

# Blue Dart Express

Estimate change

TP change

Rating change



**CMP: INR6,531**

**TP: INR7,840 (+20%)**

**Buy**

**Higher costs due to capacity expansion and elevated ATF prices hurt performance**

**Margins to improve as volumes ramp up in 2HFY24E**

- Blue Dart Express (BDE)'s revenue declined 4.3% YoY to ~INR12.4b in 1QFY24 (est. INR13.2b). BDE handled 0.28m tonnes of cargo volumes (+2.6% YoY), while realization dropped ~7% YoY to INR43.3/kg mainly due to a change in product mix and higher share of surface express.
- EBITDA margin came in at 9.2% (vs. our est. of 11.0%). EBITDA declined 41% YoY to INR1.1b. APAT dipped 49% YoY to INR598m in 1QFY24 (28% below est.) due to weak operating performance. Margins came in lower owing to subdued volumes and certain start-up costs related to addition of two new aircraft. The new aircraft started operations during Jun'23 and became operational for the last 10 days of 1QFY24. The overall volume growth was muted due to weakness across the industry; however, volumes are likely to pick-up as festive season demand kicks in from 2QFY24 onwards.
- Going forward, volumes are expected to rise with improvement in overall industry sentiment and new aircraft being operational. We expect margins to gradually improve with better capacity utilization and recent reduction in ATF prices. We cut our EBITDA by 5% for FY25E but **reiterate our BUY rating** with a revised TP of INR7,840 (premised on 20x FY25E EV/EBITDA). We believe that after the near-term challenges related to aircraft additions are over, margins could improve for BDE. The long-term outlook remains robust.

**Costs related to capacity addition and high ATF prices hit margins**

- BDE's 1QFY24 performance was primarily hit by higher costs related to addition of new aircraft. The aircraft became operational for the last 10 days of 1QFY24 after receiving requisite approvals.
- High ATF prices hit margins during the quarter. However, ATF prices have corrected materially during 1QFY24 and the positive impact of the same could be more visible in 2QFY24E.

**Highlights from the management commentary**

- BDE's 1QFY24 performance was hurt by muted volumes and higher costs related to aircraft additions.
- In terms of sectors, strong performances were observed in life sciences, healthcare, consumer electronics, e-commerce, BFSI, and consumer durables.
- Amazon's decision to utilize dedicated freighters is not likely to hurt BDE's volumes notably. Long-term volume growth for the industry is projected to be 1.2x of the nominal GDP growth. Air express is anticipated to witness single-digit growth while surface express would grow much faster.
- As capacity increases gradually, BDE's standalone EBITDA margin is anticipated to reach around 12%.



Equity Shares (m)	BDE IN
M.Cap.(INRb)/(USDb)	155 / 1.9
52-Week Range (INR)	9639 / 5633
1, 6, 12 Rel. Per (%)	-12/-6/-39
12M Avg Val (INR M)	199
Free float (%)	25.0

## Financial Snapshot (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	51.7	58.0	68.7
EBITDA	6.3	6.4	8.8
Adj. PAT	3.7	3.8	5.5
EBITDA Margin (%)	12.2	11.1	12.8
Adj. EPS (INR)	154.4	159.8	233.2
EPS Gr. (%)	-11.1	3.5	45.9
BV/Sh. (INR)	531.1	630.9	804.1

## 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)	42.4	41.0	28.1
P/BV (x)	12.3	10.4	8.1
EV/EBITDA(x)	23.9	23.2	16.7
Div. Yield (%)	0.5	0.9	0.9
FCF Yield (%)	1.5	2.1	2.6

## Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	75.0	75.0	75.0
DII	11.1	9.9	9.6
FII	4.2	4.9	3.5
Others	9.6	10.3	11.9

FII Includes depository receipts

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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**Valuation and view**

- BDE has faced near-term challenges such as costs related to aircraft additions, slow industry volumes and high ATF prices. However, with aircraft moving into operations now and festive demand kicking in, volume growth could pick up from 2QFY24E onwards.
- With improved volumes and recent correction in ATF prices, margins appear to have bottomed out at these levels. We cut our EBITDA by 5% for FY25E but **reiterate our BUY rating** with a revised TP of INR7,840 (premised on 20x FY25E EV/EBITDA).

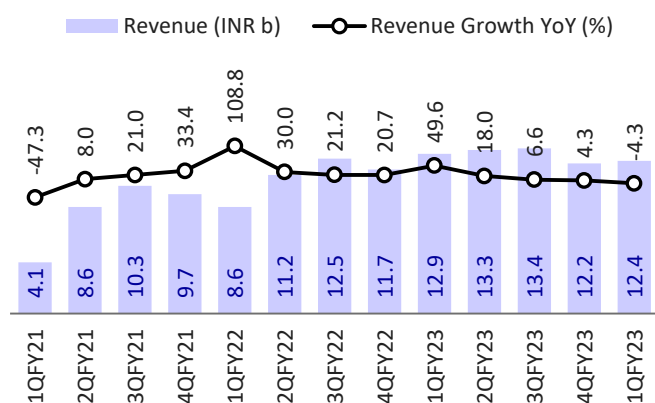
**Quarterly snapshot - Standalone**

Y/E March (INR m)	FY23				FY24E				FY23	FY24E	FY24 1QE	Var. v/s Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
<b>Net Sales</b>	<b>12,933</b>	<b>13,253</b>	<b>13,371</b>	<b>12,166</b>	<b>12,376</b>	<b>13,665</b>	<b>15,471</b>	<b>16,474</b>	<b>51,722</b>	<b>57,986</b>	<b>13,192</b>	<b>(6)</b>
YoY Change (%)	49.6	18.0	6.6	4.3	-4.3	3.1	15.7	35.4	17.3	12.1	2.0	
<b>EBITDA</b>	<b>1,908</b>	<b>1,627</b>	<b>1,506</b>	<b>1,282</b>	<b>1,133</b>	<b>1,462</b>	<b>1,826</b>	<b>2,019</b>	<b>6,323</b>	<b>6,440</b>	<b>1,451</b>	<b>(22)</b>
Margins (%)	14.7	12.3	11.3	10.5	9.2	10.7	11.8	12.3	12.2	11.1	11.0	
YoY Change (%)	128.7	-18.0	-26.1	-41.2	-40.6	-12.9	4.8	16.3	-10.2	1.9	-25.4	
Depreciation	397	419	414	436	444	422	420	421	1,666	1,707	420	
Interest	47	42	42	44	45	49	48	51	174	194	55	
Other Income	102	121	139	143	157	135	125	113	505	531	140	
<b>PBT before EO expense</b>	<b>1,566</b>	<b>1,288</b>	<b>1,189</b>	<b>945</b>	<b>801</b>	<b>1,126</b>	<b>1,483</b>	<b>1,660</b>	<b>4,987</b>	<b>5,070</b>	<b>1,116</b>	<b>(28)</b>
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
<b>PBT</b>	<b>1,566</b>	<b>1,288</b>	<b>1,189</b>	<b>945</b>	<b>801</b>	<b>1,126</b>	<b>1,483</b>	<b>1,660</b>	<b>4,987</b>	<b>5,070</b>	<b>1,116</b>	<b>(28)</b>
Tax	394	368	320	241	204	283	373	417	1,323	1,278	281	
Rate (%)	25.2	28.5	26.9	25.5	25.4	25.2	25.2	25.2	26.5	25.2	25.2	
<b>Reported PAT</b>	<b>1,172</b>	<b>920</b>	<b>869</b>	<b>703</b>	<b>598</b>	<b>843</b>	<b>1,110</b>	<b>1,243</b>	<b>3,664</b>	<b>3,792</b>	<b>834</b>	<b>(28)</b>
<b>Adj PAT</b>	<b>1,172</b>	<b>920</b>	<b>869</b>	<b>703</b>	<b>598</b>	<b>843</b>	<b>1,110</b>	<b>1,243</b>	<b>3,664</b>	<b>3,792</b>	<b>834</b>	<b>(28)</b>
YoY Change (%)	298.9	-26.6	-28.9	-48.1	-49.0	-8.4	27.6	76.7	-11.1	3.5	-28.8	
Margins (%)	9.1	6.9	6.5	5.8	4.8	6.2	7.2	7.5	7.1	6.5	6.3	

E: MOFSL Estimates

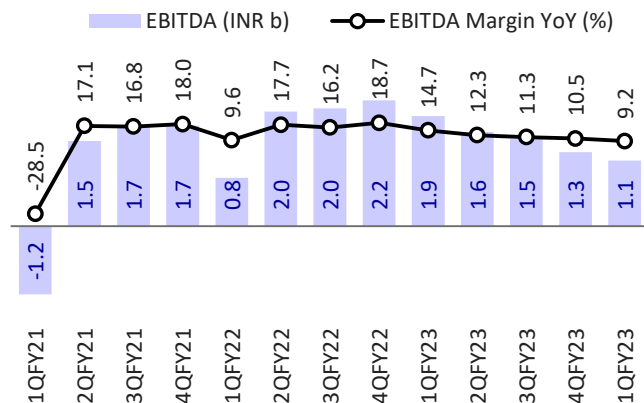
## The quarter in charts

**Exhibit 1: Revenue declines ~4% YoY**



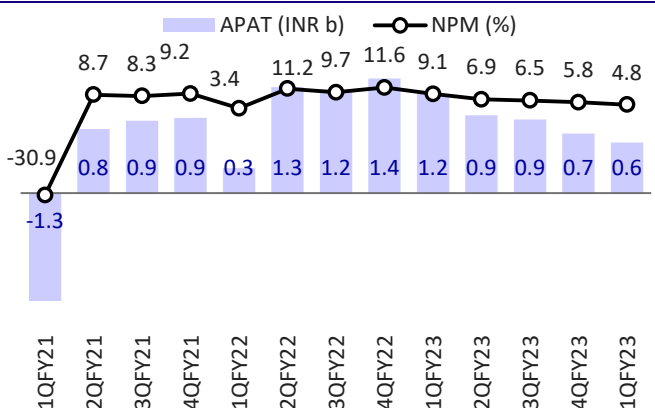
Source: Company, MOFSL

**Exhibit 2: High ATF costs drag EBITDA margin**



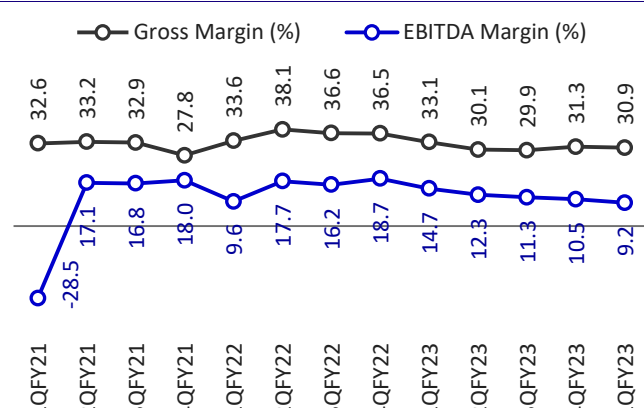
Source: Company, MOFSL

**Exhibit 3: PAT decreases 49% YoY in line with weak EBITDA**



Source: Company, MOFSL

**Exhibit 4: Subdued volumes and high ATF prices hurt margins during 1QFY24**



Source: Company, MOFSL

## Highlights from our interaction with the management

### Business updates

- In terms of sectors, strong performances were observed in life sciences, healthcare, consumer electronics, e-commerce, BFSI, and consumer durables.
- BDE's 1QFY24 performance has been aligned with internal expectations and has seen a consolidation period focused on enhancing infrastructure and capacity. This strategic preparation ensures that when volumes pick up in 2HFY24, BDE will be well-equipped with expanded capacity and the necessary infrastructure.
- Elevated ATF prices have mainly contributed to increased costs. Additionally, capacity expansion has incurred associated expenses, resulting in higher costs.
- Blended realization does reflect a QoQ decline in ATF prices. It is also due to higher share of surface express.
- BDE is managing about 1.2m shipments daily. Management maintains a positive outlook for the entire express logistics sector.
- A noteworthy aspect of BDE's business is the diversified customer base spanning various sectors.

### Impact on profit margins

- Margins were hit starting from 3QFY23, a trend that persisted into 1QFY24.
- The company is engaged in discussions with oil refinery firms and customers. Certain interim fuel charges were applied to customers.
- High ATF prices or the disparity between Brent and ATF prices will not significantly impact margins in future.
- As capacity gradually increases, standalone EBITDA margins are anticipated to hover around 12%.

### Expansion of fleet

- The investment in aircraft amounted to INR 4.5b.
- During the final 10 days of the quarter, the new aircraft assumed some of the volumes previously handled by commercial aircraft. Consequently, BDE realized revenue from these new aircraft only during the last 10 days of 1QFY24, while costs associated with them impacted the entire quarter adversely.
- The positive impact of new aircraft deployment started to manifest at the end of Jun'23, with subsequent quarters poised to benefit.

### Other insights

- BDE operates in the air express market, offering door-to-door pickup and delivery services while utilizing Indigo's belly space services.
- Amazon's decision to utilize dedicated freighters is not expected to significantly hurt BDE's volumes. BDE collaborates closely with Amazon, mainly handling smaller shipments.
- Determining average realization is complex due to the various services provided in both air and surface express segments. Air services are approximately three times costlier than surface services.

**Guidance**

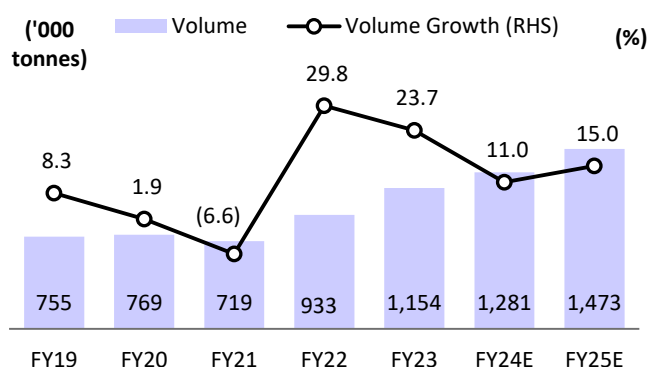
- The goal is to outpace industry growth and expand market share. Enhanced commercial volumes have the potential to drive growth beyond market averages.
- The industry's growth, roughly 1.2x that of GDP, motivates BDE to exceed market growth and augment its market presence.
- Ground express is anticipated to exhibit faster growth than air express, with ground express likely to achieve double-digit expansion while air express will likely experience high single-digit growth.
- The development of more airports, increased aircraft availability, and enhanced logistics infrastructure, coupled with healthy competition will create a favorable environment for BDE. The overall market is expected to expand, and BDE is actively expanding both its infrastructure and capacity to seize this growing opportunity.

**Exhibit 5: Our revised forecasts**

(INR m)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	57,986	57,463	0.9	68,684	66,818	2.8
EBITDA	6,440	6,920	-6.9	8,785	9,225	-4.8
EBITDA Margin (%)	11.1	12.0	-94	12.8	13.8	-102
PAT	3,792	4,304	-11.9	5,533	5,981	-7.5
EPS (INR)	159.8	181.4	-11.9	233.2	252.0	-7.5

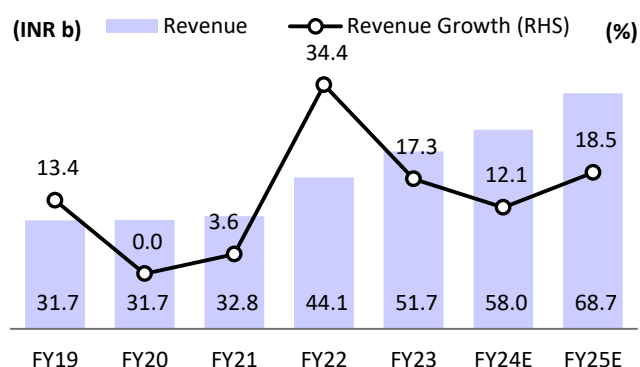
## Financial story in charts

**Exhibit 6: Volume growth to remain steady**



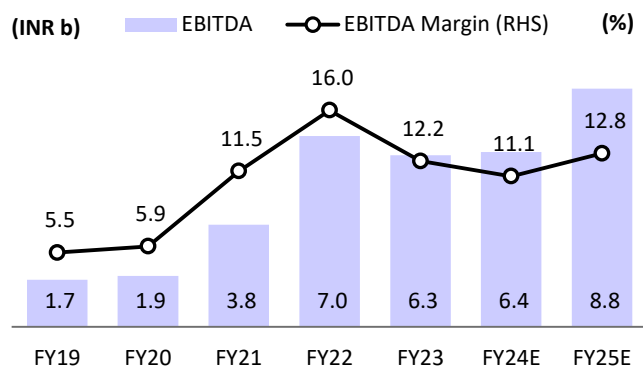
Source: Company, MOFSL

**Exhibit 7: Revenue to largely mirror volume growth**



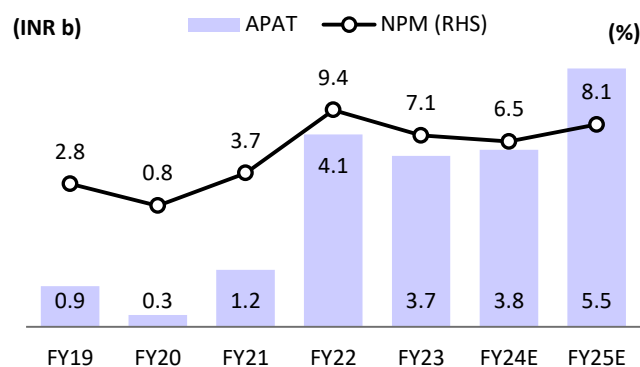
Source: Company, MOFSL

**Exhibit 8: Margin to improve as costs stabilize**



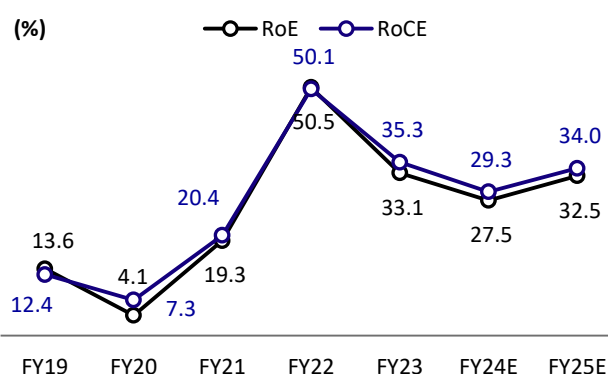
Source: Company, MOFSL

**Exhibit 9: PAT to see healthy growth ahead**



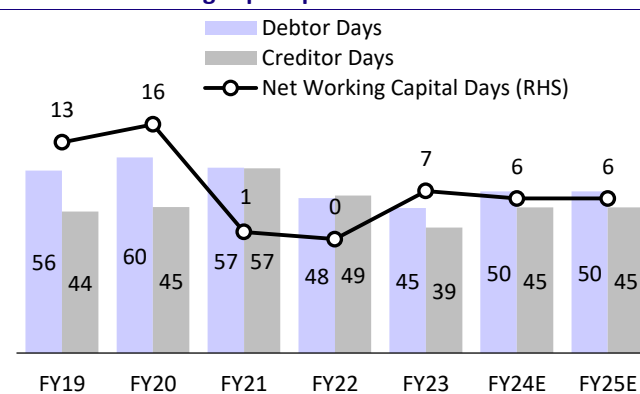
Source: Company, MOFSL

**Exhibit 10: Return ratios to remain healthy**



Source: Company, MOFSL

**Exhibit 11: Working capital position comfortable**



Source: Company, MOFSL

## Financials and valuations

### Standalone – Income Statement

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Net Sales</b>	<b>31,655</b>	<b>31,664</b>	<b>32,797</b>	<b>44,090</b>	<b>51,722</b>	<b>57,986</b>	<b>68,684</b>
Change (%)	13.4	0.0	3.6	34.4	17.3	12.1	18.5
Gross Margin (%)	33.4	31.8	36.2	36.4	31.1	31.3	31.2
<b>EBITDA</b>	<b>1,735</b>	<b>1,878</b>	<b>3,766</b>	<b>7,038</b>	<b>6,323</b>	<b>6,440</b>	<b>8,785</b>
Margin (%)	5.5	5.9	11.5	16.0	12.2	11.1	12.8
Depreciation	480	1,528	2,007	1,687	1,666	1,707	1,745
<b>EBIT</b>	<b>1,255</b>	<b>350</b>	<b>1,760</b>	<b>5,351</b>	<b>4,656</b>	<b>4,733</b>	<b>7,040</b>
Int. and Finance Charges	154	321	317	241	174	194	200
Other Income	182	140	127	285	505	531	557
<b>PBT</b>	<b>1,284</b>	<b>169</b>	<b>1,569</b>	<b>5,395</b>	<b>4,987</b>	<b>5,070</b>	<b>7,397</b>
Tax	408	-89	347	1,271	1,323	1,278	1,864
Effective Tax Rate (%)	31.7	NA	26.5	25.2	26.5	25.2	25.2
<b>PAT before EO. Items</b>	<b>876</b>	<b>258</b>	<b>1,222</b>	<b>4,124</b>	<b>3,664</b>	<b>3,792</b>	<b>5,533</b>
Extraordinary Items	0	641	259	360	0	0	0
<b>Reported PAT</b>	<b>876</b>	<b>-383</b>	<b>963</b>	<b>3,764</b>	<b>3,664</b>	<b>3,792</b>	<b>5,533</b>
<b>Adjusted PAT</b>	<b>876</b>	<b>258</b>	<b>1,222</b>	<b>4,124</b>	<b>3,664</b>	<b>3,792</b>	<b>5,533</b>
Change (%)	-38.4	-70.5	373.1	237.6	-11.1	3.5	45.9
Margin (%)	2.8	0.8	3.7	9.4	7.1	6.5	8.1

### 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	14,735	18,844
<b>Net Worth</b>	<b>6,648</b>	<b>5,835</b>	<b>6,792</b>	<b>9,549</b>	<b>12,604</b>	<b>14,972</b>	<b>19,082</b>
Deferred Tax Liabilities	-156	-269	-284	-310	-336	-336	-336
Total Loans	1,462	750	1,425	0	0	0	0
<b>Capital Employed</b>	<b>7,954</b>	<b>6,316</b>	<b>7,933</b>	<b>9,239</b>	<b>12,268</b>	<b>14,636</b>	<b>18,746</b>
Gross Block	4,538	7,998	8,071	7,924	8,867	10,117	11,617
Less: Accum. Deprn.	1,685	2,362	3,100	3,419	3,799	5,506	7,251
<b>Net Fixed Assets</b>	<b>2,853</b>	<b>5,636</b>	<b>4,972</b>	<b>4,505</b>	<b>5,068</b>	<b>4,612</b>	<b>4,367</b>
Capital WIP	76	22	5	1	17	17	17
<b>Total Investments</b>	<b>1,441</b>	<b>1,441</b>	<b>2,941</b>	<b>3,515</b>	<b>3,150</b>	<b>4,550</b>	<b>6,250</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>9,179</b>	<b>8,244</b>	<b>10,164</b>	<b>12,005</b>	<b>14,760</b>	<b>17,614</b>	<b>21,699</b>
Inventory	59	37	58	70	78	79	94
Account Receivables	4,890	5,245	5,149	5,788	6,350	7,943	9,409
Cash and Bank Balances	2,670	985	3,077	1,829	948	1,314	2,391
Loans and Advances	119	8	0	2,501	4,504	5,050	5,981
Others	1,442	1,969	1,880	1,818	2,879	3,228	3,824
<b>Current Liab. and Prov.</b>	<b>5,595</b>	<b>9,027</b>	<b>10,149</b>	<b>10,786</b>	<b>10,727</b>	<b>12,156</b>	<b>13,586</b>
Account Payables	3,795	3,911	5,131	5,876	5,502	7,149	8,468
Other Current Liabilities	924	3,933	3,808	3,680	4,105	3,887	3,998
Provisions	877	1,183	1,211	1,230	1,120	1,120	1,120
<b>Net Current Assets</b>	<b>3,584</b>	<b>-783</b>	<b>15</b>	<b>1,219</b>	<b>4,033</b>	<b>5,458</b>	<b>8,112</b>
<b>Application of Funds</b>	<b>7,954</b>	<b>6,316</b>	<b>7,933</b>	<b>9,239</b>	<b>12,268</b>	<b>14,636</b>	<b>18,746</b>

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>							
EPS	36.9	10.9	51.5	173.8	154.4	159.8	233.2
EPS growth (%)	-38.4	-70.5	373.1	237.6	-11.1	3.5	45.9
Cash EPS	57.1	75.3	136.0	244.9	224.6	231.7	306.7
BV/Share	280.1	245.9	286.2	402.4	531.1	630.9	804.1
DPS	12.5	0.0	15.0	60.0	30.0	60.0	60.0
Payout (Incl. Div. Tax, %)	40.8	-93.4	0.0	37.8	19.4	37.5	25.7
<b>Valuation (x)</b>							
P/E	177.5	602.1	127.3	37.7	42.4	41.0	28.1
Cash P/E	114.7	87.0	48.2	26.8	29.2	28.3	21.4
EV/EBITDA	88.1	81.9	40.1	21.3	23.9	23.2	16.7
EV/Sales	4.8	4.9	4.6	3.4	2.9	2.6	2.1
P/BV	23.4	26.6	22.9	16.3	12.3	10.4	8.1
Dividend Yield (%)	0.2	0.0	0.2	0.9	0.5	0.9	0.9
<b>Return Ratios (%)</b>							
RoE	13.6	4.1	19.3	50.5	33.1	27.5	32.5
RoCE	12.4	7.3	20.4	50.1	35.3	29.3	34.0
RoIC	21.9	9.2	44.8	137.9	56.8	41.9	55.9
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	7.5	5.1	4.1	5.5	6.2	6.1	6.3
Asset Turnover (x)	4.0	5.0	4.1	4.8	4.2	4.0	3.7
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
<b>Leverage Ratio (x)</b>							
Net Debt/Equity	-0.2	0.0	-0.2	-0.2	-0.1	-0.1	-0.1

### 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	5,070	7,397
Depreciation	480	1,678	2,007	1,687	1,666	1,707	1,745
Direct Taxes Paid	-655	-551	-276	-1,261	-1,388	-1,278	-1,864
(Inc.)/Dec. in WC	472	77	1,219	360	-1,849	-659	-1,377
Other Items	-11	205	229	6	-225	-337	-357
<b>CF from Operations</b>	<b>1,570</b>	<b>937</b>	<b>4,489</b>	<b>5,827</b>	<b>3,193</b>	<b>4,503</b>	<b>5,544</b>
(Inc.)/Dec. in FA	-756	-558	-258	-517	-918	-1,250	-1,500
<b>Free Cash Flow</b>	<b>814</b>	<b>379</b>	<b>4,230</b>	<b>5,310</b>	<b>2,275</b>	<b>3,253</b>	<b>4,044</b>
Change in Investments	4	34	-3,710	-759	-1,467	-1,400	-1,700
Others	288	129	25	160	211	531	557
<b>CF from Investments</b>	<b>-464</b>	<b>-395</b>	<b>-3,944</b>	<b>-1,115</b>	<b>-2,173</b>	<b>-2,119</b>	<b>-2,643</b>
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	-594	-400
<b>CF from Fin. Activity</b>	<b>-710</b>	<b>-2,225</b>	<b>-698</b>	<b>-3,708</b>	<b>-1,901</b>	<b>-2,018</b>	<b>-1,824</b>
<b>Inc./(Dec.) in Cash</b>	<b>395</b>	<b>-1,683</b>	<b>-153</b>	<b>1,004</b>	<b>-881</b>	<b>366</b>	<b>1,077</b>
Opening Balance (includes Bank Bal.)	2,273	2,670	985	3,077	1,829	948	1,314
Inc/(Dec) in Bank Bal.	1	-2	2,245	-2,252	0	0	0
<b>Closing Balance (includes Bank Bal.)</b>	<b>2,670</b>	<b>985</b>	<b>3,077</b>	<b>1,829</b>	<b>948</b>	<b>1,314</b>	<b>2,391</b>

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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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