

Blue Dart Express

BSE SENSEX 61,511 S&P CNX 18,267

CMP: INR7,377 TP: INR8,110 (+10%)

Neutral

BLUE DART

Stock Info

	BDE IN
Bloomberg	BDE IN
Equity Shares (m)	24
M.Cap.(INRb)/(USDb)	175 / 2.1
52-Week Range (INR)	9639 / 5428
1, 6, 12 Rel. Per (%)	-15/-8/4
12M Avg Val (INR M)	180
Free float (%)	25.0

Financials Snapshot (INR b)

Y/E March	2022	2023E	2024E
Net Sales	44.1	51.3	60.3
EBITDA	7.0	7.1	9.2
Adj. PAT	4.1	4.1	5.4
Adj. EPS (INR)	173.8	173.0	228.6
EPS Gr. (%)	237.6	-0.5	32.1
BV/Sh. (INR)	402.4	525.4	703.9

Ratios

Net D/E (x)	-0.2	-0.1	-0.3
RoE (%)	50.5	37.3	37.2
RoCE (%)	50.1	39.9	39.1
Payout (%)	31.5	28.9	21.9

Valuations

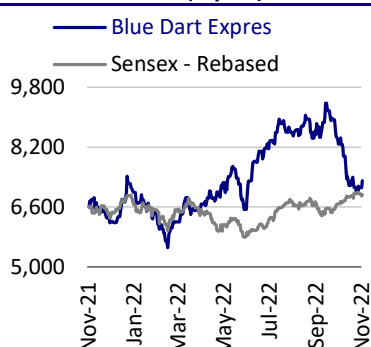
P/E (x)	42.4	42.6	32.2
P/BV (x)	18.3	14.0	10.5
EV/EBITDA (x)	24.1	23.7	18.1
Div. Yield (%)	0.8	0.7	0.7
FCF Yield (%)	3.0	0.9	2.8

Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	75.0	75.0	75.0
DII	7.9	9.6	9.6
FII	5.1	3.5	3.3
Others	12.0	11.9	12.1

FII Includes depository receipts

Stock Performance (1-year)



Robust portfolio of Air and Ground cargo offerings; to benefit from likely reduction in ATF prices

- Blue Dart Express (BDE) commands greater than 50% market share in the organized Air Express segment and has been picking up market share in the Ground Express segment. The company has well-diversified service offerings of Air express (~65% revenue share) and Ground express (~35% revenue share).
- Despite the challenging last few years, BDE has managed to grow revenue through improved volumes and realizations. Through its dedicated aircraft fleet service, its operations were not as severely impacted as pure Road transporters during the pandemic.
- The Ground express segment is expected to grow at 2x the air express segment. BDE is looking to increase the share of Ground express in its overall mix to better capitalize on the growth opportunity.
- Aviation Turbine Fuel (ATF) accounts for ~40% of direct operating costs for an Express Logistics airline. The ATF prices have reduced in the recent months after a sharp rise in FY22. However, the reduction in ATF prices has been not in sync with the reduction in Brent crude price. Now, with the recent change in benchmarking of ATF pricing to MOPAC (Mean of Platt Arab Gulf oil price), the ATF prices are expected to reduce in December.
- We believe this reduction would support margins for BDE and would also support higher air freight volumes.

Price hike to sustain margins amidst rising inflation

- The company has announced a price hike of 9.6% effective Jan 01, 2023. This price hike is the annual price hike BDE undertakes to offset the rising costs.
- The implementation of such price hike takes a few months based on negotiations with customers and the net price hike turns out to be 5-6%.
- Also, ATF prices have fallen ~18% from its highs in Jul'22, which should offset some of the increases in other costs and support overall margins for the company.

BDE is looking to add two new aircraft to increase its operations in smaller towns

- On the back of a strong parentage and an enviable network, BDE caters to more than 35,000 locations, with a fleet of six aircraft and more than 12,000 vehicles.
- The company has more than 2,300 facilities and hubs across India, aiding in servicing 98% of the pin codes.
- It plans to further strengthen and consolidate its air and ground infrastructure to expand its reach.
- The company is looking to add two Boeing 737 aircraft with a capex of INR3-3.5b in 2HFY23 to cater to the increasing demand for Air express.
- The two new aircraft would be of 18 tonnes capacity (existing aircraft are 30 tonnes capacity) to cover Tier II & Tier III cities.
- The robust network built over the years will help the company capitalize on the growth opportunity in the Express Logistics space.

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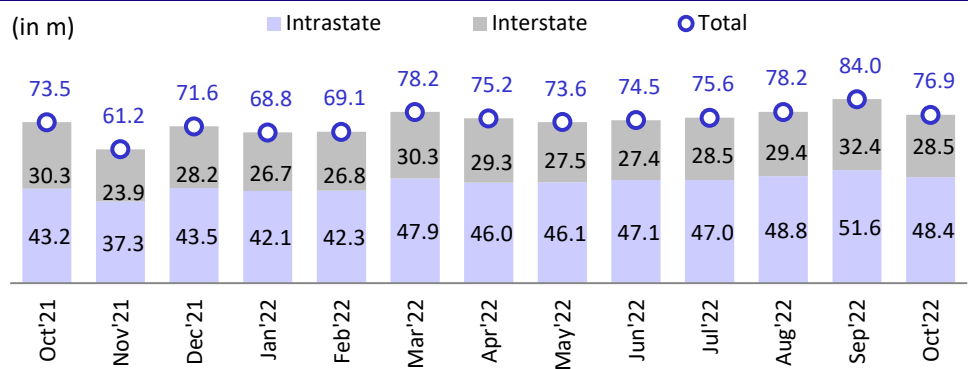
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Valuation and view

- BDE is looking to increase its contribution from the Ground Express segment from its current levels of ~35%. Owing to the cost differential between services, the growth in Ground Express is expected to be 2x the growth in Air Express.
- 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, with higher fuel prices and rising competition.
- We expect BDE to clock a revenue/EBITDA/PAT CAGR of ~17%/14%/15%, respectively, over FY22-24, and we reiterate our Neutral rating, with a TP of INR8,110 (20x FY24E EV/EBITDA).

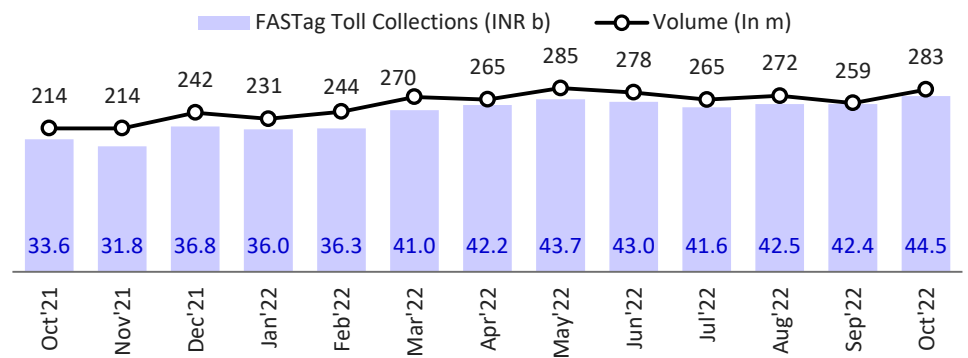
Pickup in Logistics activity amid healthy demand environment

Exhibit 1: Daily average e-way bill generations robust



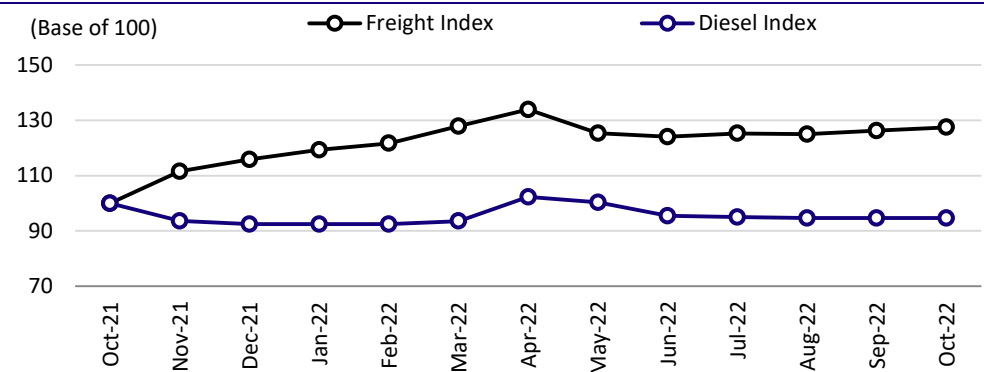
Sources: GSTN, MOFSL

Exhibit 2: Daily average FASTag toll collections has been on an uptrend

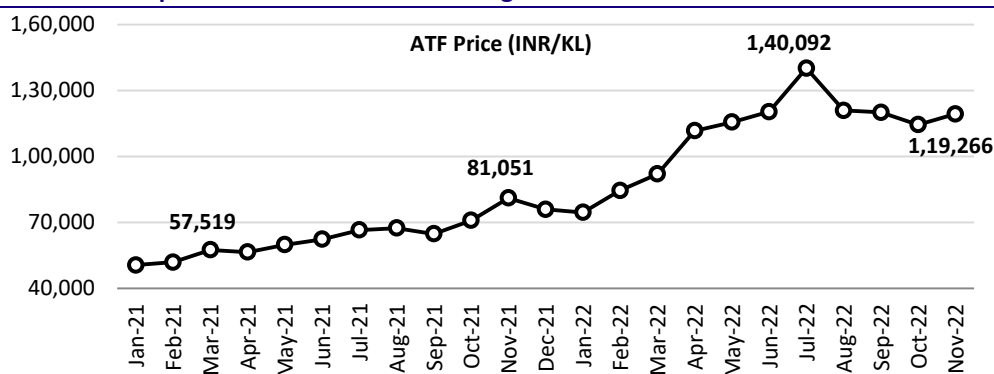


Sources: NPCI, MOFSL

Exhibit 3: Freight rates remain elevated amid pickup in demand



Sources: IFTRT, MOFSL

Exhibit 4: ATF prices have eased from their highs in Jul'22

Sources: IOCL, MOFSL



Highlights from Management commentary

Air turbine fuel (ATF)

- Usually, Brent crude prices and ATF prices move together, however, recently ATF prices have not corrected in line with Brent crude prices.
- The company has been building contracts based on Brent prices over the last 15-20 years and it cannot be easily modified.
- As per media reports on Nov 09, ATF prices would be now be benchmarked to MOPAC and they are expected to decline 10-15% in Dec'22.
- Fuel Surcharge is linked to Brent in dollar terms and does not address forex. However, BDE also has a currency adjustment factor, which hedges against this volatility (it is linked to average of dollar and Euro).
- If things do not materialize as desired then surcharge calculation may require a change from Brent. This would take a few months to materialize. Although this is not expected have any impact on volumes but it might adversely affect some margins. We would get a clearer picture on Dec 01.

Demand scenario

- Post the festive season, although demand has softened, but it is not looking at a slowdown in the near future. From Mid-December onwards, it is expected to normalize.
- Demand has specifically softened across segments, but primarily led by E-comm in B2C and in B2B (Air and surface both).
- Demand softening is an industry-wide phenomenon, but BDE's market share has not been impacted.
- E-comm, BFSI, Auto parts, readymade goods, electrical parts, and mobile have all witnessed a softening in demand.

Realization and Margins

- Blended realization has decreased YoY in 2Q due to change in service mix.
- Pressure on EBITDA margin in 2QFY23 was largely due to high ATF prices
- Although wage increase adversely impacted costs, increase in ATF prices primarily resulted in narrower margins
- Bluedart had announced a price hike of 9.6% from Jan'23 onwards to cover inflationary costs
- With the annual price hike in Jan, blended realization could be adversely impacted by 4-5% (post negotiation)

Capacity

- Capacity addition on track to add two aircraft by Dec end. Although this might temporarily result in a lower capacity utilization, it is expected to normalize in the next two to three quarters.
- Bluedart is adding 25 more retail outlets for walk-in customers in new areas to address more markets
- Utilization of Air is 88% based on scheduled night flights. The utilization is lower during the day and ground utilization stands at 85-86% levels
- Right sizing implemented in 2019 presented its benefits in 2020-21.

Industry and Competition

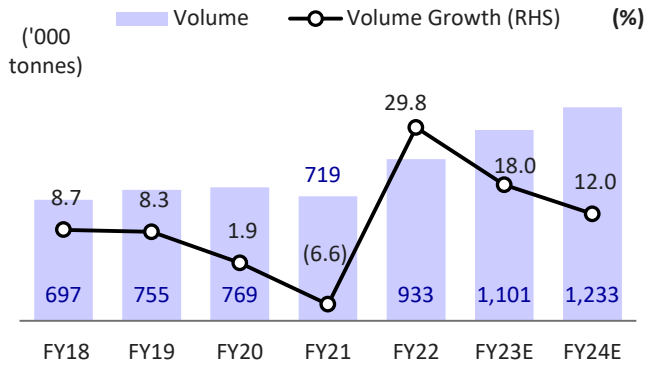
- BDE has likely gained market share in both Air and Ground cargo
- Near-term utilization can be marginally impacted due to softness in demand post the festive season
- BDE is in the process of signing up for ONDC. Customers can choose their service provider and avail the service
- Surface and E-comm both growing well for BDE
- E-comm volumes stronger now with decreased competition (PE funding drying)
- BDE pricing is 10-15% higher than e-comm shipments and more profitable. BDE is only focusing on profitable businesses.
- Owing to competition, BDE is looking to increase prices and reduce losses. However, due to this, customers are slowly drifting to rival companies
- BDE is looking for General Price Increase (GPI) even for E-comm customers
- Customers not satisfied with companies such as Delhivery and have moved to BDE
- While BDE is growing faster than industry in Surface, it is the second largest in ground (two years back BDE was at the fourth position) shipment.
- Currently, BDE is behind Safexpress. Delhivery (including Spoton) is similar to BDE in size.

DGCA

- Since air cargo data by DGCA includes non-express, DGCA data is not much relevant
- BDE cargo also uses other aircraft (belly cargo) as it caters Pan India
- One-third of BDE volumes (in tonnage terms) is carried by other aircraft and two-thirds is carried by BDE's own aircraft
- All data provided by BDE is on revenue basis and not on tonnage basis (60-70% share revenues from Air and the remaining from Surface)

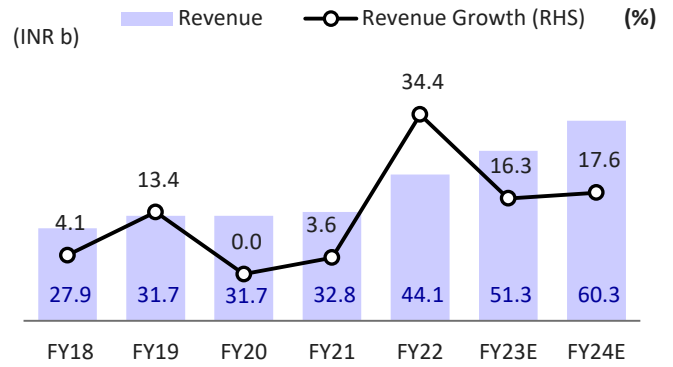
Financial story in charts

Exhibit 5: Volume growth to remain steady



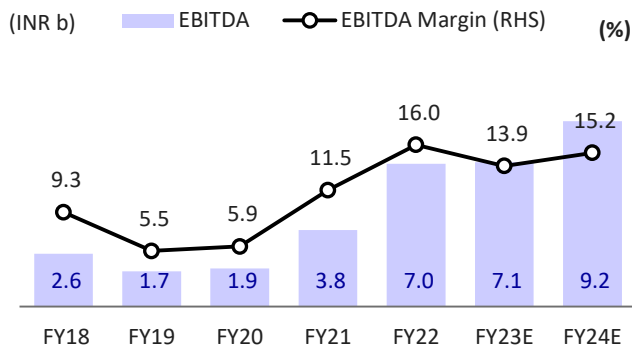
Source: Company, MOFSL

Exhibit 6: Revenue to see traction



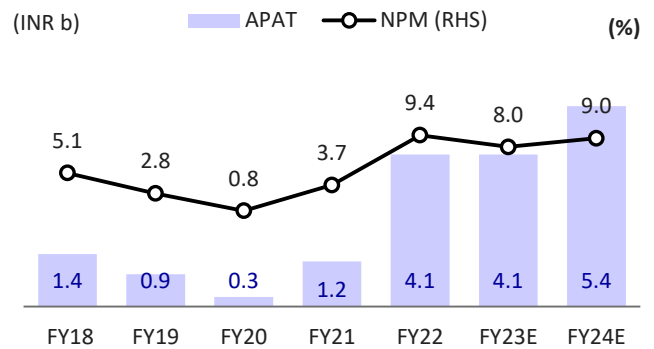
Source: Company, MOFSL

Exhibit 7: Margin to remain at ~16% levels



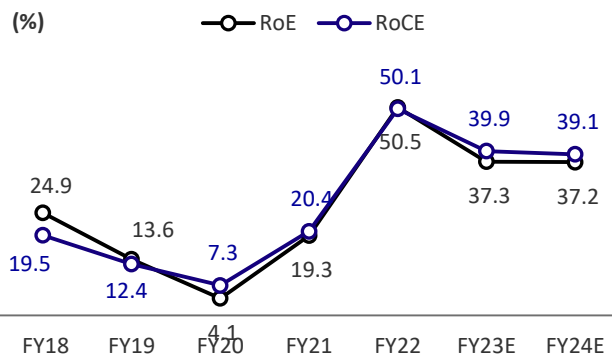
Source: Company, MOFSL

Exhibit 8: PAT to see healthy growth ahead



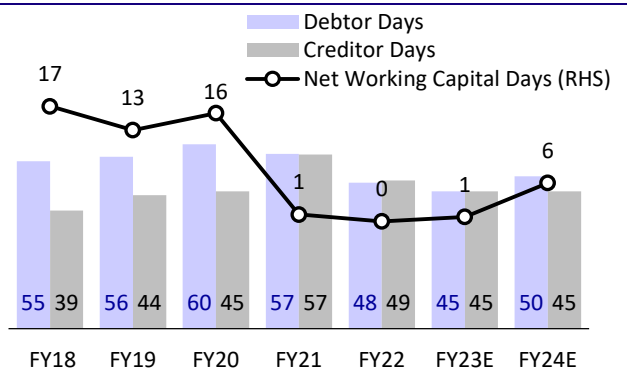
Source: Company, MOFSL

Exhibit 9: Return ratios to remain healthy



Source: Company, MOFSL

Exhibit 10: 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	60,327
Change (%)	4.1	13.4	0.0	3.6	34.4	16.3	17.6
Gross Margin (%)	36.2	33.4	31.8	36.2	36.4	32.8	33.0
EBITDA	2,598	1,735	1,878	3,766	7,038	7,117	9,154
Margin (%)	9.3	5.5	5.9	11.5	16.0	13.9	15.2
Depreciation	450	480	1,528	2,007	1,687	1,755	2,113
EBIT	2,148	1,255	350	1,760	5,351	5,362	7,042
Int. and Finance Charges	256	154	321	317	241	217	208
Other Income	225	182	140	127	285	399	419
PBT	2,118	1,284	169	1,569	5,395	5,543	7,252
Tax	697	408	-89	347	1,271	1,438	1,827
Effective Tax Rate (%)	32.9	31.7	NA	26.5	25.2	26.0	25.2
PAT before EO. Items	1,421	876	258	1,222	4,124	4,105	5,424
Extraordinary Items	0	0	641	259	360	0	0
Reported PAT	1,421	876	-383	963	3,764	4,105	5,424
Adjusted PAT	1,421	876	258	1,222	4,124	4,105	5,424
Change (%)	1.8	-38.4	-70.5	373.1	237.6	-0.5	32.1
Margin (%)	5.1	2.8	0.8	3.7	9.4	8.0	9.0

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	12,229	16,467
Net Worth	6,213	6,648	5,835	6,792	9,549	12,467	16,705
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	12,157	16,395
Gross Block	3,858	4,538	7,998	8,071	9,291	11,424	12,424
Less: Accum. Deprn.	1,264	1,685	2,362	3,100	4,786	5,174	7,287
Net Fixed Assets	2,594	2,853	5,636	4,972	4,505	6,250	5,137
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	12,823	18,531
Inventory	45	59	37	58	70	70	83
Account Receivables	4,200	4,890	5,245	5,149	5,788	6,324	8,264
Cash and Bank Balances	2,273	2,670	985	3,077	1,829	1,404	4,276
Loans and Advances	310	119	8	0	2,501	2,909	3,421
Others	1,283	1,442	1,969	1,880	1,818	2,115	2,487
Current Liab. and Prov.	4,391	5,595	9,027	10,149	10,786	11,230	12,388
Account Payables	2,959	3,795	3,911	5,131	5,876	6,324	7,438
Other Current Liabilities	755	924	3,933	3,808	3,680	3,676	3,721
Provisions	677	877	1,183	1,211	1,230	1,230	1,230
Net Current Assets	3,720	3,584	-783	15	1,219	1,592	6,143
Application of Funds	7,822	7,954	6,316	7,933	9,239	12,157	16,395

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	173.0	228.6
EPS growth (%)	1.8	-38.4	-70.5	373.1	237.6	-0.5	32.1
Cash EPS	78.8	57.1	75.3	136.0	244.9	246.9	317.6
BV/Share	261.8	280.1	245.9	286.2	402.4	525.4	703.9
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	28.9	21.9
Valuation (x)							
P/E	122.9	199.4	676.5	143.0	42.4	42.6	32.2
Cash P/E	93.4	128.9	97.8	54.1	30.1	29.8	23.2
EV/EBITDA	66.4	99.2	92.1	45.2	24.1	23.7	18.1
EV/Sales	6.2	5.4	5.5	5.2	3.8	3.3	2.7
P/BV	28.1	26.3	29.9	25.7	18.3	14.0	10.5
Dividend Yield (%)	0.2	0.2	0.0	0.2	0.8	0.7	0.7
Return Ratios (%)							
RoE	24.9	13.6	4.1	19.3	50.5	37.3	37.2
RoCE	19.5	12.4	10.5	20.6	50.1	39.9	39.1
RoIC	33.6	21.9	9.2	47.4	137.9	76.8	78.4
Working Capital Ratios							
Fixed Asset Turnover (x)	7.6	7.5	5.1	4.1	5.1	5.3	5.1
Asset Turnover (x)	3.6	4.0	5.0	4.1	4.8	4.2	3.7
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	-0.1	-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	5,543	7,252
Depreciation	450	480	1,678	2,007	1,687	1,755	2,113
Direct Taxes Paid	-719	-655	-551	-276	-1,261	-1,438	-1,827
(Inc.)/Dec. in WC	196	472	77	1,219	360	-599	-1,478
Other Items	54	-11	205	229	6	-182	-210
CF from Operations	2,099	1,570	937	4,489	5,827	5,080	5,849
(Inc.)/Dec. in FA	-424	-756	-558	-258	-517	-3,500	-1,000
Free Cash Flow	1,674	814	379	4,230	5,310	1,580	4,849
Change in Investments	3	4	34	-3,710	-759	-800	-800
Others	373	288	129	25	160	399	419
CF from Investments	-49	-464	-395	-3,944	-1,115	-3,901	-1,381
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	-425	2,872
Opening Balance (includes Bank Bal.)	2,554	2,273	2,670	985	3,077	1,829	1,404
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	1,404	4,276

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

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