

India

**HOLD** (no change)

Consensus ratings*: Buy 4 Hold 3 Sell 2	
Current price:	Rs5,794
Target price:	Rs6,250
Previous target:	Rs6,750
Up/downside:	7.9%
InCred Research / Consensus:	-16.9%
Reuters:	BLDT.NS
Bloomberg:	BDE IN
Market cap:	US\$1,681m
	Rs137,480m
Average daily turnover:	US\$2.1m
	Rs175.7m
Current shares o/s:	23.7m
Free float:	25.0%
*Source: Bloomberg	

**Key changes in this note**

- Reduce FY24F/25F EBITDA estimates by 5% each.
- Reduce target price by 8% to Rs6,250.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	(5.0)	(4.9)	(15.2)
Relative (%)	(6.9)	(5.5)	(23.9)

<b>Major shareholders</b>	% held
Promoter and Promoter group	75.0
ICICI Prudential Life Insurance	2.7
Kotak Mutual Fund	1.3

**Analyst(s)**



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# Blue Dart Express Ltd

## Weak 4Q volume growth and margins

- The 4QFY23 EBITDA of Blue Dart Express (BDE) declined by 13% qoq.
- Reduce our FY24F/ 25F EBITDA estimates by 6% each. Maintain HOLD rating on BDE with an 8% lower target price of Rs6,250 (vs. Rs6,750 earlier).

### Weak volume growth and margin leads to 13% qoq EBITDA decline

Consolidated 4QFY23 sales (Rs12.2bn) of Blue Dart Express (BDE) grew 4% yoy and declined 9% qoq (vs. 10% yoy growth and 9% qoq fall in volume). Thus, blended tariff fell 5% yoy and was flat qoq. It is encouraging that tariffs have plateaued in the last two quarters. As a result, EBITDA (Rs1.99bn) fell 29% yoy/13% qoq. EBITDA margin fell by 780bp yoy and 68bp qoq to 16.4%, in line with our margin estimate for FY25F. This was the fourth consecutive quarter of margin decline, in line with our thesis. However, the silver lining is that the pace of qoq decline has abated from 351bp in 1QFY23 to 68bp in 4QFY23.

### BDE's air cargo market share stabilizes at 20%

4QFY23 domestic air passenger traffic was like 3QFY20 (the last quarter before the Covid-19 pandemic). In Jan-Feb 2023, BDE's market share in air cargo was 20% vs. an average 21.1% in FY22. BDE's EBITDA margin in its core air express segment (70% of the company's sales) was negatively impacted as normalcy returned post-pandemic with passenger airlines resuming normal operations. Domestic airlines carry cargo primarily only in the belly of passenger aircraft, and thus their cargo operations were negatively impacted during the pandemic when passenger traffic declined sharply.

### Maintain HOLD rating with a lower target price of Rs6,250

Over FY20-22, BDE's EBITDA grew 2x driven by low competition in the air cargo segment (70% of revenue) as competing airlines carrying belly cargo were hamstrung by the pandemic (FY21-22). Over FY20-22, BDE's air cargo grew ~20% (10% p.a.) while prior to the pandemic, its air cargo was flat (FY16-20). As normalcy returns, we expect BDE's EBITDA margin to decline to 16.7% due to intense competition in its core air cargo segment (like in 3-4QFY23). We reduce our FY24F/25F EBITDA by 5% each. We maintain our HOLD rating on BDE with a lower target price of Rs6,250 (Rs6,750 earlier), valuing the stock at 14x EV/EBITDA FY25F (close to three-year median). BDE trades at 14.5x EV/EBITDA FY24F. Upside risk: Weak air passenger traffic denting airlines' (BDE's competitors) cargo volume. Downside risk: Decline in EBITDA margin due to intense competition.

### Financial Summary

	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue (Rsm)	32,881	44,105	51,738	58,309	66,385
Operating EBITDA (Rsm)	6,863	9,998	9,373	9,948	11,118
Net Profit (Rsm)	1,018	3,822	3,626	3,510	4,048
Core EPS (Rs)	50.8	172.1	152.6	147.7	170.3
Core EPS Growth	179.6%	239.0%	(11.3%)	(3.2%)	15.3%
FD Core P/E (x)	135.19	36.02	37.96	39.22	34.01
DPS (Rs)	15.0	60.0	69.0	79.3	91.3
Dividend Yield	0.26%	1.03%	1.19%	1.37%	1.57%
EV/EBITDA (x)	20.47	13.79	14.85	13.77	12.04
P/FCFE (x)	39.62	95.03	129.32	67.34	24.28
Net Gearing	48.1%	1.8%	15.0%	(6.3%)	(29.1%)
P/BV (x)	23.26	15.79	13.26	11.83	10.52
ROE	22.3%	55.9%	38.0%	31.9%	32.8%
% Change In Core EPS Estimates				(0.07%)	(0.07%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Weak 4Q volume growth and margins

**Figure 1: Consolidated quarterly financials**

(Rs. m)	Quarter ended				
	4QFY23	4QFY22	% Chg	3QFY23	% Chg
<b>Net Sales</b>	<b>12,166</b>	<b>11,659</b>	<b>4</b>	<b>13,371</b>	<b>-9</b>
Gross margin %	42.2	47.5		41.6	
<b>EBITDA</b>	<b>1,992</b>	<b>2,818</b>	<b>-29</b>	<b>2,281</b>	<b>-13</b>
Other income	87	36	140	90	-3
Depreciation	964	925	4	996	-3
Interest	149	196	-24	159	-6
Extraordinary income	0	100		0	
Reported PAT	694	1,370	-49	887	-22
<b>Adjusted PAT</b>	<b>694</b>	<b>1,295</b>	<b>-46</b>	<b>887</b>	<b>-22</b>
<b>EBITDA margin (%)</b>	<b>16.4</b>	<b>24.2</b>		<b>17.1</b>	
Tax rate (%)	28.1	25.3		27.0	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Standalone quarterly financials**

(Rs. m)	Quarter ended				
	4QFY23	4QFY22	% Chg	3QFY23	% Chg
<b>Net Sales</b>	<b>12,166</b>	<b>11,659</b>	<b>4</b>	<b>13,371</b>	<b>-9</b>
Gross margin %	31.3	36.5		29.9	
<b>EBITDA</b>	<b>1,282</b>	<b>2,079</b>	<b>-38</b>	<b>1,506</b>	<b>-15</b>
Other income	143	85	67	139	2
Depreciation	436	394	11	414	5
Interest	44	59	-25	42	7
Extraordinary income	0	100		0	
Reported PAT	703	1,354	-48	869	-19
<b>Adjusted PAT</b>	<b>703</b>	<b>1,279</b>	<b>-45</b>	<b>869</b>	<b>-19</b>
<b>EBITDA margin (%)</b>	<b>10.5</b>	<b>17.8</b>		<b>11.3</b>	
Tax rate (%)	25.5	25.2		26.9	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Operating metrics**

	4QFY23	4QFY22	% Chg	3QFY23	% Chg
Volume (kt)	274	250	10	302	(9)
Tariff (Rs/t)	44,460	46,667	(5)	44,278	0
Opex/t (Rs)	37,179	35,388	5	36,726	1
EBITDA/t (Rs)	7,281	11,279	(35)	7,552	(4)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: India air passengers, India air cargo and BDE's overall cargo**

	4QFY23	qoq growth %	growth (4QFY23 vs. 3QFY20)
Domestic air passengers (m)	75	5	0
Domestic Air Cargo (kt) - Source: AAI	311	(2)	(12)
Blue Dart overall cargo (kt)	274	(9)	na

SOURCE: INCRED RESEARCH, COMPANY REPORTS, AIRPORT AUTHORITY OF INDIA (AAI)

**Figure 5: India air cargo and BDE's air cargo**

	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	Jan - Feb 23
Domestic industry air cargo (kt) - Source: DGCA	182	189	174	193	192	179	105
Blue Dart air cargo (kt) - domestic	38	38	35	36	38	37	21
Blue Dart's market share %	21.0	20.3	20.1	18.9	19.6	20.7	19.9

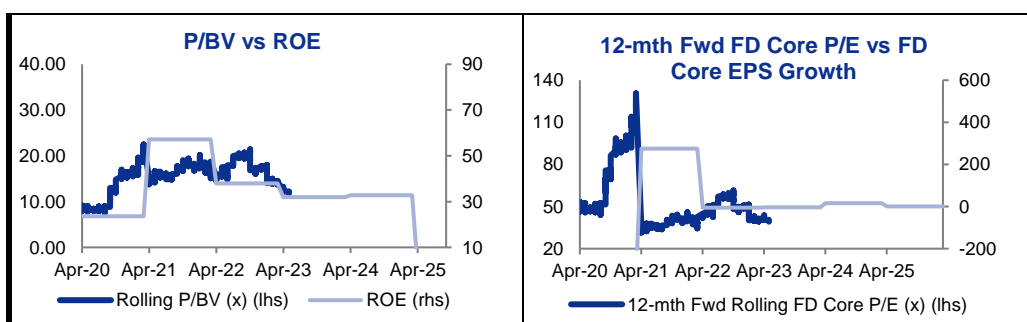
SOURCE: INCRED RESEARCH, COMPANY REPORTS, DIRECTORATE GENERAL OF CIVIL AVIATION (DGCA)

**Figure 6: Our revised earnings estimates**

(Rs m)	FY24F		FY25F	
	Old	New	Old	New
Sales	59,007	58,309	67,180	66,385
% change		(1)		(1)
EBITDA	10,443	9,948	11,679	11,118
% change		(5)		(5)
Adjusted PAT	3,799	3,510	4,356	4,048
% change		(8)		(7)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS**



**Profit & Loss**

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
<b>Total Net Revenues</b>	<b>32,881</b>	<b>44,105</b>	<b>51,738</b>	<b>58,309</b>	<b>66,385</b>
<b>Gross Profit</b>	<b>16,866</b>	<b>20,929</b>	<b>21,086</b>	<b>24,969</b>	<b>28,822</b>
<b>Operating EBITDA</b>	<b>6,863</b>	<b>9,998</b>	<b>9,373</b>	<b>9,948</b>	<b>11,118</b>
Depreciation And Amortisation	(4,300)	(3,954)	(4,074)	(4,907)	(5,467)
<b>Operating EBIT</b>	<b>2,563</b>	<b>6,044</b>	<b>5,299</b>	<b>5,040</b>	<b>5,651</b>
Financial Income/(Expense)	(1,109)	(870)	(656)	(597)	(522)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	203	307	324	365	416
<b>Profit Before Tax (pre-EI)</b>	<b>1,657</b>	<b>5,481</b>	<b>4,968</b>	<b>4,808</b>	<b>5,545</b>
Exceptional Items	(259)	(360)			
<b>Pre-tax Profit</b>	<b>1,398</b>	<b>5,122</b>	<b>4,968</b>	<b>4,808</b>	<b>5,545</b>
Taxation	(380)	(1,300)	(1,341)	(1,298)	(1,497)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>1,018</b>	<b>3,822</b>	<b>3,626</b>	<b>3,510</b>	<b>4,048</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>1,018</b>	<b>3,822</b>	<b>3,626</b>	<b>3,510</b>	<b>4,048</b>
Recurring Net Profit	1,207	4,090	3,626	3,510	4,048
<b>Fully Diluted Recurring Net Profit</b>	<b>1,207</b>	<b>4,090</b>	<b>3,626</b>	<b>3,510</b>	<b>4,048</b>

**Cash Flow**

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
<b>EBITDA</b>	<b>6,863</b>	<b>9,998</b>	<b>9,373</b>	<b>9,948</b>	<b>11,118</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	964	403	522	127	156
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(259)	(360)			
Other Operating Cashflow					
Net Interest (Paid)/Received	(906)	(563)	(332)	(232)	(106)
Tax Paid	(380)	(1,300)	(1,341)	(1,298)	(1,497)
<b>Cashflow From Operations</b>	<b>6,282</b>	<b>8,178</b>	<b>8,223</b>	<b>8,544</b>	<b>9,671</b>
Capex	(1,956)	(2,206)	(8,023)	(4,000)	(4,000)
Disposals Of FAs/subsidiaries	(1,501)	(573)	365		
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(3,457)</b>	<b>(2,779)</b>	<b>(7,658)</b>	<b>(4,000)</b>	<b>(4,000)</b>
Debt Raised/(repaid)	650	(3,950)	500	(2,500)	
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(427)	(1,708)	(1,965)	(2,259)	(2,598)
Preferred Dividends					
Other Financing Cashflow	(943)	(1,002)			
<b>Cash Flow From Financing</b>	<b>(720)</b>	<b>(6,660)</b>	<b>(1,465)</b>	<b>(4,759)</b>	<b>(2,598)</b>
Total Cash Generated	2,105	(1,262)	(900)	(215)	3,073
<b>Free Cashflow To Equity</b>	<b>3,475</b>	<b>1,449</b>	<b>1,065</b>	<b>2,044</b>	<b>5,671</b>
<b>Free Cashflow To Firm</b>	<b>3,934</b>	<b>6,268</b>	<b>1,220</b>	<b>5,141</b>	<b>6,193</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Total Cash And Equivalents	3,105	1,843	943	728	3,801
Total Debtors	5,179	5,800	6,726	7,580	8,630
Inventories	318	350	410	463	527
Total Other Current Assets	701	696	1,176	1,325	1,508
<b>Total Current Assets</b>	<b>9,303</b>	<b>8,689</b>	<b>9,255</b>	<b>10,096</b>	<b>14,466</b>
Fixed Assets	15,111	14,247	18,073	17,166	15,699
Total Investments	1,501	2,074	1,709	1,709	1,709
Intangible Assets	787	813	813	813	813
Total Other Non-Current Assets	2,272	2,464	2,629	2,629	2,629
<b>Total Non-current Assets</b>	<b>19,671</b>	<b>19,598</b>	<b>23,224</b>	<b>22,317</b>	<b>20,850</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	5,094	5,799	7,373	8,309	9,460
Other Current Liabilities	1,180	1,526	1,940	2,187	2,489
<b>Total Current Liabilities</b>	<b>6,274</b>	<b>7,325</b>	<b>9,313</b>	<b>10,496</b>	<b>11,949</b>
Total Long-term Debt	5,950	2,000	2,500		
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	10,773	10,219	10,260	10,260	10,260
<b>Total Non-current Liabilities</b>	<b>16,723</b>	<b>12,219</b>	<b>12,760</b>	<b>10,260</b>	<b>10,260</b>
Total Provisions	58	25	25	25	25
<b>Total Liabilities</b>	<b>23,055</b>	<b>19,568</b>	<b>22,098</b>	<b>20,780</b>	<b>22,234</b>
Shareholders Equity	5,920	8,720	10,382	11,632	13,082
Minority Interests					
<b>Total Equity</b>	<b>5,920</b>	<b>8,720</b>	<b>10,382</b>	<b>11,632</b>	<b>13,082</b>

<b>Key Ratios</b>					
	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Revenue Growth	3.6%	34.1%	17.3%	12.7%	13.9%
Operating EBITDA Growth	38.6%	45.7%	(6.2%)	6.1%	11.8%
Operating EBITDA Margin	20.9%	22.7%	18.1%	17.1%	16.7%
Net Cash Per Share (Rs)	(119.73)	(6.60)	(65.52)	30.65	159.97
BVPS (Rs)	249.14	367.00	436.93	489.58	550.57
Gross Interest Cover	2.31	6.95	8.08	8.44	10.82
Effective Tax Rate	27.2%	25.4%	27.0%	27.0%	27.0%
Net Dividend Payout Ratio	27.9%	34.0%	45.1%	53.6%	53.5%
Accounts Receivables Days	58.06	45.43	44.18	44.78	44.56
Inventory Days	6.70	5.26	4.53	4.78	4.81
Accounts Payables Days	103.75	85.78	78.42	85.84	86.33
ROIC (%)	12.8%	33.4%	31.1%	24.6%	29.0%
ROCE (%)	23.2%	53.5%	44.9%	41.1%	45.7%
Return On Average Assets	8.6%	17.6%	14.1%	12.7%	13.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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