

BSE SENSEX  
57,634

S&P CNX  
17,177

**CMP: INR6,468 TP: INR7,390 (+14%)**

**Neutral**

## BLUE DART

Recent thematic report on Logistics



### Stock Info

Bloomberg	BDE IN
Equity Shares (m)	24
M.Cap.(INRb)/(USDb)	153.5 / 2
52-Week Range (INR)	7260 / 3710
1, 6, 12 Rel. Per (%)	0/-2/39
12M Avg Val (INR M)	204
Free float (%)	25.0

### Financials Snapshot (INR b)

Y/E March	2021	2022E	2023E
Net Sales	32.8	39.9	46.1
EBITDA	3.8	5.6	5.8
Adj. PAT	1.2	2.9	2.8
Adj. EPS (INR)	51.5	123.0	118.7
EPS Gr. (%)	373.1	139	-4
BV/Sh. (INR)	286.2	379.1	482.7

### Ratios

Net D/E (x)	-0.2	-0.3	-0.5
RoE (%)	19.3	37.0	27.5
RoCE (%)	20.6	37.1	29.8
Payout (%)	37.0	13.9	12.6

### Valuations

P/E (x)	125.6	52.6	54.5
P/BV (x)	22.6	17.1	13.4
EV/EBITDA (x)	39.5	26.2	25.0
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	2.8	1.4	1.7

## Focus on increasing share of Ground Express

- We recently released our **Logistics thematic report**, wherein we stressed upon the superlative growth potential of the Indian Logistics sector and the opportunities for the organized players like Blue Dart Express (BDE). We had assigned a Neutral stance on the stock owing to its rich valuation.
- The unparalleled network presence of BDE and strong growth in Express cargo would drive consistent growth in volumes across its offerings over the next few years. With the easing of fuel prices (on account of tax cuts), margin is expected to remain at elevated levels in the near term.
- BDE is looking to increase its contribution from Ground Express segment from current levels of ~30%. We expect BDE to clock a revenue/EBITDA/PAT CAGR of ~17%/18%/36% over FY21-24E and retain our Neutral rating, with a revised TP of INR7,390/share (27x FY24E EV/EBITDA).

## Strong festive demand drives volumes in 2QFY22

- BDE registered a 30% YoY revenue growth in 2QFY22, driven by strong festive season demand and some impact of pent-up demand, with e-commerce being the highest contributor to growth, followed by Electronics and Pharma.
- The Ground Express segment grew faster than Air Express, taking the revenue share from Ground/Air to ~30/70, with the e-commerce segment contributing 20% of the pie.
- The Document Delivery business was badly impacted during the COVID-led lockdown. With the Education and BFSI sectors opening up, volumes are improving and have almost reached pre-COVID levels.

## Reduction in fuel price and cost control measures to keep margin elevated

- A price hike of ~10% was undertaken in Jan'21 based on the number of customers and volumes handled. The average realization growth stood at 5%.
- Ground Express would benefit from the plunge in diesel prices by ~10% from the tax cuts announced in early Nov'21, which would support margin.
- Cost efficiency measures, such as the reduction of some low-profit pin codes from its network, are helping the company generate strong margin.
- The company has bought an aircraft in 2QFY22, taking its total tally of owned aircrafts to three, even as it continues to operate three aircraft on lease. The aircrafts are held through its subsidiary Blue Dart Aviation (BDA).

## Valuation and view

- Ground Express is expected to grow faster than Air Express over the next few years with improved Road connectivity.
- BDE is looking to increase its revenue contribution from Ground Express. We expect BDE to clock ~17% revenue CAGR over FY21-24E. We expect margin to stabilize at 12%, leading to 18% EBITDA CAGR over FY21-24E.
- With no major capex and negligible debt, we expect 36% PAT CAGR over FY21-24E. The stock trades at 23x FY24 EV/EBITDA. We maintain our Neutral rating, with a revised TP of INR7,390/share (27x FY24E EV/EBITDA).

**Alok Deora - Research analyst** (Alok.Deora@motilaloswal.com)

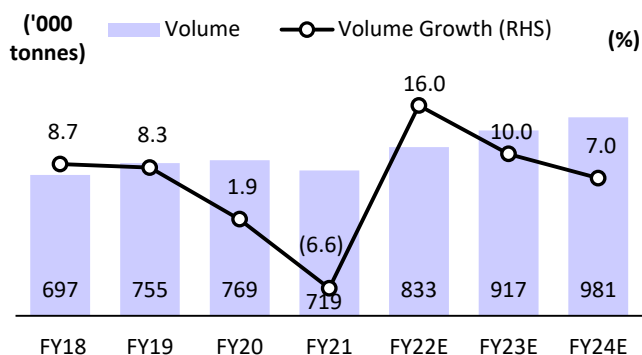
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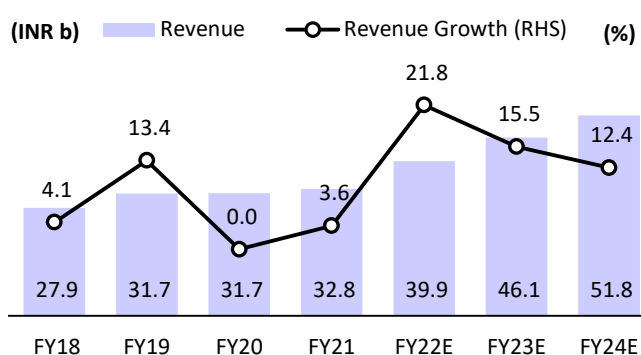
## Story in charts

**Exhibit 1: Volume growth to remain steady**



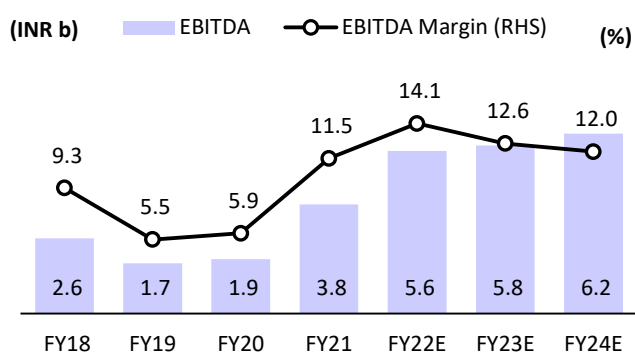
Source: Company, MOFSL

**Exhibit 2: Revenue to witness traction as restrictions ease**



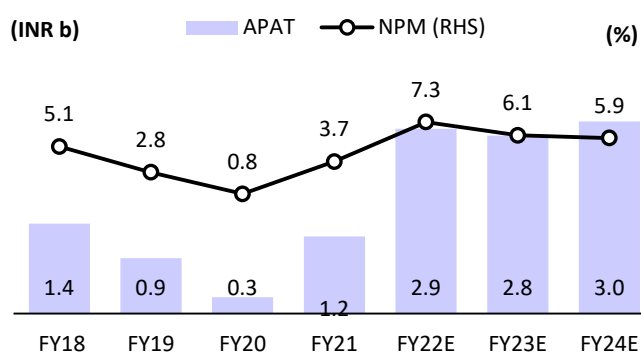
Source: Company, MOFSL

**Exhibit 3: Margin to remain stable**



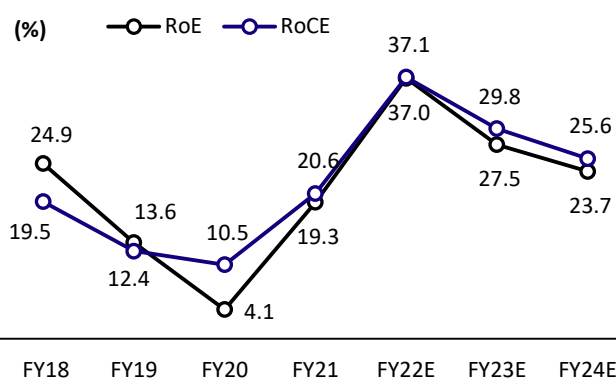
Source: Company, MOFSL

**Exhibit 4: PAT to more than double in three years**



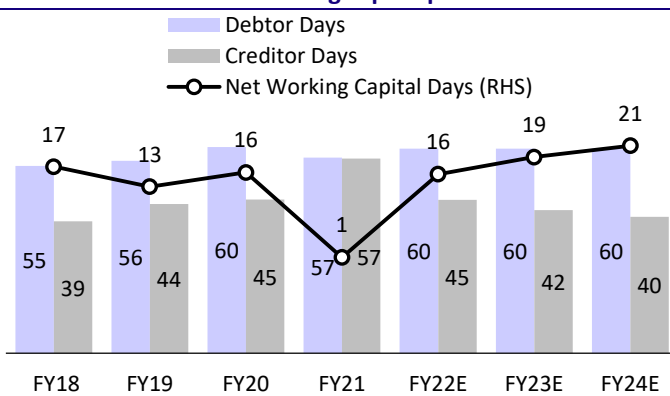
Source: Company, MOFSL

**Exhibit 5: Return ratios to stay elevated**



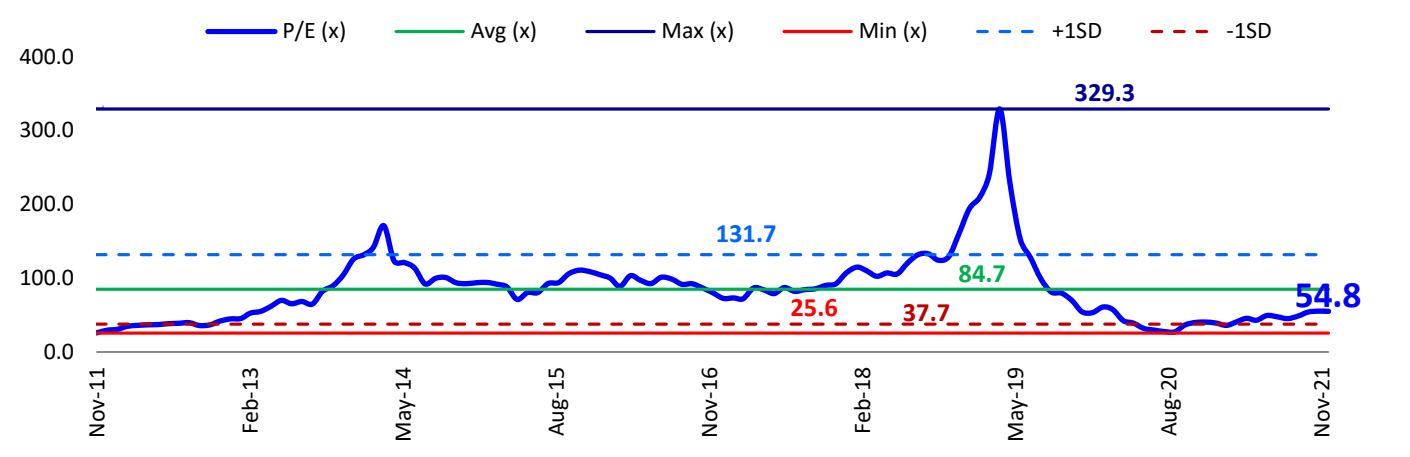
Source: Company, MOFSL

**Exhibit 6: Comfortable working capital position**



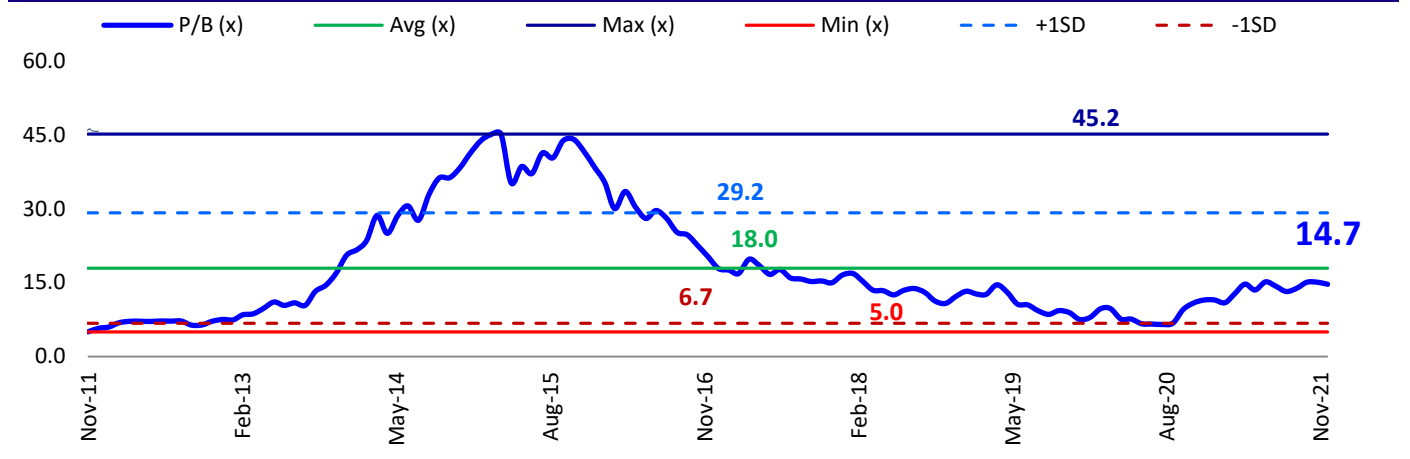
Source: Company, MOFSL

**Exhibit 7: One-year forward P/E (x)**



Source: Company, MOFSL

**Exhibit 8: One-year forward P/B (x)**



Source: Company, MOFSL

## Financials and valuations

### Standalone Income Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Net Sales</b>	<b>27,909</b>	<b>31,655</b>	<b>31,664</b>	<b>32,797</b>	<b>39,947</b>	<b>46,138</b>	<b>51,837</b>
Change (%)	4.1	13.4	0.0	3.6	21.8	15.5	12.4
Gross Margin (%)	36.2	33.4	31.8	36.2	36.5	35.7	35.3
<b>EBITDA</b>	<b>2,598</b>	<b>1,735</b>	<b>1,878</b>	<b>3,766</b>	<b>5,623</b>	<b>5,809</b>	<b>6,213</b>
Margin (%)	9.3	5.5	5.9	11.5	14.1	12.6	12.0
Depreciation	450	480	1,528	2,007	1,768	2,004	2,154
<b>EBIT</b>	<b>2,148</b>	<b>1,255</b>	<b>350</b>	<b>1,760</b>	<b>3,855</b>	<b>3,804</b>	<b>4,059</b>
Int. and Finance Charges	256	154	321	317	286	277	259
Other Income	225	182	140	127	215	237	260
<b>PBT</b>	<b>2,118</b>	<b>1,284</b>	<b>169</b>	<b>1,569</b>	<b>3,784</b>	<b>3,764</b>	<b>4,060</b>
Tax	697	408	-89	347	865	949	1,023
Effective Tax Rate (%)	32.9	31.7	NA	26.5	25.3	25.2	25.2
<b>PAT before EO. Items</b>	<b>1,421</b>	<b>876</b>	<b>258</b>	<b>1,222</b>	<b>2,919</b>	<b>2,816</b>	<b>3,037</b>
Extraordinary Items	0	0	641	259	360	0	0
<b>Reported PAT</b>	<b>1,421</b>	<b>876</b>	<b>-383</b>	<b>963</b>	<b>2,559</b>	<b>2,816</b>	<b>3,037</b>
<b>Adjusted PAT</b>	<b>1,421</b>	<b>876</b>	<b>258</b>	<b>1,222</b>	<b>2,919</b>	<b>2,816</b>	<b>3,037</b>
Change (%)	1.8	-38.4	-70.5	373.1	138.9	-3.5	7.9
Margin (%)	5.1	2.8	0.8	3.7	7.3	6.1	5.9

### Standalone Balance Sheet

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	238	238	238	238	238	238	238
Total Reserves	5,975	6,410	5,597	6,554	8,757	11,217	13,898
<b>Net Worth</b>	<b>6,213</b>	<b>6,648</b>	<b>5,835</b>	<b>6,792</b>	<b>8,995</b>	<b>11,455</b>	<b>14,136</b>
Deferred Tax Liabilities	-51	-156	-269	-284	-284	-284	-284
Total Loans	1,661	1,462	750	1,425	225	175	75
<b>Capital Employed</b>	<b>7,822</b>	<b>7,954</b>	<b>6,316</b>	<b>7,933</b>	<b>8,936</b>	<b>11,346</b>	<b>13,927</b>
Gross Block	3,858	4,538	7,998	8,071	8,821	10,321	11,821
Less: Accum. Deprn.	1,264	1,685	2,362	3,100	4,868	6,872	9,026
<b>Net Fixed Assets</b>	<b>2,594</b>	<b>2,853</b>	<b>5,636</b>	<b>4,972</b>	<b>3,954</b>	<b>3,449</b>	<b>2,796</b>
Capital WIP	68	76	22	5	5	5	5
<b>Total Investments</b>	<b>1,441</b>	<b>1,441</b>	<b>1,441</b>	<b>2,941</b>	<b>2,941</b>	<b>2,941</b>	<b>2,941</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>8,111</b>	<b>9,179</b>	<b>8,244</b>	<b>10,164</b>	<b>12,181</b>	<b>15,652</b>	<b>19,419</b>
Inventory	45	59	37	58	55	63	71
Account Receivables	4,200	4,890	5,245	5,149	6,567	7,584	8,521
Cash and Bank Balances	2,273	2,670	985	3,077	3,270	5,360	7,856
Loans and Advances	310	119	8	0	0	0	0
Others	1,283	1,442	1,969	1,880	2,289	2,644	2,971
<b>Current Liab. and Prov.</b>	<b>4,391</b>	<b>5,595</b>	<b>9,027</b>	<b>10,149</b>	<b>10,144</b>	<b>10,702</b>	<b>11,234</b>
Account Payables	2,959	3,795	3,911	5,131	4,925	5,309	5,681
Other Current Liabilities	755	924	3,933	3,808	4,009	4,182	4,342
Provisions	677	877	1,183	1,211	1,211	1,211	1,211
<b>Net Current Assets</b>	<b>3,720</b>	<b>3,584</b>	<b>-783</b>	<b>15</b>	<b>2,036</b>	<b>4,950</b>	<b>8,185</b>
<b>Application of Funds</b>	<b>7,822</b>	<b>7,954</b>	<b>6,316</b>	<b>7,933</b>	<b>8,936</b>	<b>11,346</b>	<b>13,927</b>

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Basic (INR)</b>							
EPS	59.9	36.9	10.9	51.5	123.0	118.7	128.0
EPS growth (%)	1.8	-38.4	-70.5	373.1	138.9	-3.5	7.9
Cash EPS	78.8	57.1	75.3	136.0	197.5	203.1	218.7
BV/Share	261.8	280.1	245.9	286.2	379.1	482.7	595.7
DPS	12.5	12.5	0.0	15.0	15.0	15.0	15.0
Payout (Incl. Div. Tax, %)	25.2	40.8	0.0	37.0	13.9	12.6	11.7
<b>Valuation (x)</b>							
P/E	108.0	175.2	594.4	125.6	52.6	54.5	50.5
Cash P/E	82.0	113.2	85.9	47.5	32.7	31.8	29.6
EV/EBITDA	58.3	87.0	80.8	39.5	26.2	25.0	23.0
EV/Sales	5.4	4.8	4.8	4.5	3.7	3.2	2.8
P/BV	24.7	23.1	26.3	22.6	17.1	13.4	10.9
Dividend Yield (%)	0.2	0.2	0.0	0.2	0.2	0.2	0.2
<b>Return Ratios (%)</b>							
RoE	24.9	13.6	4.1	19.3	37.0	27.5	23.7
RoCE	19.5	12.4	10.5	20.6	37.1	29.8	25.6
RoIC	33.6	21.9	9.2	47.4	124.4	98.8	98.5
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	7.6	7.5	5.1	4.1	4.7	4.8	4.7
Asset Turnover (x)	3.6	4.0	5.0	4.1	4.5	4.1	3.7
Inventory (Days)	1	1	0	1	1	1	1
Debtors (Days)	55	56	60	57	60	60	60
Creditors (Days)	39	44	45	57	45	42	40
<b>Leverage Ratio (x)</b>							
Net Debt/Equity	-0.1	-0.2	0.0	-0.2	-0.3	-0.5	-0.6

### Standalone Cash Flow Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(Loss) before Tax	2,118	1,284	-472	1,311	3,784	3,764	4,060
Depreciation	450	480	1,678	2,007	1,768	2,004	2,154
Direct Taxes Paid	-719	-655	-551	-276	-865	-949	-1,023
(Inc.)/Dec. in WC	196	472	77	1,219	-1,829	-823	-740
Other Items	54	-11	205	229	70	40	-1
<b>CF from Operations</b>	<b>2,099</b>	<b>1,570</b>	<b>937</b>	<b>4,489</b>	<b>2,928</b>	<b>4,037</b>	<b>4,450</b>
(Inc.)/Dec. in FA	-424	-756	-558	-258	-750	-1,500	-1,500
<b>Free Cash Flow</b>	<b>1,674</b>	<b>814</b>	<b>379</b>	<b>4,230</b>	<b>2,178</b>	<b>2,537</b>	<b>2,950</b>
Change in Investments	3	4	34	-3,710	0	0	0
Others	373	288	129	25	215	237	260
<b>CF from Investments</b>	<b>-49</b>	<b>-464</b>	<b>-395</b>	<b>-3,944</b>	<b>-535</b>	<b>-1,263</b>	<b>-1,240</b>
Inc./Dec. in Debt	-1,661	-199	-712	675	-1,200	-50	-100
Dividends Paid	-428	-358	-358	0	-356	-356	-356
Others	-256	-154	-1,155	-1,373	-645	-277	-259
<b>CF from Fin. Activity</b>	<b>-2,345</b>	<b>-710</b>	<b>-2,225</b>	<b>-698</b>	<b>-2,201</b>	<b>-683</b>	<b>-715</b>
<b>Inc./Dec. in Cash</b>	<b>-296</b>	<b>395</b>	<b>-1,683</b>	<b>-153</b>	<b>192</b>	<b>2,091</b>	<b>2,495</b>
Opening Balance (includes Bank Bal.)	2,554	2,273	2,670	985	3,077	3,270	5,360
<b>Closing Balance (includes Bank Bal.)</b>	<b>2,273</b>	<b>2,670</b>	<b>985</b>	<b>3,077</b>	<b>3,270</b>	<b>5,360</b>	<b>7,856</b>

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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