | FY24E | | |
|--------------------------|--------------|--------------|-------------|--------------|--------------|--------------|
| | Revised | Old | Change (%) | Revised | Old | Change (%) |
| Net sales | 50,924 | 51,139 | -0.4 | 56,144 | 56,380 | -0.4 |
| EBITDA | 7,684 | 7,335 | 4.8 | 8,223 | 7,613 | 8.0 |
| EBITDA margin (%) | 15.1 | 14.3 | 75bp | 14.6 | 13.5 | 114bp |
| PAT | 4,408 | 4,002 | 10.2 | 4,667 | 4,085 | 14.3 |
| EPS (INR) | 185.8 | 168.6 | 10.2 | 196.7 | 172.1 | 14.3 |

Source: Company, MOFSL

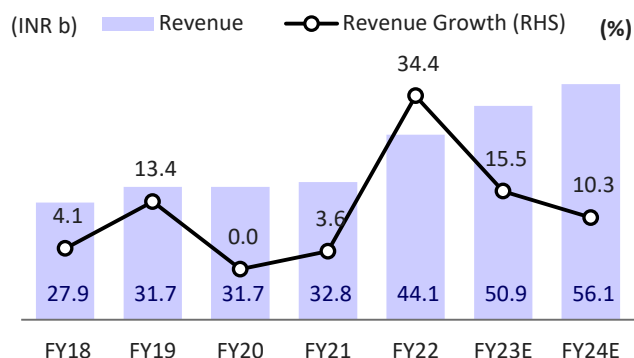
Financial story in charts

Exhibit 6: Volume growth to remain steady



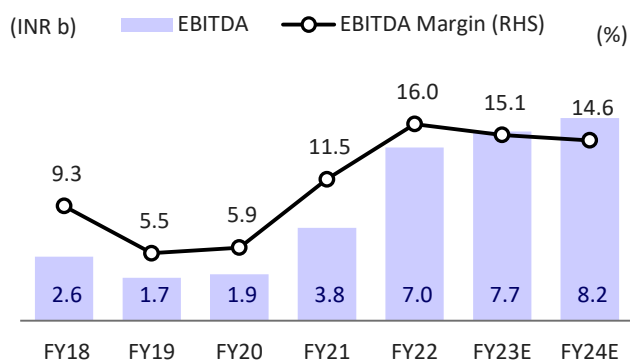
Source: Company, MOFSL

Exhibit 7: Revenue to gain traction



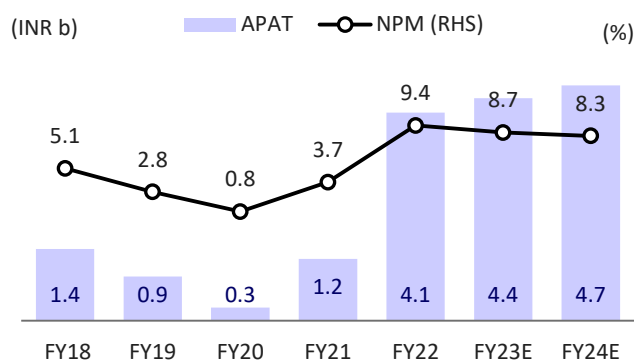
Source: Company, MOFSL

Exhibit 8: Margin to remain ~15%



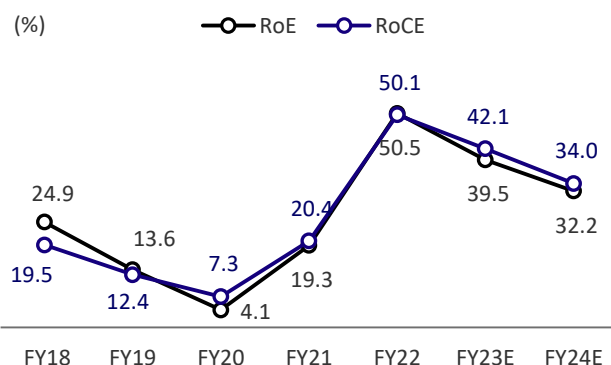
Source: Company, MOFSL

Exhibit 9: PAT to see a healthy growth ahead



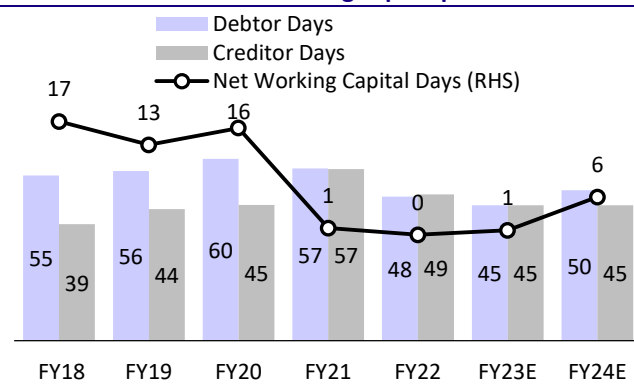
Source: Company, MOFSL

Exhibit 10: Return ratios remain healthy



Source: Company, MOFSL

Exhibit 11: Comfortable working capital position



Source: Company, MOFSL

Financials and valuations

Standalone Income Statement

| Y/E March (INR m) | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 27,909 | 31,655 | 31,664 | 32,797 | 44,090 | 50,924 | 56,144 |
| Change (%) | 4.1 | 13.4 | 0.0 | 3.6 | 34.4 | 15.5 | 10.3 |
| Gross Margin (%) | 36.2 | 33.4 | 31.8 | 36.2 | 36.4 | 35.8 | 36.0 |
| EBITDA | 2,598 | 1,735 | 1,878 | 3,766 | 7,038 | 7,684 | 8,223 |
| Margin (%) | 9.3 | 5.5 | 5.9 | 11.5 | 16.0 | 15.1 | 14.6 |
| Depreciation | 450 | 480 | 1,528 | 2,007 | 1,687 | 1,873 | 2,089 |
| EBIT | 2,148 | 1,255 | 350 | 1,760 | 5,351 | 5,812 | 6,134 |
| Int. and Finance Charges | 256 | 154 | 321 | 317 | 241 | 217 | 208 |
| Other Income | 225 | 182 | 140 | 127 | 285 | 299 | 314 |
| PBT | 2,118 | 1,284 | 169 | 1,569 | 5,395 | 5,894 | 6,240 |
| Tax | 697 | 408 | -89 | 347 | 1,271 | 1,485 | 1,572 |
| Effective Tax Rate (%) | 32.9 | 31.7 | NA | 26.5 | 25.2 | 25.2 | 25.2 |
| PAT before EO. Items | 1,421 | 876 | 258 | 1,222 | 4,124 | 4,408 | 4,667 |
| Extraordinary Items | 0 | 0 | 641 | 259 | 360 | 0 | 0 |
| Reported PAT | 1,421 | 876 | -383 | 963 | 3,764 | 4,408 | 4,667 |
| Adjusted PAT | 1,421 | 876 | 258 | 1,222 | 4,124 | 4,408 | 4,667 |
| Change (%) | 1.8 | -38.4 | -70.5 | 373.1 | 237.6 | 6.9 | 5.9 |
| Margin (%) | 5.1 | 2.8 | 0.8 | 3.7 | 9.4 | 8.7 | 8.3 |

Standalone Balance Sheet

| Y/E March (INR m) | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|--------------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
| Equity Share Capital | 238 | 238 | 238 | 238 | 238 | 238 | 238 |
| Total Reserves | 5,975 | 6,410 | 5,597 | 6,554 | 9,311 | 12,533 | 16,014 |
| Net Worth | 6,213 | 6,648 | 5,835 | 6,792 | 9,549 | 12,771 | 16,251 |
| Deferred Tax Liabilities | -51 | -156 | -269 | -284 | -310 | -310 | -310 |
| Total Loans | 1,661 | 1,462 | 750 | 1,425 | 0 | 0 | 0 |
| Capital Employed | 7,822 | 7,954 | 6,316 | 7,933 | 9,239 | 12,461 | 15,942 |
| Gross Block | 3,858 | 4,538 | 7,998 | 8,071 | 9,291 | 10,791 | 12,791 |
| Less: Accum. Deprn. | 1,264 | 1,685 | 2,362 | 3,100 | 4,786 | 6,659 | 8,748 |
| Net Fixed Assets | 2,594 | 2,853 | 5,636 | 4,972 | 4,505 | 4,132 | 4,043 |
| Capital WIP | 68 | 76 | 22 | 5 | 1 | 1 | 1 |
| Total Investments | 1,441 | 1,441 | 1,441 | 2,941 | 3,515 | 4,315 | 5,115 |
| Curr. Assets, Loans, and Adv. | 8,111 | 9,179 | 8,244 | 10,164 | 12,005 | 15,187 | 18,542 |
| Inventory | 45 | 59 | 37 | 58 | 70 | 70 | 77 |
| Account Receivables | 4,200 | 4,890 | 5,245 | 5,149 | 5,788 | 6,278 | 7,691 |
| Cash and Bank Balances | 2,273 | 2,670 | 985 | 3,077 | 1,829 | 3,852 | 5,275 |
| Loans and Advances | 310 | 119 | 8 | 0 | 2,501 | 2,888 | 3,184 |
| Others | 1,283 | 1,442 | 1,969 | 1,880 | 1,818 | 2,100 | 2,315 |
| Current Liab. and Prov. | 4,391 | 5,595 | 9,027 | 10,149 | 10,786 | 11,174 | 11,759 |
| Account Payables | 2,959 | 3,795 | 3,911 | 5,131 | 5,876 | 6,278 | 6,922 |
| Other Current Liabilities | 755 | 924 | 3,933 | 3,808 | 3,680 | 3,666 | 3,607 |
| Provisions | 677 | 877 | 1,183 | 1,211 | 1,230 | 1,230 | 1,230 |
| Net Current Assets | 3,720 | 3,584 | -783 | 15 | 1,219 | 4,013 | 6,783 |
| Application of Funds | 7,822 | 7,954 | 6,316 | 7,933 | 9,239 | 12,461 | 15,942 |

Financials and valuations

Ratios

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Basic (INR) | | | | | | | |
| EPS | 59.9 | 36.9 | 10.9 | 51.5 | 173.8 | 185.8 | 196.7 |
| EPS growth (%) | 1.8 | -38.4 | -70.5 | 373.1 | 237.6 | 6.9 | 5.9 |
| Cash EPS | 78.8 | 57.1 | 75.3 | 136.0 | 244.9 | 264.7 | 284.7 |
| BV/Share | 261.8 | 280.1 | 245.9 | 286.2 | 402.4 | 538.2 | 684.8 |
| DPS | 12.5 | 12.5 | 0.0 | 15.0 | 60.0 | 50.0 | 50.0 |
| Payout (Incl. Div. Tax, %) | 25.2 | 40.8 | 0.0 | 37.0 | 31.5 | 26.9 | 25.4 |
| Valuation (x) | | | | | | | |
| P/E | 114.2 | 185.2 | 628.3 | 132.8 | 39.3 | 36.8 | 34.8 |
| Cash P/E | 86.7 | 119.7 | 90.8 | 50.2 | 27.9 | 25.8 | 24.0 |
| EV/EBITDA | 61.6 | 92.0 | 85.5 | 41.9 | 22.3 | 20.0 | 18.5 |
| EV/Sales | 5.7 | 5.0 | 5.1 | 4.8 | 3.6 | 3.0 | 2.7 |
| P/BV | 26.1 | 24.4 | 27.8 | 23.9 | 17.0 | 12.7 | 10.0 |
| Dividend Yield (%) | 0.2 | 0.2 | 0.0 | 0.2 | 0.9 | 0.7 | 0.7 |
| Return Ratios (%) | | | | | | | |
| RoE | 24.9 | 13.6 | 4.1 | 19.3 | 50.5 | 39.5 | 32.2 |
| RoCE | 19.5 | 12.4 | 10.5 | 20.6 | 50.1 | 42.1 | 34.0 |
| RoIC | 33.6 | 21.9 | 9.2 | 47.4 | 137.9 | 106.2 | 93.2 |
| Working Capital Ratios | | | | | | | |
| Fixed Asset Turnover (x) | 7.6 | 7.5 | 5.1 | 4.1 | 5.1 | 5.1 | 4.8 |
| Asset Turnover (x) | 3.6 | 4.0 | 5.0 | 4.1 | 4.8 | 4.1 | 3.5 |
| Inventory (Days) | 1 | 1 | 0 | 1 | 1 | 1 | 1 |
| Debtors (Days) | 55 | 56 | 60 | 57 | 48 | 45 | 50 |
| Creditors (Days) | 39 | 44 | 45 | 57 | 49 | 45 | 45 |
| Leverage Ratio (x) | | | | | | | |
| Net Debt/Equity ratio | -0.1 | -0.2 | 0.0 | -0.2 | -0.2 | -0.3 | -0.3 |

Standalone Cash Flow Statement

| Y/E March (INR m) | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|---|---------------|--------------|---------------|---------------|---------------|---------------|---------------|
| OP/(Loss) before Tax | 2,118 | 1,284 | -472 | 1,311 | 5,035 | 5,894 | 6,240 |
| Depreciation | 450 | 480 | 1,678 | 2,007 | 1,687 | 1,873 | 2,089 |
| Direct Taxes Paid | -719 | -655 | -551 | -276 | -1,261 | -1,485 | -1,572 |
| (Inc.)/Dec. in WC | 196 | 472 | 77 | 1,219 | 360 | -572 | -1,146 |
| Other Items | 54 | -11 | 205 | 229 | 6 | -82 | -105 |
| CF from Operations | 2,099 | 1,570 | 937 | 4,489 | 5,827 | 5,627 | 5,505 |
| (Inc.)/Dec. in FA | -424 | -756 | -558 | -258 | -517 | -1,500 | -2,000 |
| Free Cash Flow | 1,674 | 814 | 379 | 4,230 | 5,310 | 4,127 | 3,505 |
| Change in Investments | 3 | 4 | 34 | -3,710 | -759 | -800 | -800 |
| Others | 373 | 288 | 129 | 25 | 160 | 299 | 314 |
| CF from Investments | -49 | -464 | -395 | -3,944 | -1,115 | -2,001 | -2,486 |
| Inc./(Dec.) in Debt | -1,661 | -199 | -712 | 675 | -1,425 | 0 | 0 |
| Dividends Paid | -428 | -358 | -358 | 0 | -949 | -1,187 | -1,187 |
| Others | -256 | -154 | -1,155 | -1,373 | -1,334 | -417 | -408 |
| CF from Fin. Activity | -2,345 | -710 | -2,225 | -698 | -3,708 | -1,604 | -1,595 |
| Inc./(Dec.) in Cash | -296 | 395 | -1,683 | -153 | 1,004 | 2,023 | 1,424 |
| Opening Balance (includes Bank Bal.) | 2,554 | 2,273 | 2,670 | 985 | 3,077 | 1,829 | 3,852 |
| Inc./(Dec.) in Bank Bal. | 14 | 1 | -2 | 2,245 | -2,252 | 0 | 0 |
| Closing Balance (includes Bank Bal.) | 2,273 | 2,670 | 985 | 3,077 | 1,829 | 3,852 | 5,275 |

NOTES

| Explanation of Investment Rating | |
|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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