

Blue Dart Express

Estimate change

TP change

Rating change



Bloomberg	BDE IN
Equity Shares (m)	24
M.Cap.(INRb)/(USDb)	136 / 1.7
52-Week Range (INR)	9639 / 5633
1, 6, 12 Rel. Per (%)	-12/-23/-27
12M Avg Val (INR M)	207

Financial Snapshot (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	51.7	57.5	65.1
EBITDA	6.3	6.9	8.8
Adj. PAT	3.7	4.2	5.5
EBITDA Margin (%)	12.2	12.0	13.5
Adj. EPS (INR)	154.4	174.9	232.0
EPS Gr. (%)	-11.1	13.3	32.6
BV/Sh. (INR)	531.1	646.0	818.0

Ratios

Net D:E	-0.1	-0.1	-0.2
RoE (%)	33.1	29.7	31.7
RoCE (%)	35.3	31.7	33.2
Payout (%)	19.4	34.3	25.9

Valuations

P/E (x)	37.1	32.7	24.7
P/BV (x)	10.8	8.9	7.0
EV/EBITDA(x)	20.8	18.7	14.4
Div. Yield (%)	0.5	1.0	1.0
FCF Yield (%)	1.7	2.7	3.3

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	75.0	75.0	75.0
DII	9.9	8.5	9.5
FII	4.9	5.1	3.3
Others	10.3	11.5	12.2

FII Includes depository receipts

CMP: INR5,734
TP: INR6,190 (+8%)
Neutral

Subdued volumes and high ATF prices hurt margins

Margins to improve with price hikes and recent correction in ATF prices

- Blue Dart Express (BDE) reported 4% YoY revenue growth to ~INR12.2b in 4QFY23 (est. INR13.1b). BDE handled 0.27m tonnes of cargo volume (+9.5% YoY), while realization dropped ~5% YoY to INR44.5/kg during the quarter. EBITDA margin came in at 10.5% v/s our estimate of 11.8%. EBITDA declined 41% YoY to INR1.3b. APAT declined 48% YoY to INR703m in 4QFY23 (20% below estimate) led by weak operating performance.
- During FY23, BDE carried 328m shipments weighing 1.15m tonnes. The company reported revenue of INR51.7b (+17.3% YoY), EBITDA margin of 12.2% (-370bp YoY) and APAT of INR3.7b (-11% YoY) in FY23.
- BDE's performance has been hit by subdued volumes and high ATF prices. While it has undertaken general price hike, the impact of the same would be visible from 1QFY24. Further, BDE is negotiating with airlines to provide discounts to compensate for the gap in pricing between Brent and global crude prices. We believe margin improvement could be gradual due to subdued volumes, current inflationary environment and start-up costs related to new aircraft additions. We cut our EBITDA for FY24E/FY25E by 11%/10%. We retain our Neutral rating with a revised TP of INR6,190 (premised on 16x FY25E EV/EBITDA).**

Volume growth softens in 4QFY23

- BDE registered 10% YoY volume growth in 4QFY23 (+24% YoY in FY23).
- The Ground Express division presently accounts for ~32% of total revenue. The E-commerce segment represented almost one-fourth of BDE's business.
- The company has added two Boeing 737 aircraft in 4QFY23 that would start contributing to volumes going ahead.

Highlights from the management commentary

- EBITDA margin dropped due to lower volumes, high ATF prices and higher other expenses. Other expenses rose due to new aircraft additions (other expenses as a % to sales jumped ~80bp QoQ).
- Regarding high ATF prices, management indicated that fuel surcharge mechanism was in place but the disconnect between crude and ATF prices hit 4QFY23 margins.
- The newly added aircraft should be operational by end-May'23 as the company is waiting for some clearances.

Valuation and view

- Around 2x jump is expected in the Ground Express segment over Air Express along with capacity additions that would enable BDE to achieve 12% revenue growth over FY23-25E. Margins are expected to improve gradually as new capacity ramps up in the next few quarters.
- We cut our EBITDA for FY24E/FY25E by 11%/10%. We retain our Neutral rating with a revised TP of INR6,190 (premised on 16x FY25E EV/EBITDA).**

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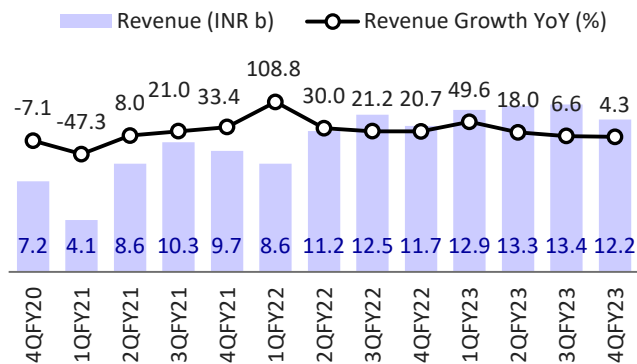
Quarterly snapshot - Standalone

Y/E March (INR m)	FY22				FY23				FY22	FY23	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	v/s Est
Net Sales	8,648	11,236	12,548	11,659	12,933	13,253	13,371	12,166	44,090	51,722	13,133	(7)
YoY Change (%)	108.8	30.0	21.2	20.7	49.6	18.0	6.6	4.3	34.4	17.3	12.6	
EBITDA	834	1,986	2,039	2,179	1,908	1,627	1,506	1,282	7,038	6,323	1,553	(17)
Margins (%)	9.6	17.7	16.2	18.7	14.7	12.3	11.3	10.5	16.0	12.2	11.8	
YoY Change (%)	-170.6	34.6	17.6	25.3	128.7	-18.0	-26.1	-41.2	86.9	-10.2	-28.8	
Depreciation	430	433	430	394	397	419	414	436	1,687	1,666	458	
Interest	68	59	54	59	47	42	42	44	241	174	44	
Other Income	58	64	78	85	102	121	139	143	285	505	121	
PBT before EO expense	394	1,558	1,632	1,811	1,566	1,288	1,189	945	5,395	4,987	1,172	(19)
Extra-Ord expense	0	360	0	0	0	0	0	0	360	0	0	
PBT	394	1,198	1,632	1,811	1,566	1,288	1,189	945	5,035	4,987	1,172	(19)
Tax	100	303	410	457	394	368	320	241	1,271	1,323	295	
Rate (%)	25.4	25.3	25.1	25.2	25.2	28.5	26.9	25.5	25.2	26.5	25.2	
Reported PAT	294	895	1,222	1,354	1,172	920	869	703	3,764	3,664	877	(20)
Adj PAT	294	1,254	1,222	1,354	1,172	920	869	703	4,124	3,664	877	(20)
YoY Change (%)	NA	66.0	43.0	52.0	298.9	-26.6	-28.9	-48.1	237.6	-11.1	-35.2	
Margins (%)	3.4	11.2	9.7	11.6	9.1	6.9	6.5	5.8	9.4	7.1	6.7	

E: MOFSL Estimates

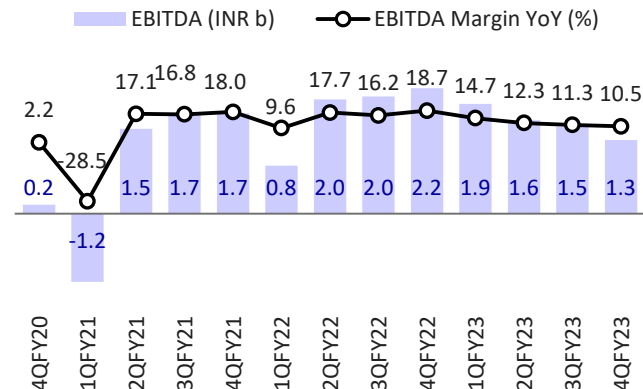
The quarter in charts

Exhibit 1: Revenue rises 4% YoY



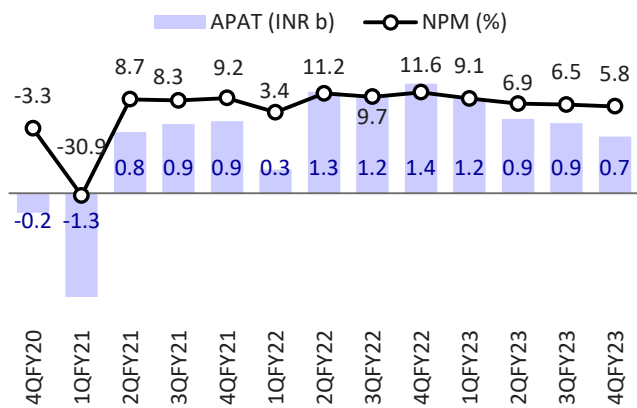
Source: Company, MOFSL

Exhibit 2: High ATF costs drag EBITDA margin



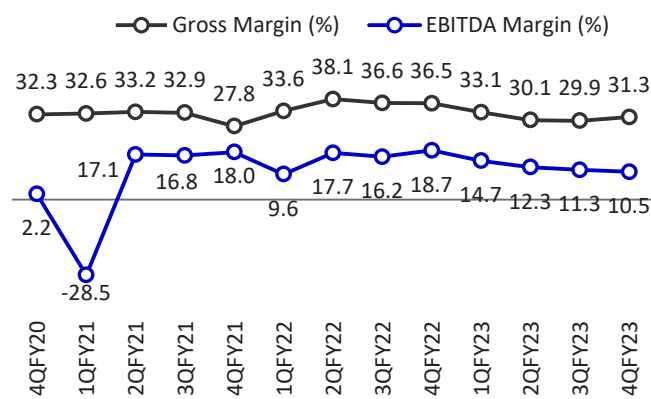
Source: Company, MOFSL

Exhibit 3: PAT decreases 48% YoY in line with weak EBITDA



Source: Company, MOFSL

Exhibit 4: Subdued volumes and high ATF prices hurt margins during 4QFY23



Source: Company, MOFSL

Highlights from our interaction with the management

Overall industry

- The economy has been flat on a QoQ basis
- The 4QFY22 quarter has some pandemic-related impact. Hence, BDE was getting volumes at high surcharges. This led to higher margins. Hence, YoY is not really comparable.
- Volume and revenue for BDE are reporting continuous growth

QoQ drop in margins

- Regarding high ATF prices, management indicated that fuel surcharge mechanism was in place but the disconnect between crude and ATF prices hit 4QFY23 margins
- A few quarters back ATF increased much differently than crude. Hence, a lot of Airlines was impacted and took case with IOCL.
- IOCL met airlines and revised the mechanism and additional discount was given to airlines to compensate for the higher ATF. However, it was not enough to cover for the cost increase. Hence, further discussions are going on with IOCL to get some more discounts and neutralize the impact.

General price increase

- Negotiations are happening with large customers
- Card rate hike is ~10% with some leeway for higher volume customers
- This takes a few months to implement but depends on customer contract
- GPI is towards neutralizing the inflation

Realization

- Blended realization provides misleading comparison
- Surface and Air products are there but mix can change that impact realizations

Margins

- In the last year, Brent and ATF move was disconnected
- If Brent was down and ATF was down then the impact was neutralized.
- Margins expected to be in the current range with some improvements
- New aircraft coming in system would also keep margins in check in near term
- Currently, the market is dynamic and uncertain and hence lower margin projections are better

Product mix

- Surface is driving growth and B2C is relatively doing but better than B2B
- Air would be ~68% of revenue and Surface would be 32%
- Ecommerce would be 24% approx. in terms of revenue
- B2B and B2C's share to be driven by market dynamics

Aircraft addition

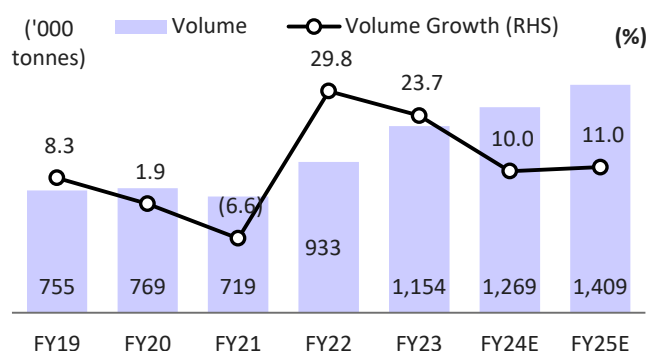
- The newly added aircraft should be operational by end-May'23 as the company is waiting for some clearances
- Some costs are incurred related to aircraft in 4QFY23
- By FY24-end, utilizations of new aircraft should be stable

Other insights

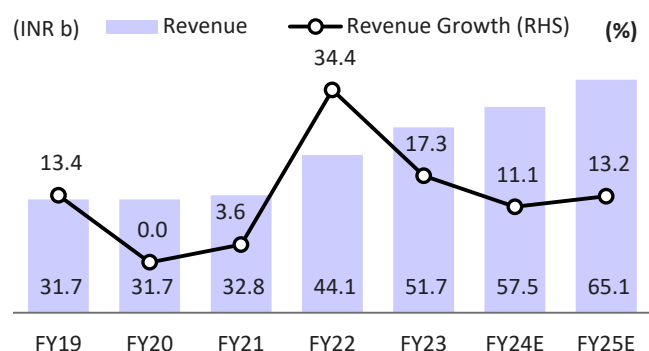
- Market is volatile but volumes would grow better than the industry
- Competition has always been there in the market
- Amazon Air expansion would be largely for Captive use
- 2H FY24 should see improvement directionally
- Go Air impact – BDE can gain share from Go Air loss but it is not substantial

Exhibit 5: Our revised forecasts

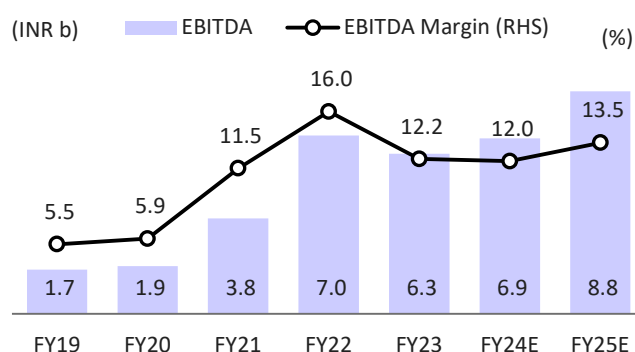
(INR m)	FY24E			FY25E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	57,463	60,783	-5.5	65,060	68,867	-5.5
EBITDA	6,920	7,758	-10.8	8,782	9,785	-10.3
EBITDA Margin (%)	12.0	12.8	-72	13.5	14.2	-71
PAT	4,150	4,447	-6.7	5,505	5,862	-6.1
EPS (INR)	174.9	187.4	-6.7	232.0	247.0	-6.1

Financial story in charts**Exhibit 6: Volume growth to remain steady**

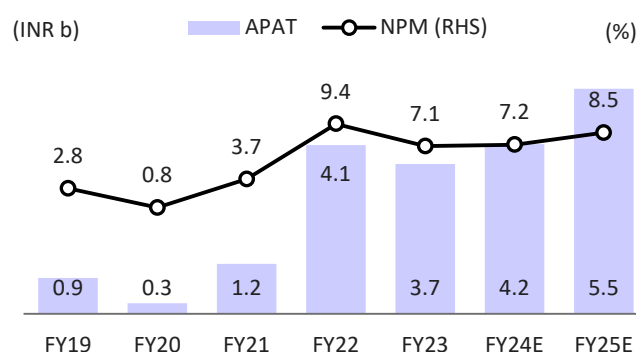
Source: Company, MOFSL

Exhibit 7: Revenue to largely mirror volume growth

Source: Company, MOFSL

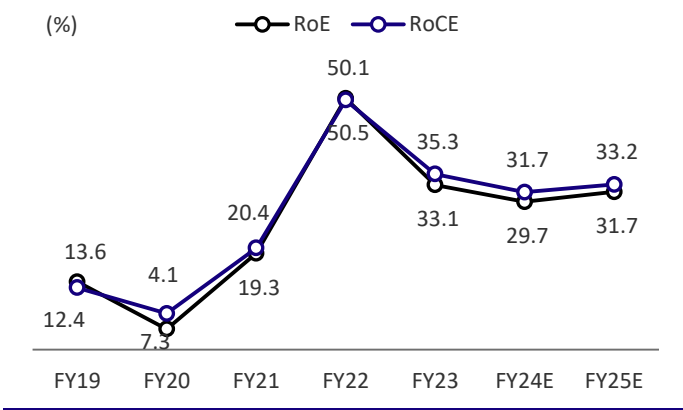
Exhibit 8: Margin to improve as costs stabilize

Source: Company, MOFSL

Exhibit 9: PAT to see healthy growth ahead

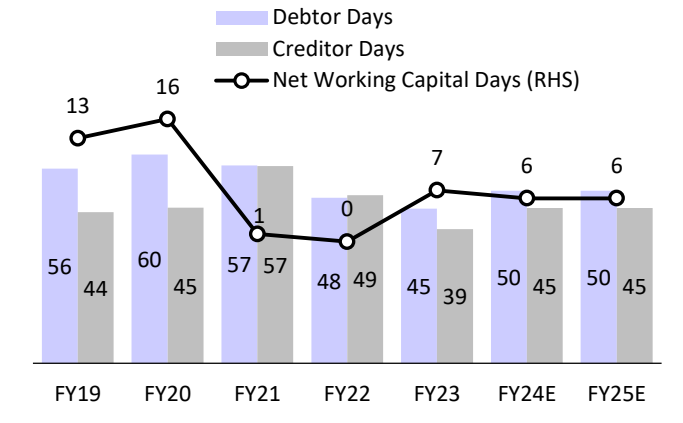
Source: Company, MOFSL

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)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	31,655	31,664	32,797	44,090	51,722	57,463	65,060
Change (%)	13.4	0.0	3.6	34.4	17.3	11.1	13.2
Gross Margin (%)	33.4	31.8	36.2	36.4	31.1	31.8	32.3
EBITDA	1,735	1,878	3,766	7,038	6,323	6,920	8,782
Margin (%)	5.5	5.9	11.5	16.0	12.2	12.0	13.5
Depreciation	480	1,528	2,007	1,687	1,666	1,682	1,779
EBIT	1,255	350	1,760	5,351	4,656	5,238	7,002
Int. and Finance Charges	154	321	317	241	174	220	200
Other Income	182	140	127	285	505	531	557
PBT	1,284	169	1,569	5,395	4,987	5,549	7,359
Tax	408	-89	347	1,271	1,323	1,398	1,855
Effective Tax Rate (%)	31.7	NA	26.5	25.2	26.5	25.2	25.2
PAT before EO. Items	876	258	1,222	4,124	3,664	4,150	5,505
Extraordinary Items	0	641	259	360	0	0	0
Reported PAT	876	-383	963	3,764	3,664	4,150	5,505
Adjusted PAT	876	258	1,222	4,124	3,664	4,150	5,505
Change (%)	-38.4	-70.5	373.1	237.6	-11.1	13.3	32.6
Margin (%)	2.8	0.8	3.7	9.4	7.1	7.2	8.5

Standalone – Balance Sheet

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	238	238	238	238	238	238	238
Total Reserves	6,410	5,597	6,554	9,311	12,366	15,093	19,173
Net Worth	6,648	5,835	6,792	9,549	12,604	15,330	19,411
Deferred Tax Liabilities	-156	-269	-284	-310	-336	-336	-336
Total Loans	1,462	750	1,425	0	0	0	0
Capital Employed	7,954	6,316	7,933	9,239	12,268	14,994	19,075
Gross Block	4,538	7,998	8,071	9,291	10,154	11,404	12,904
Less: Accum. Deprn.	1,685	2,362	3,100	4,786	5,085	6,767	8,547
Net Fixed Assets	2,853	5,636	4,972	4,505	5,068	4,636	4,357
Capital WIP	76	22	5	1	17	17	17
Total Investments	1,441	1,441	2,941	3,515	3,150	4,550	6,250
Curr. Assets, Loans, and Adv.	9,179	8,244	10,164	12,005	14,760	17,868	21,485
Inventory	59	37	58	70	78	79	89
Account Receivables	4,890	5,245	5,149	5,788	6,350	7,872	8,912
Cash and Bank Balances	2,670	985	3,077	1,829	948	1,714	3,196
Loans and Advances	119	8	0	2,501	4,504	5,004	5,666
Others	1,442	1,969	1,880	1,818	2,879	3,199	3,622
Current Liab. and Prov.	5,595	9,027	10,149	10,786	10,727	12,077	13,034
Account Payables	3,795	3,911	5,131	5,876	5,502	7,085	8,021
Other Current Liabilities	924	3,933	3,808	3,680	4,105	3,872	3,893
Provisions	877	1,183	1,211	1,230	1,120	1,120	1,120
Net Current Assets	3,584	-783	15	1,219	4,033	5,791	8,451
Application of Funds	7,954	6,316	7,933	9,239	12,268	14,994	19,075

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	36.9	10.9	51.5	173.8	154.4	174.9	232.0
EPS growth (%)	-38.4	-70.5	373.1	237.6	-11.1	13.3	32.6
Cash EPS	57.1	75.3	136.0	244.9	224.6	245.8	307.0
BV/Share	280.1	245.9	286.2	402.4	531.1	646.0	818.0
DPS	12.5	0.0	15.0	60.0	30.0	60.0	60.0
Payout (Incl. Div. Tax, %)	40.8	0.0	147.8	31.5	19.4	34.3	25.9
Valuation (x)							
P/E	155.0	526.0	111.2	32.9	37.1	32.7	24.7
Cash P/E	100.2	76.0	42.1	23.4	25.5	23.3	18.6
EV/EBITDA	76.8	71.4	34.8	18.5	20.8	18.7	14.4
EV/Sales	4.2	4.2	4.0	3.0	2.5	2.3	1.9
P/BV	20.4	23.3	20.0	14.2	10.8	8.9	7.0
Dividend Yield (%)	0.2	0.0	0.3	1.0	0.5	1.0	1.0
Return Ratios (%)							
RoE	13.6	4.1	19.3	50.5	33.1	29.7	31.7
RoCE	12.4	7.3	20.4	50.1	35.3	31.7	33.2
RoIC	21.9	9.2	44.8	137.9	56.8	46.5	57.2
Working Capital Ratios							
Fixed Asset Turnover (x)	7.5	5.1	4.1	5.5	5.7	5.3	5.4
Asset Turnover (x)	4.0	5.0	4.1	4.8	4.2	3.8	3.4
Inventory (Days)	1	0	1	1	1	1	1
Debtors (Days)	56	60	57	48	45	50	50
Creditors (Days)	44	45	57	49	39	45	45
Leverage Ratio (x)							
Net Debt/Equity	-0.2	0.0	-0.2	-0.2	-0.1	-0.1	-0.2

Standalone – Cash Flow Statement

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,284	-472	1,311	5,035	4,987	5,549	7,359
Depreciation	480	1,678	2,007	1,687	1,666	1,682	1,779
Direct Taxes Paid	-655	-551	-276	-1,261	-1,388	-1,398	-1,855
(Inc.)/Dec. in WC	472	77	1,219	360	-1,849	-592	-978
Other Items	-11	205	229	6	-225	-311	-357
CF from Operations	1,570	937	4,489	5,827	3,193	4,930	5,949
(Inc.)/Dec. in FA	-756	-558	-258	-517	-918	-1,250	-1,500
Free Cash Flow	814	379	4,230	5,310	2,275	3,680	4,449
Change in Investments	4	34	-3,710	-759	-1,467	-1,400	-1,700
Others	288	129	25	160	211	531	557
CF from Investments	-464	-395	-3,944	-1,115	-2,173	-2,119	-2,643
Inc./(Dec.) in Debt	-199	-712	675	-1,425	0	0	0
Dividends Paid	-358	-358	0	-949	-563	-1,424	-1,424
Others	-154	-1,155	-1,373	-1,334	-1,338	-620	-400
CF from Fin. Activity	-710	-2,225	-698	-3,708	-1,901	-2,044	-1,824
Inc./(Dec.) in Cash	395	-1,683	-153	1,004	-881	766	1,482
Opening Balance (includes Bank Bal.)	2,273	2,670	985	3,077	1,829	948	1,714
Inc/(Dec) in Bank Bal.	1	-2	2,245	-2,252	0	0	0
Closing Balance (includes Bank Bal.)	2,670	985	3,077	1,829	948	1,714	3,196

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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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