

Blue Dart Express

 Estimate change 

 TP change 

 Rating change 

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Bloomberg	BDE IN
Equity Shares (m)	24
M.Cap.(INRb)/(USDb)	196.6 / 2.5
52-Week Range (INR)	8429 / 5308
1, 6, 12 Rel. Per (%)	1/24/41
12M Avg Val (INR M)	159

Financial Snapshot (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	44.1	51.3	57.6
EBITDA	7.0	8.0	9.4
Adj. PAT	4.1	4.7	5.6
EBITDA Margin (%)	16.0	15.5	16.4
Adj. EPS (INR)	173.8	199.6	235.2
EPS Gr. (%)	237.6	14.8	17.9
BV/Sh. (INR)	402.4	552.0	737.2
Ratios			
Net D:E	-0.2	-0.2	-0.3
RoE (%)	50.5	41.8	36.5
RoCE (%)	50.1	44.5	38.3
Payout (%)	31.5	25.1	21.3
Valuations			
P/E (x)	47.7	41.5	35.2
P/BV (x)	20.6	15.0	11.2
EV/EBITDA(x)	27.2	23.9	19.8
Div. Yield (%)	0.7	0.6	0.6
FCF Yield (%)	2.7	1.2	2.7

Shareholding pattern (%)

As On	Dec-21	Sep-21	Dec-20
Promoter	75.0	75.0	75.0
DII	9.4	9.6	11.7
FII	3.2	3.3	1.8
Others	12.4	12.1	11.5

FII Includes depository receipts

CMP: INR8,284
TP: INR8,380 (+1%)
Neutral

Volume growth strong; high fuel costs hurt margins

E-commerce segment continues to do well

- Blue Dart Express (BDE) reported a healthy revenue growth of 50% YoY to ~INR12.9b in 1QFY23 (est. INR11.6b), driven by higher growth in the Surface and e-commerce segments. Realizations were flat despite the sharp increase in fuel costs due to a change in product mix towards heavier parcels and increase in share of surface express. The e-commerce segment continued to do well and management expects the momentum to sustain.
- EBITDA margin stood at 14.7% in 1QFY23 (est. 16.0%), 510bp higher YoY but 394bp lower QoQ. Sharp increase in Air Turbine Fuel (ATF) prices coupled with increase in employee costs hurt margins QoQ.
- BDE is expecting demand to be strong going forward and is looking to add two aircraft in its fleet by end-FY23E, which should increase its capacity by ~20%. Management expects margins to sustain at current levels. We raise our FY24 EPS estimate marginally by 4%, factoring in stronger volume growth. **We maintain our Neutral rating on the stock with a revised TP of INR8,380 (premised on 20x FY24E EV/EBITDA).**

Robust volume growth in 1QFY23; to incur capex for aircraft addition

- BDE witnessed a healthy (+51% YoY) volume growth by carrying 278.4kt in 1QFY23 (v/s 184.4kt in 1QFY22). The ground express segment has been growing very well and it constitutes around one-third of the business.
- Capacity utilization is currently at ~90% level. The company is looking to add two Boeing 737 aircraft with a capex of INR3-3.5b towards the later part of FY23 to cater to the increasing demand for Air express. The two aircraft would be of 18 tonnes capacity (existing aircraft are 30 tonnes capacity) to cover Tier II & Tier III cities.

Highlights from the management commentary

- BDE has a fuel surcharge mechanism in place to hedge against the rising ATF price. Usually there is a lag of a month for the pass through.
- The gross margin has contracted QoQ in 1QFY23 because of: a) a change in the product mix, and b) high ATF prices.
- Ground express is growing faster than Air, with high double-digit growth for Ground v/s high single-digit growth for the Air segment.
- Going forward, management expects EBITDA margin to be at the current level with a variance of 100bp depending on the movement of ATF price.

Valuation and view

- BDE is adding two aircraft to its fleet to cater to the strong growth in volumes. EBITDA margin is likely to stabilize at 15-16% levels amid higher fuel prices and rising competition.
- We raise our FY24 EPS estimate by 4%, factoring in stronger volume growth. We expect BDE to clock a revenue/EBITDA/PAT CAGR of ~14%/16%/16% over FY22-24, respectively. We maintain our Neutral rating with a revised TP of INR8,380 (premised on 20x FY24E EV/EBITDA).

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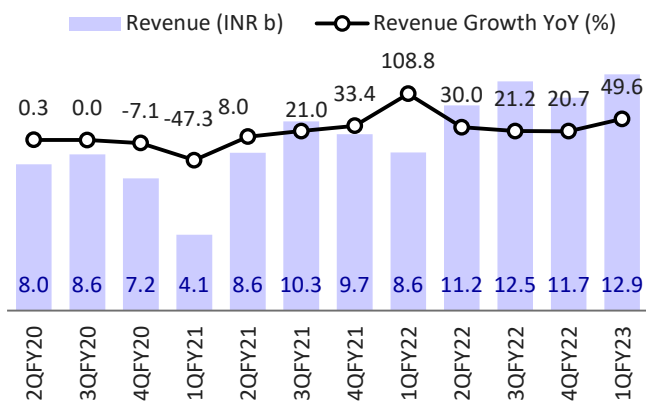
Quarterly snapshot - Standalone

Y/E March (INR m)	FY22				FY23				FY22	FY23E	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	8,648	11,236	12,548	11,659	12,933	12,135	13,551	12,679	44,090	51,298	11,588	12
YoY Change (%)	108.8	30.0	21.2	20.7	49.6	8.0	8.0	8.7	34.4	16.3	34.0	
EBITDA	834	1,986	2,039	2,179	1,908	1,844	2,141	2,065	7,038	7,958	1,854	3
Margins (%)	9.6	17.7	16.2	18.7	14.7	15.2	15.8	16.3	16.0	15.5	16.0	
YoY Change (%)	-170.6	34.6	17.6	25.3	128.7	-7.1	5.0	-5.2	86.9	13.1	122.3	
Depreciation	430	433	430	394	397	420	450	470	1,687	1,737	444	
Interest	68	59	54	59	47	55	55	60	241	217	55	
Other Income	58	64	78	85	102	75	75	75	285	327	70	
PBT before EO expense	394	1,558	1,632	1,811	1,566	1,444	1,711	1,610	5,395	6,332	1,426	10
Extra-Ord expense	0	360	0	0	0	0	0	0	360	0	0	
PBT	394	1,198	1,632	1,811	1,566	1,444	1,711	1,610	5,035	6,332	1,426	10
Tax	100	303	410	457	394	364	431	406	1,271	1,596	359	
Rate (%)	25.4	25.3	25.1	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	
Reported PAT	294	895	1,222	1,354	1,172	1,080	1,280	1,204	3,764	4,736	1,066	10
Adj PAT	294	1,254	1,222	1,354	1,172	1,080	1,280	1,204	4,124	4,736	1,066	10
YoY Change (%)	NA	66.0	43.0	52.0	298.9	-13.9	4.8	-11.1	237.6	14.8	263.1	
Margins (%)	3.4	11.2	9.7	11.6	9.1	8.9	9.4	9.5	9.4	9.2	9.2	

E: MOFSL Estimates

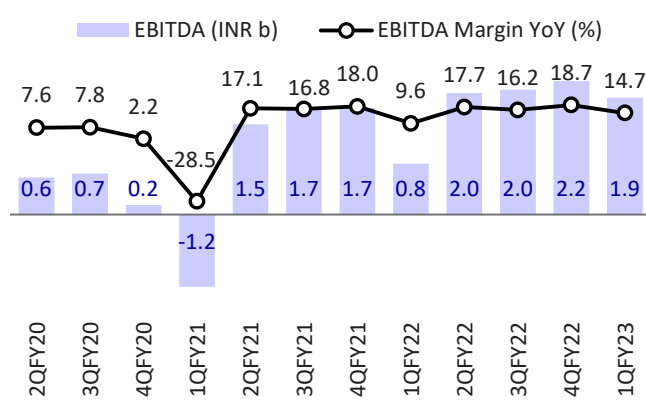
1QFY23 story in charts

Exhibit 1: Revenue rises 50% YoY



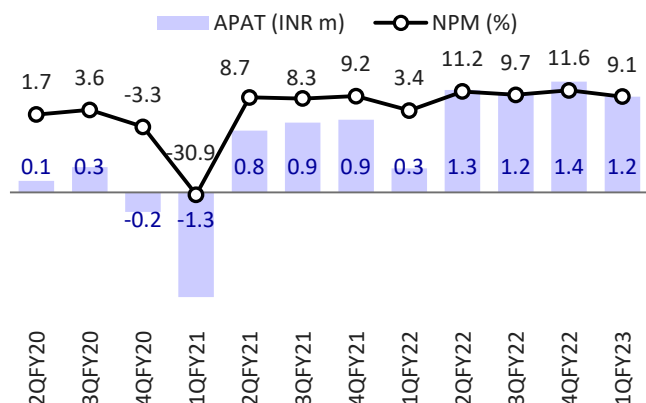
Source: Company, MOFSL

Exhibit 2: EBITDA margin improves 510bp YoY



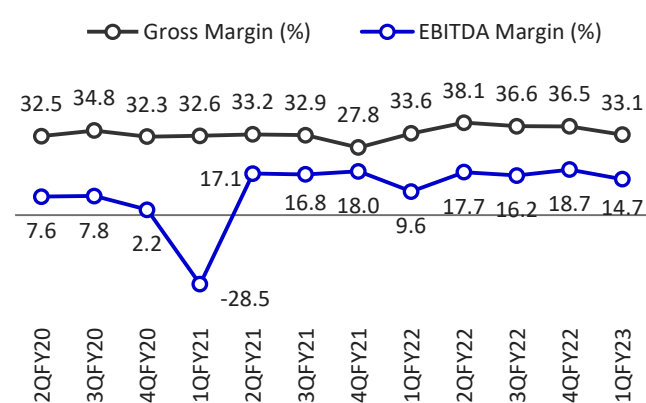
Source: Company, MOFSL

Exhibit 3: PAT up 299% YoY



Source: Company, MOFSL

Exhibit 4: Gross margin flat YoY



Source: Company, MOFSL



Highlights from management commentary

Industry

- Demand environment is good and current demand scenario is expected to continue with the onset of festive season.
- Further increase in fuel prices could create a high inflationary environment in future and impact demand.
- Air express segment is expected to grow at high single digits whereas ground is expected to grow in high double digits.

Operational highlights

- Revenue growth in 1QFY23 seems higher because of the lower base in 1QFY22. Business is seasonal in nature and hence should not be compared on QoQ basis.
- BDE runs at a current aircraft capacity utilization of ~90%.
- The end use sectors of e-commerce, BFSI, Auto & Medical equipment are performing well.
- E-commerce has been growing at a healthy pace with high double digit growth.
- BDE has 54% market share in Air segment as at end of FY21, up from 45% in FY15.
- Traditionally 1Q is the weakest quarter for BDE; the festive season usually is the best quarter.
- New wage code will impact every industry in terms of employee costs. There is high demand for talent at every level. BDE has revised the wages for its employees which looks higher compared to the previous quarter. Staff expenses are expected to be at current levels going ahead.

Fuel surcharge mechanism

- Fuel surcharge mechanism is in place which helps in passing on the high ATF prices to the customers.
- There is a lag of around a month for the pass through of higher ATF prices.

Product mix

- Ground express contributes to around one-third of the revenue.
- E-commerce segment contributes to 1/4th of the revenue.
- The gross margin has dropped compared to 4QFY22 because a) change in the product mix b) high ATF prices compared to previous quarter.
- The change in the product mix has led to a similar growth in volume and revenue despite an increase in prices due to GPI and fuel linked price changes.
- The increase volume of ground packages have also resulted in a drop of overall realization on per-tonne basis. The realization per-tonne in Air segment is ~4x that of the ground.

Competition

- BDE is more into express cargo where as other players do not do express cargo. There are selected competitors in Air express segment.
- Pradhaan Air is into charter business and is not a cargo carrier. Cargo delivery of UPS International in India used to be through Jet Airways and Spicejet, but now has partnered with Indigo for the same.

- E-com players like Amazon and Flipkart have their in-house logistics which does 85-90% of the deliveries for the players in the larger cities. Only the large ticket items for these players are done through BDE.

New Aircraft addition

- 2/3rd of the BDE cargo is through own aircraft. 1/3rd traffic is through multimodal which includes belly cargo of airlines.
- BDE is adding capacity not only in ground segment but also in Air. The company is looking to add two Boeing 737 aircraft which would lead to a 15-20% capacity expansion from current levels. BDE has a capacity of 500tonnes/night currently.
- The breakeven for the new aircraft could be achieved in the next 2-3 Quarters of addition. Generally an Aircraft achieves breakeven with a capacity utilization of 70-75%.
- The addition of the aircraft would be towards the later part of FY23. BDE plans to buy the two aircraft with a capex of INR3-3.5b.
- The two aircraft to be added would be of 18 tonnes capacity (existing aircraft are 30 tonnes capacity) which would be able to cover the Tier II & Tier III cities.
- Currently to deliver to the smaller cities, belly cargo of other airlines is being used by BDE. The two smaller aircraft would help in expanding the market of BDE into Tier II cities and decrease the use of belly cargo.
- Generally 15-20 years old aircraft fleet is used for carrying cargo.
- The new aircraft could impact margins in the near term, but would be beneficial in the longer term.

Guidance

- BDE is expected to clock higher double digit growth in revenue in FY23.
- EBITDA margin is expected to be at the current levels with a range of 100bp depending on the ATF price.
- Capex would be minimal for Ground segment in FY23 as BDE follows an asset light model with trucks and warehouses on lease.
- There is no external borrowing at the group level. Borrowing of INR2b is present in Blue Dart Aviation from a group company which would be paid back by year end.
- More pilot studies would be done for delivering shipments through drone. Delivery through drone is cost prohibitive and hence it is only to be used for emergency deliveries.

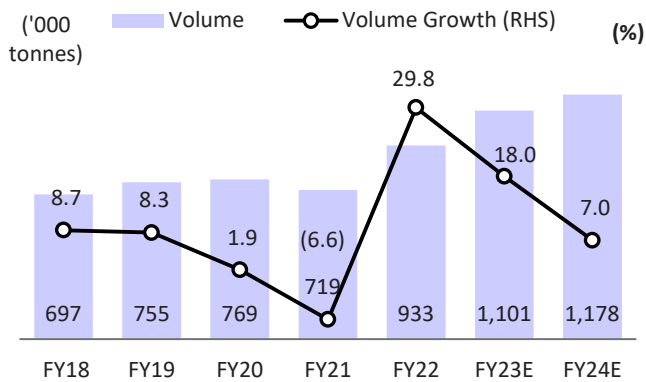
Exhibit 5: Revised forecast

(INR m)	FY23E			FY24E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	51,298	50,461	1.7	57,633	56,693	1.7
EBITDA	7,958	8,130	-2.1	9,424	9,156	2.9
EBITDA Margin (%)	15.5	16.1	-60	16.4	16.1	20
PAT	4,736	4,807	-1.5	5,582	5,365	4.0
EPS (INR)	199.6	202.6	-1.5	235.2	226.1	4.0

Source: Company, MOFSL

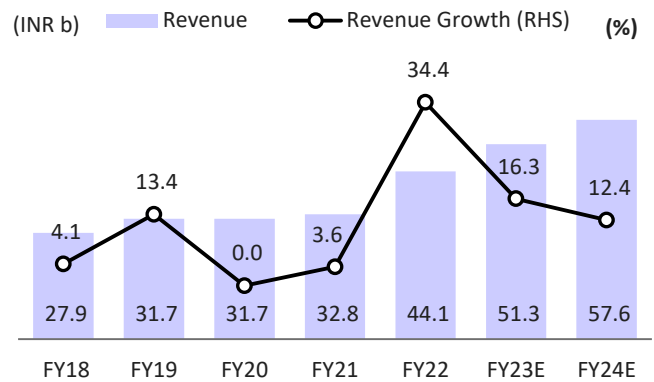
Financial story in charts

Exhibit 6: Volume growth to remain steady



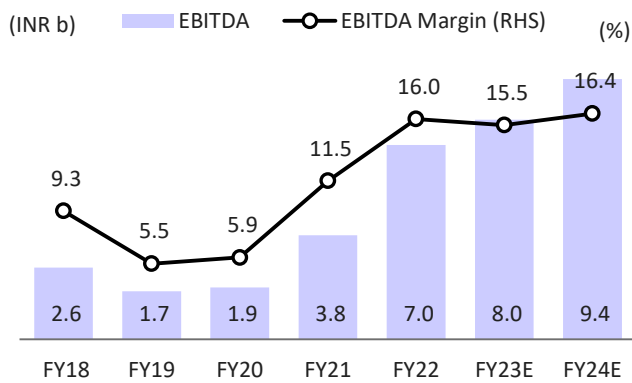
Source: Company, MOFSL

Exhibit 7: Revenues to see traction



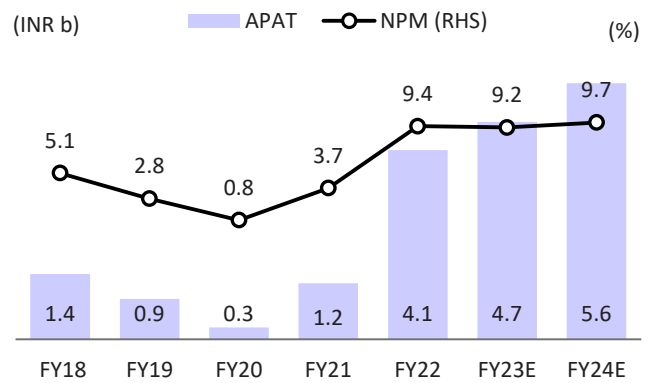
Source: Company, MOFSL

Exhibit 8: Margin to remain at ~16% levels



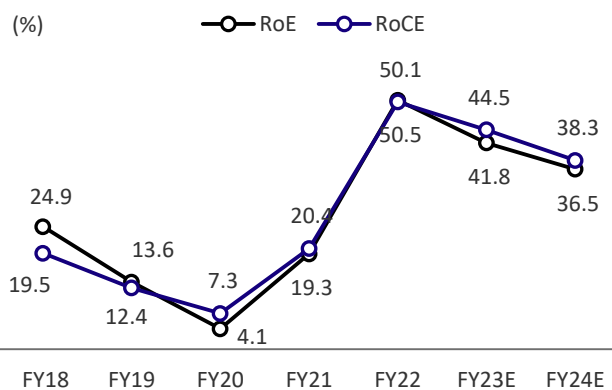
Source: Company, MOFSL

Exhibit 9: PAT to see healthy growth ahead



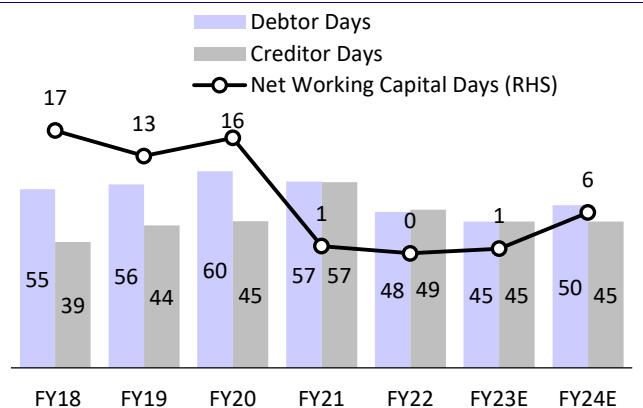
Source: Company, MOFSL

Exhibit 10: Return ratios to 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	51,298	57,633
Change (%)	4.1	13.4	0.0	3.6	34.4	16.3	12.4
Gross Margin (%)	36.2	33.4	31.8	36.2	36.4	35.2	36.0
EBITDA	2,598	1,735	1,878	3,766	7,038	7,958	9,424
Margin (%)	9.3	5.5	5.9	11.5	16.0	15.5	16.4
Depreciation	450	480	1,528	2,007	1,687	1,737	2,097
EBIT	2,148	1,255	350	1,760	5,351	6,221	7,327
Int. and Finance Charges	256	154	321	317	241	217	208
Other Income	225	182	140	127	285	327	344
PBT	2,118	1,284	169	1,569	5,395	6,332	7,462
Tax	697	408	-89	347	1,271	1,596	1,880
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	4,736	5,582
Extraordinary Items	0	0	641	259	360	0	0
Reported PAT	1,421	876	-383	963	3,764	4,736	5,582
Adjusted PAT	1,421	876	258	1,222	4,124	4,736	5,582
Change (%)	1.8	-38.4	-70.5	373.1	237.6	14.8	17.9
Margin (%)	5.1	2.8	0.8	3.7	9.4	9.2	9.7

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	12,861	17,256
Net Worth	6,213	6,648	5,835	6,792	9,549	13,098	17,494
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	12,788	17,184
Gross Block	3,858	4,538	7,998	8,071	9,291	12,791	13,791
Less: Accum. Deprn.	1,264	1,685	2,362	3,100	4,786	6,523	8,620
Net Fixed Assets	2,594	2,853	5,636	4,972	4,505	6,268	5,171
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	13,435	18,881
Inventory	45	59	37	58	70	70	79
Account Receivables	4,200	4,890	5,245	5,149	5,788	6,324	7,895
Cash and Bank Balances	2,273	2,670	985	3,077	1,829	2,016	5,262
Loans and Advances	310	119	8	0	2,501	2,909	3,269
Others	1,283	1,442	1,969	1,880	1,818	2,115	2,376
Current Liab. and Prov.	4,391	5,595	9,027	10,149	10,786	11,230	11,983
Account Payables	2,959	3,795	3,911	5,131	5,876	6,324	7,105
Other Current Liabilities	755	924	3,933	3,808	3,680	3,676	3,648
Provisions	677	877	1,183	1,211	1,230	1,230	1,230
Net Current Assets	3,720	3,584	-783	15	1,219	2,205	6,897
Application of Funds	7,822	7,954	6,316	7,933	9,239	12,788	17,184

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	199.6	235.2
EPS growth (%)	1.8	-38.4	-70.5	373.1	237.6	14.8	17.9
Cash EPS	78.8	57.1	75.3	136.0	244.9	272.8	323.6
BV/Share	261.8	280.1	245.9	286.2	402.4	552.0	737.2
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	25.1	21.3
Valuation (x)							
P/E	138.3	224.4	761.3	160.9	47.7	41.5	35.2
Cash P/E	105.1	145.0	110.1	60.9	33.8	30.4	25.6
EV/EBITDA	74.9	111.8	103.8	51.0	27.2	23.9	19.8
EV/Sales	7.0	6.1	6.2	5.9	4.3	3.7	3.2
P/BV	31.6	29.6	33.7	28.9	20.6	15.0	11.2
Dividend Yield (%)	0.2	0.2	0.0	0.2	0.7	0.6	0.6
Return Ratios (%)							
RoE	24.9	13.6	4.1	19.3	50.5	41.8	36.5
RoCE	19.5	12.4	10.5	20.6	50.1	44.5	38.3
RoIC	33.6	21.9	9.2	47.4	137.9	89.9	82.6
Working Capital Ratios							
Fixed Asset Turnover (x)	7.6	7.5	5.1	4.1	5.1	4.6	4.3
Asset Turnover (x)	3.6	4.0	5.0	4.1	4.8	4.0	3.4
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	-0.1	-0.2	0.0	-0.2	-0.2	-0.2	-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	6,332	7,462
Depreciation	450	480	1,678	2,007	1,687	1,737	2,097
Direct Taxes Paid	-719	-655	-551	-276	-1,261	-1,596	-1,880
(Inc.)/Dec. in WC	196	472	77	1,219	360	-599	-1,247
Other Items	54	-11	205	229	6	-110	-135
CF from Operations	2,099	1,570	937	4,489	5,827	5,764	6,297
(Inc.)/Dec. in FA	-424	-756	-558	-258	-517	-3,500	-1,000
Free Cash Flow	1,674	814	379	4,230	5,310	2,264	5,297
Change in Investments	3	4	34	-3,710	-759	-800	-800
Others	373	288	129	25	160	327	344
CF from Investments	-49	-464	-395	-3,944	-1,115	-3,973	-1,456
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	187	3,245
Opening Balance (includes Bank Bal.)	2,554	2,273	2,670	985	3,077	1,829	2,016
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	2,016	5,262

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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