



India

HOLD (previously REDUCE)

Consensus ratings*: Buy 4 Hold 2 Sell 3

Current price:	Rs6,580
Target price: ▲	Rs7,000
Previous target:	Rs6,000
Up/downside:	6.4%
InCred Research / Consensus:	-5.8%
Reuters:	BLDT.NS
Bloomberg:	BDE IN
Market cap:	US\$1,803m Rs156,130m
Average daily turnover:	US\$3.3m Rs289.2m
Current shares o/s:	23.7m
Free float:	25.0%

*Source: Bloomberg

Key changes in this note

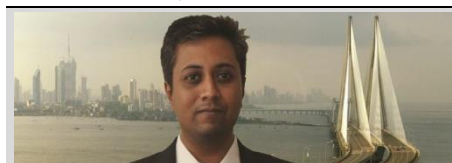
- Roll forward our valuation to Mar 2026F.
- Reduce FY26F EBITDA estimate by 1%.
- Introduce FY27F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(5.6)	(19.2)	1.1
Relative (%)	(4.3)	(16.9)	(6.5)

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

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Blue Dart Express Ltd

Margin bottoms out; trading at fair valuation

- Minor rise in the EBITDA margin yoy is a key positive.
- BDE has a niche business but lacks strong air cargo volume growth.
- Roll forward our valuation; upgrade to HOLD with a higher TP of Rs7,000.

Minor rise in the EBITDA margin yoy is a key positive

Blue Dart Express or BDE's 3QFY25 sales (Rs15.1bn) grew by 9% yoy, lower than the 12% yoy rise in cargo, despite a tariff hike in Jan 2024. The EBITDA margin (15.8%) rose by 39bp yoy. As a result, EBITDA rose by 12% yoy, in line with volume growth. Air cargo by BDE aircraft increased just 2% yoy in Oct-Nov 2024 (below the 4% yoy industry growth). Over 3QFY23-Oct-Nov 2024, BDE's air cargo was flat. This is disappointing, especially considering the addition of two aircraft to BDE's fleet in 4QFY23. We note that the yoy rise in 1HFY25 (11%) is misleading – volume was flat over 1HFY23-1HFY25. Air cargo is the most profitable business for BDE comprising ~70%/ 80%+ of its sales/EBIT.

BDE has a niche business but lacks strong air cargo volume growth

We are skeptical about BDE's air cargo growth and margin rise due to: (a) Ramp-up of new routes to small towns meant for new planes is likely to take a long time. Low utilization of planes is detrimental due to the high fixed cost of aviation. (b) As per our analysis, BDE's air cargo tariff/tkm is 4-5x of IndiGo (InterGlobe Aviation) & its cost structure is 10x of passenger carriers carrying belly cargo – Link: [Air cargo – What ails domestic air cargo growth? \(28 Feb 2024\)](#). Despite a 9% overall cargo CAGR (FY15-24) for BDE, revenue CAGR was just 10%, despite annual tariff hikes, due to sluggish air cargo CAGR (1.5%).

Roll forward our valuation; upgrade to HOLD with new TP of Rs7,000

We have cut our FY26F EBITDA estimate by ~1% and introduced FY27F estimate. Over FY25F-27F, we factor in sales/volume/EBITDA CAGR of 9%/10%/12%, respectively, like the growth in FY19-25F. We roll forward our valuation to Mar 2026F (from Mar 2025F earlier), valuing BDE at 15x EV/EBITDA FY27F (11% discount to the six-year median EV/EBITDA of 16.9x). We believe the discount is warranted, considering the likely muted growth over FY25F-27F. BDE is trading at 15.5x FY26F EV/EBITDA, at an 8% discount to the six-year median. We have upgraded BDE's rating to HOLD (REDUCE earlier) with a higher target price of Rs7,000 (Rs6,000 earlier). Upside risk: A sharp rise in BDE's air cargo. Downside risk: Increase in competitive intensity in the air cargo segment.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	51,722	52,678	57,303	63,034	68,644
Operating EBITDA (Rsm)	9,375	8,528	8,810	10,177	11,171
Net Profit (Rsm)	3,705	3,010	2,563	3,086	3,333
Core EPS (Rs)	155.9	126.7	107.9	129.9	140.3
Core EPS Growth	(9.4%)	(18.8%)	(14.8%)	20.4%	8.0%
FD Core P/E (x)	42.19	51.94	60.99	50.65	46.90
DPS (Rs)	30.0	25.0	28.8	33.1	38.0
Dividend Yield	0.46%	0.38%	0.44%	0.50%	0.58%
EV/EBITDA (x)	16.84	18.44	17.70	15.05	13.39
P/FCFE (x)	133.50	30.43	75.60	42.10	33.55
Net Gearing	13.1%	6.5%	(2.4%)	(17.9%)	(33.9%)
P/BV (x)	13.25	11.43	10.14	8.90	7.89
ROE	36.1%	23.6%	17.6%	18.7%	17.8%
% Change In Core EPS Estimates			(0.34%)		
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Margin bottoms out; trading at fair valuation

Figure 1: Consolidated financials: Sales (Rs15.1bn) grew by 9% yoy, lower than the 12% yoy rise in cargo despite a tariff hike in Jan 2024; the EBITDA margin (15.8%) rose by 39bp yoy and as a result, EBITDA rose by 12% yoy, in line with volume growth

(Rs. m)	Quarter ended				
	3QFY25	3QFY24	% Chg	2QFY25	% Chg
Net Sales	15,117	13,829	9.3	14,485	4.4
Gross Profit	6,219	5,792	7.4	5,971	4.1
Gross margin %	41.1	41.9		41.2	
EBITDA	2,392	2,134	12.1	2,181	9.7
Other income	120	244	(50.9)	87	37.9
Depreciation	1,213	1,106	9.7	1,210	0.3
Interest	206	197	4.8	208	(0.9)
Tax	283	186	51.6	221	28.0
Reported PAT	810	889	(8.9)	628	28.9
EBITDA margin (%)	15.8	15.4	39bp	15.1	77bp
Tax rate (%)	25.9	17.3		26.0	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Operating metrics

	3QFY25	3QFY24	% Chg	2QFY25	% Chg
Volume (kt)	352	314	12.0	344	2.4
Tariff (Rs000/t)	43.0	44.0	(2.4)	42.1	1.9
Opex/t (Rs000)	36.2	37.2	(2.8)	35.8	1.0
EBITDA/t (Rs000)	6.8	6.8	0.1	6.3	7.2

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Standalone quarterly financials

(Rs. m)	Quarter ended				
	3QFY25	3QFY24	% Chg	2QFY25	% Chg
Net Sales	15,117	13,829	9.3	14,485	4.4
Gross Profit	4,505	4,256	5.9	4,207	7.1
Gross margin %	29.8	30.8		29.0	
EBITDA	1,462	1,343	8.9	1,219	20.0
Other income	196	228	(13.9)	190	2.9
Depreciation	522	473	10.3	519	0.4
Interest	73	47	53.2	70	3.1
Tax	273	235	16.1	212	28.6
Reported PAT	791	816	(3.0)	608	30.2
EBITDA margin (%)	9.7	9.7	-4bp	8.4	126bp
Tax rate (%)	25.6	22.4		25.9	

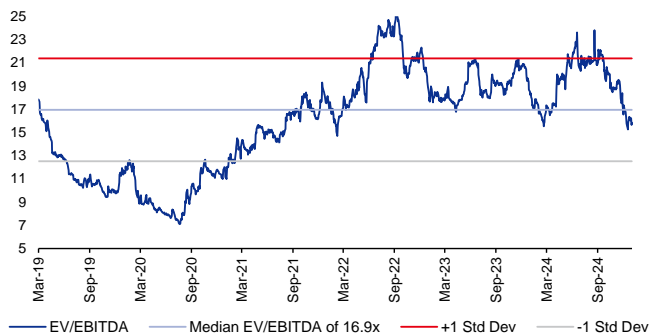
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: India domestic air cargo, BDE's air cargo: Air cargo by BDE planes rose by just 2% yoy in Oct-Nov 2024 (below the 4% yoy industry growth); over 3QFY23-Oct-Nov 2024, BDE's air cargo was flat; this is disappointing, especially considering the addition of two aircraft to BDE's fleet in 4QFY23; we note that the yoy rise in 1HFY25 (11%) is misleading – volume was flat over 1HFY23-1HFY25; air cargo is the more profitable business comprising ~70%/ 80%+ of BDE's sales/ EBIT

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	Oct-Nov 2024
Domestic industry air cargo (kt)	192	179	168	189	195	194	188	198	206	135
yoy growth %	5	(5)	(4)	(2)	2	8	12	5	6	4
Bluedart air cargo (kt) - domestic	37.6	37.1	32.0	31.9	33.7	36.4	33.5	35.8	37.2	24.3
yoy growth %	(2)	(3)	(8)	(11)	(10)	(2)	5	12	10	2
Blue Dart's market share %	19.6	20.7	19.1	16.9	17.3	18.7	17.9	18.1	18.1	18.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Over the last six years, BDE's median one-year forward EV/EBITDA was 16.9x; it is currently trading at 15.5x FY26F EV/EBITDA (8% discount to the median)



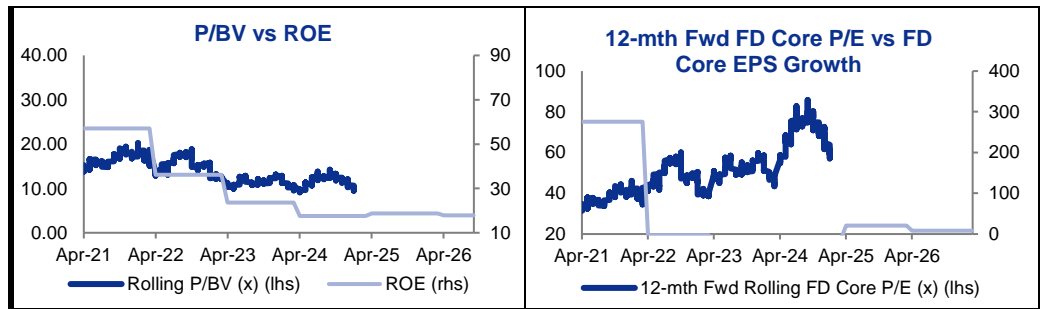
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Our revised earnings estimates

(Rs m)	FY25F		FY26F		FY27F
	Old	New	Old	New	
Sales	57,111	57,303	62,873	63,034	68,644
% change		0		0	
EBITDA	9,322	8,810	10,257	10,177	11,171
% change		(5)		(1)	
Adjusted PAT	2,981	2,563	3,267	3,086	3,333
% change		(14)		(6)	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	51,722	52,678	57,303	63,034	68,644
Gross Profit	21,367	21,835	23,329	26,028	28,419
Operating EBITDA	9,375	8,528	8,810	10,177	11,171
Depreciation And Amortisation	(3,945)	(4,329)	(4,909)	(5,609)	(6,309)
Operating EBIT	5,430	4,199	3,901	4,568	4,862
Financial Income/(Expense)	(669)	(781)	(837)	(837)	(837)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	320	508	400	440	479
Profit Before Tax (pre-EI)	5,082	3,927	3,464	4,171	4,504
Exceptional Items					
Pre-tax Profit	5,082	3,927	3,464	4,171	4,504
Taxation	(1,377)	(917)	(901)	(1,084)	(1,171)
Exceptional Income - post-tax					
Profit After Tax	3,705	3,010	2,563	3,086	3,333
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	3,705	3,010	2,563	3,086	3,333
Recurring Net Profit	3,705	3,010	2,563	3,086	3,333
Fully Diluted Recurring Net Profit	3,705	3,010	2,563	3,086	3,333

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	9,375	8,528	8,810	10,177	11,171
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(689)	790	(405)	18	17
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(348)	(272)	(437)	(397)	(358)
Tax Paid	(1,377)	(917)	(901)	(1,084)	(1,171)
Cashflow From Operations	6,961	8,129	7,068	8,714	9,660
Capex	(6,655)	(1,674)	(5,000)	(5,000)	(5,000)
Disposals Of FAs/subsidiaries	365	(1,364)			
Acq. Of Subsidiaries/investments					
Cash Flow From Investing	(6,290)	(3,037)	(5,000)	(5,000)	(5,000)
Debt Raised/(repaid)	500	47			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(854)	(712)	(819)	(941)	(1,083)
Preferred Dividends					
Other Financing Cashflow	(1,205)	(3,719)			
Cash Flow From Financing	(1,559)	(4,384)	(819)	(941)	(1,083)
Total Cash Generated	(888)	708	1,249	2,772	3,577
Free Cashflow To Equity	1,171	5,138	2,068	3,714	4,660
Free Cashflow To Firm	1,340	5,872	2,905	4,550	5,497

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	955	1,662	2,912	5,684	9,261
Total Debtors	6,367	6,704	7,449	8,194	8,924
Inventories	394	518	564	620	675
Total Other Current Assets	1,179	901	980	1,078	1,173
Total Current Assets	8,895	9,786	11,905	15,576	20,033
Fixed Assets	18,030	18,266	18,357	17,747	16,438
Total Investments	1,709	3,073	3,073	3,073	3,073
Intangible Assets	730	698	698	698	698
Total Other Non-Current Assets	2,868	2,786	2,786	2,786	2,786
Total Non-current Assets	23,336	24,823	24,914	24,305	22,995
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	5,851	6,073	6,398	7,037	7,664
Other Current Liabilities	1,878	2,630	2,771	3,048	3,319
Total Current Liabilities	7,729	8,704	9,169	10,085	10,983
Total Long-term Debt	2,500	2,547	2,547	2,547	2,547
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	10,178	9,678	9,678	9,678	9,678
Total Non-current Liabilities	12,678	12,225	12,225	12,225	12,225
Total Provisions	28	8	8	8	8
Total Liabilities	20,435	20,936	21,401	22,318	23,216
Shareholders Equity	11,796	13,673	15,417	17,562	19,813
Minority Interests					
Total Equity	11,796	13,673	15,417	17,562	19,813

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	17.3%	1.8%	8.8%	10.0%	8.9%
Operating EBITDA Growth	(6.2%)	(9.0%)	3.3%	15.5%	9.8%
Operating EBITDA Margin	18.1%	16.2%	15.4%	16.1%	16.3%
Net Cash Per Share (Rs)	(65.02)	(37.23)	15.35	132.02	282.58
BVPS (Rs)	496.45	575.45	648.88	739.16	833.88
Gross Interest Cover	8.12	5.38	4.66	5.46	5.81
Effective Tax Rate	27.1%	23.3%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	19.2%	19.7%	26.6%	25.4%	27.1%
Accounts Receivables Days	42.93	45.28	45.08	45.29	45.51
Inventory Days	4.47	5.40	5.81	5.84	5.88
Accounts Payables Days	70.04	70.56	66.99	66.26	66.70
ROIC (%)	31.9%	19.2%	18.4%	21.1%	23.1%
ROCE (%)	43.4%	27.5%	22.8%	24.0%	22.9%
Return On Average Assets	14.5%	11.3%	9.5%	10.2%	10.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.