

India

REDUCE (no change)

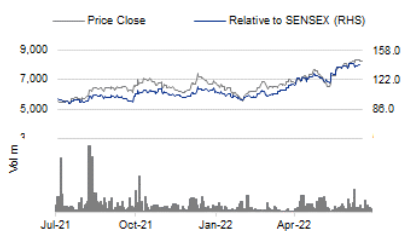
Consensus ratings*: Buy 7 Hold 1 Sell 2

Current price:	Rs8,301
Target price:	Rs5,766
Previous target:	Rs4,793
Up/downside:	-30.5%
InCred Research / Consensus:	-26.0%
Reuters:	BLDT.NS
Bloomberg:	BDE IN
Market cap:	US\$2,712m Rs196,964m
Average daily turnover:	US\$1.8m Rs127.1m
Current shares o/s:	23.7m
Free float:	25.0%

*Source: Bloomberg

Key changes in this note

- Increase FY23/24F EBITDA by ~30%.
- Roll forward TP to Mar 2023F from Sep 2022.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.7	23.2	49.6
Relative (%)	2.4	23.6	38.5

Major shareholders	% held
Promoter and Promoter group	75.0
ICICI Prudential Life Insurance	3.5
L&T Mutual Fund	1.8

Brokers Poll 2022

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InCred Research

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Blue Dart Express Ltd

Cracks start to appear

- Weak margin led to 5% qoq EBITDA decline for Blue Dart Express in 1QFY23.
- It has lost market share in the air cargo segment in Apr-May 2022 vs. FY22.
- Roll forward TP to Mar 2023F; maintain Reduce rating with a TP of Rs5,766.

Weak margin leads to 5% qoq EBITDA decline

Blue Dart Express or BDE's 1QFY23 consolidated sales (Rs12.9bn) grew 11% qoq (in line with 11% qoq volume growth). While blended tariff was flat qoq and yoy, BDE stated that this was because of higher growth in low-tariff segments. The 49% yoy sales growth is misleading as 1QFY22 was marred by the second Covid-19 wave. EBITDA (Rs2.67bn) fell 5% qoq as operating expense/t rose 4% qoq. This was because (a) the price of air turbine fuel (~10% of BDE's sales) rose 33% qoq, and (b) salary cost (~16% of BDE's sales) rose 23% qoq. EBITDA margin fell by 350bp qoq to 20.7%. We expect 18.5% margin in FY23F.

Lost market share in the air cargo segment in Apr-May 2022

1QFY23 domestic air passengers rose 31% qoq as 4QFY22 was marred by the Omicron variant of Covid. Further, 1QFY23 domestic air passengers were 13% below 3QFY20 (last quarter before Covid). In Apr-May 2022, BDE's market share in air cargo declined to 18.7% vs. an average 21.1% in FY22. We expect BDE's EBITDA margin in its core air express segment (70% of BDE's sales) to be negatively impacted as normalcy returns post Covid 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 Covid pandemic when passenger traffic declined sharply.

BDE to add 2 cargo planes to its fleet (vs. 6 planes now) in 2HFY23F

This would increase the number of planes in BDE's fleet by 33%, but aircraft capacity would increase by 20% as new aircraft are smaller (18t capacity each) than the existing fleet (30t capacity each). BDE would be using smaller planes to service tier-II/ III cities. BDE currently uses belly space of passenger airlines to transport ~20% of its air cargo to Tier-II/III cities. In case ~30% of this volume is now moved by BDE's new aircraft fleet, it would lead to a marginal decline in capacity utilization (90% now to 80% post acquisition).

Roll forward TP to Mar 2023F; maintain Reduce with TP of Rs5,766

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 Covid (FY21-22). Over FY20-22, BDE's air cargo grew ~20% (10% pa) while prior to Covid, BDE's air cargo was flat (FY16-20). As normalcy returns, we expect BDE's EBITDA margin to decline to 18.5% due to intense competition in its core air cargo segment. We raise our EBITDA estimate for FY23F/24F by ~30% each, considering the strong performance in FY22 and roll forward our TP to Mar 2023F (from Sep 2022F earlier). We value BDE at 14x EV/EBITDA FY24F (close to 3-year median). Maintain Reduce rating on it with a TP of Rs5,766 (Rs4,793 earlier). We believe the current multiple (21.2x EV/E FY23F) is expensive due to likely pressure on EBITDA margin. Key upside risk to our thesis is weak air passenger traffic denting airlines' cargo volume, thereby benefiting BDE.

Financial Summary

	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Revenue (Rsm)	31,751	32,881	44,105	51,722	55,394
Operating EBITDA (Rsm)	4,951	6,863	9,998	9,559	10,218
Net Profit (Rsm)	(419)	1,018	3,822	3,323	3,454
Core EPS (Rs)	18.2	50.8	172.1	139.8	145.4
Core EPS Growth	(51.9%)	179.6%	239.0%	(18.8%)	4.0%
FD Core P/E (x)	(471.17)	193.69	51.61	59.36	57.10
DPS (Rs)	0.0	15.0	60.0	60.0	60.0
Dividend Yield	0.00%	0.18%	0.72%	0.72%	0.72%
EV/EBITDA (x)	40.71	29.15	19.74	20.60	18.88
P/FCFE (x)	(143.71)	56.76	136.15	161.43	41.75
Net Gearing	87.6%	48.1%	1.8%	(3.5%)	(36.2%)
P/BV (x)	40.18	33.32	22.62	19.09	16.33
ROE	8.1%	22.3%	55.9%	34.9%	30.8%
% Change In Core EPS Estimates				1.49%	1.09%

InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Cracks start to appear

Figure 1: Consolidated quarterly financials

(Rs. m)	Quarter ended				
	1QFY23	1QFY22	% Chg	4QFY22	% Chg
Net Sales	12,933	8,662	49	11,659	11
Gross margin %	44.3	49.4		47.5	
EBITDA	2,672	1,591	68	2,818	-5
Other income	67	66	2	36	87
Depreciation	974	990	-2	925	5
Interest	176	250	-30	196	-10
Extra ordinary income	0	0		100	
Reported PAT	1,188	313	280	1,370	-13
Adjusted PAT	1,188	313	280	1,295	-8
EBITDA margin (%)	20.7	18.4		24.2	
Tax rate (%)	25.3	24.9		25.3	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Standalone quarterly financials

(Rs. m)	Quarter ended				
	1QFY23	1QFY22	% Chg	4QFY22	% Chg
Net Sales	12,933	8,648	50	11,659	11
Gross margin %	33.1	33.6		36.5	
EBITDA	1,908	834	129	2,079	-8
Other income	102	58	77	85	20
Depreciation	397	430	-8	394	1
Interest	47	68	-31	59	-21
Extra ordinary income	0	0		100	
Reported PAT	1,172	294	299	1,354	-13
Adjusted PAT	1,172	294	299	1,279	-8
EBITDA margin (%)	14.7	9.6		17.8	
Tax rate (%)	25.2	25.4		25.2	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Operating metrics

	1QFY23	1QFY22	% Chg	4QFY22	% Chg
Volume (kT)	278	184	51	250	11
Tariff (Rs/T)	46,456	46,967	-1	46,667	-0
Opex / T (Rs)	36,858	38,342	-4	35,388	4
EBITDA/ T (Rs)	9,599	8,625	11	11,279	-15

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: India air passengers, India air cargo and BDE overall cargo

	1QFY23	qoq growth %	growth (1QFY23 vs. 3QFY20)
Domestic air passengers (m)	64	31	(13)
Domestic Air Cargo (KT) - Source: AAI	331	11	(6)
Bluedart overall cargo (KT)	278	11	na

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

Figure 5: India air cargo and BDE air cargo

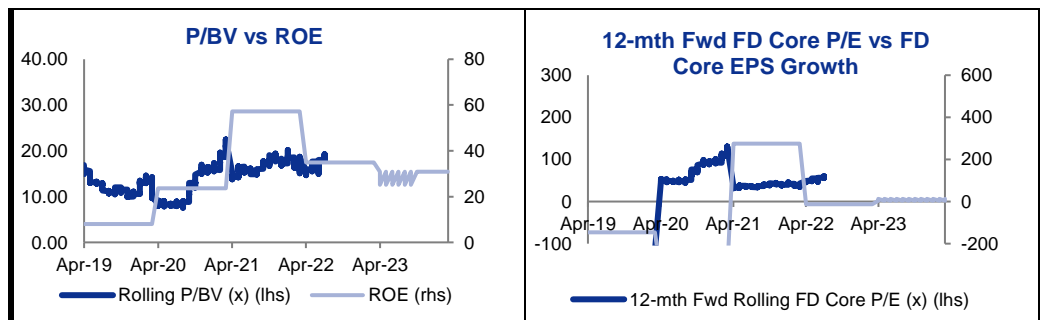
	1QFY22	2QFY22	3QFY22	4QFY22	Apr- May 22
Domestic Industry Air cargo (KT) - Source: DGCA	151	182	189	170	126
BlueDart Air cargo (KT) - domestic	34	38	38	35	24
BlueDart's market share %	22.5	21.0	20.3	20.5	18.7

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

Figure 6: Earnings revision

(Rs mn)	FY23F		FY24F	
	Old	New	Old	New
Sales	40,801	51,722	44,363	55,394
% change		27		25
EBITDA	7,243	9,559	7,875	10,218
% change		32		30
Adjusted PAT	1,336	3,323	1,650	3,454
% change		149		109

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Total Net Revenues	31,751	32,881	44,105	51,722	55,394
Gross Profit	14,610	16,866	20,929	22,212	24,047
Operating EBITDA	4,951	6,863	9,998	9,559	10,218
Depreciation And Amortisation	(3,473)	(4,300)	(3,954)	(4,472)	(5,160)
Operating EBIT	1,478	2,563	6,044	5,087	5,057
Financial Income/(Expense)	(1,174)	(1,109)	(870)	(711)	(641)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	155	203	307	176	315
Profit Before Tax (pre-EI)	459	1,657	5,481	4,552	4,731
Exceptional Items	(850)	(259)	(360)		
Pre-tax Profit	(391)	1,398	5,122	4,552	4,731
Taxation	(27)	(380)	(1,300)	(1,229)	(1,277)
Exceptional Income - post-tax					
Profit After Tax	(419)	1,018	3,822	3,323	3,454
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	(419)	1,018	3,822	3,323	3,454
Recurring Net Profit	432	1,207	4,090	3,323	3,454
Fully Diluted Recurring Net Profit	432	1,207	4,090	3,323	3,454

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
EBITDA	4,951	6,863	9,998	9,559	10,218
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(430)	964	403	27	110
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(850)	(259)	(360)		
Other Operating Cashflow					
Net Interest (Paid)/Received	(1,019)	(906)	(563)	(535)	(326)
Tax Paid	(27)	(380)	(1,300)	(1,229)	(1,277)
Cashflow From Operations	2,625	6,282	8,178	7,822	8,724
Capex	(3,585)	(1,956)	(2,206)	(5,600)	(3,000)
Disposals Of FAs/subsidiaries		(1,501)	(573)		
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(3,585)	(3,457)	(2,779)	(5,600)	(3,000)
Debt Raised/(repaid)	(412)	650	(3,950)	(1,000)	(1,000)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid		(427)	(1,708)	(1,708)	(1,708)
Preferred Dividends					
Other Financing Cashflow	(314)	(943)	(1,002)		
Cash Flow From Financing	(726)	(720)	(6,660)	(2,708)	(2,708)
Total Cash Generated	(1,686)	2,105	(1,262)	(487)	3,016
Free Cashflow To Equity	(1,372)	3,475	1,449	1,222	4,724
Free Cashflow To Firm	213	3,934	6,268	2,933	6,365

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Total Cash And Equivalents	1,000	3,105	1,843	1,357	4,372
Total Debtors	5,282	5,179	5,800	7,758	8,309
Inventories	270	318	350	350	350
Total Other Current Assets	661	701	696	696	696
Total Current Assets	7,213	9,303	8,689	10,161	13,727
Fixed Assets	15,841	15,111	14,247	15,375	13,215
Total Investments		1,501	2,074	2,074	2,074
Intangible Assets	990	787	813	813	813
Total Other Non-Current Assets	2,365	2,272	2,464	2,464	2,464
Total Non-current Assets	19,195	19,671	19,598	20,726	18,566
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	4,010	5,094	5,799	7,370	7,894
Other Current Liabilities	1,315	1,180	1,526	1,940	2,077
Total Current Liabilities	5,325	6,274	7,325	9,310	9,971
Total Long-term Debt	5,300	5,950	2,000	1,000	
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	10,775	10,773	10,219	10,219	10,219
Total Non-current Liabilities	16,075	16,723	12,219	11,219	10,219
Total Provisions	99	58	25	25	25
Total Liabilities	21,500	23,055	19,568	20,553	20,214
Shareholders Equity	4,908	5,920	8,720	10,334	12,080
Minority Interests					
Total Equity	4,908	5,920	8,720	10,334	12,080

Key Ratios					
	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Revenue Growth		3.6%	34.1%	17.3%	7.1%
Operating EBITDA Growth	73.4%	38.6%	45.7%	(4.4%)	6.9%
Operating EBITDA Margin	15.6%	20.9%	22.7%	18.5%	18.4%
Net Cash Per Share (Rs)	(180.98)	(119.73)	(6.60)	15.01	184.02
BVPS (Rs)	206.58	249.14	367.00	434.94	508.40
Gross Interest Cover	1.26	2.31	6.95	7.15	7.89
Effective Tax Rate		27.2%	25.4%	27.0%	27.0%
Net Dividend Payout Ratio		27.9%	34.0%	42.8%	41.2%
Accounts Receivables Days	58.58	58.06	45.43	47.84	52.94
Inventory Days	5.64	6.70	5.26	4.33	4.07
Accounts Payables Days	88.93	103.75	85.78	81.44	88.87
ROIC (%)	14.9%	12.8%	33.4%	29.8%	27.9%
ROCE (%)	13.6%	23.2%	53.5%	46.1%	43.2%
Return On Average Assets	7.2%	8.6%	17.6%	13.6%	13.0%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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