

India

HOLD (previously *REDUCE*)

Consensus ratings*: Buy 6 Hold 2 Sell 3

Current price:	Rs6,749
Target price:	Rs6,750
Previous target:	Rs5,766
Up/downside:	0.0%
InCred Research / Consensus:	-20.9%
Reuters:	BLDT.NS
Bloomberg:	BDE IN
Market cap:	US\$2,205m
	Rs160,128m
Average daily turnover:	US\$3.4m
	Rs246.1m
Current shares o/s:	23.7m
Free float:	25.0%

*Source: Bloomberg

Key changes in this note

- Upgrade to HOLD from REDUCE earlier.
- Introduce FY25F and roll forward the target price to Mar 2024F from Mar 2023F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(9.1)	(18.4)	0.8
Relative (%)	(9.6)	(19.3)	(3.2)

Major shareholders	% 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

Third consecutive quarter of margin decline

- Blue Dart Express' (BDE) 3QFY23 EBITDA declined by 17% yoy.
- Roll forward target price to Mar 2024F, raise it to Rs6,750 from Rs5,766 and upgrade the rating to HOLD after a 28% fall in the share price since Oct 2022.

Weak margin leads to 17% yoy/ 6% qoq EBITDA decline

Consolidated 3QFY23 sales (Rs13.4bn) grew 7% yoy/ 1% qoq (vs. 16% yoy/ 1% qoq volume growth, respectively). Thus, blended tariff fell 8% yoy and was flat qoq. As a result, EBITDA (Rs2.28bn) fell 17% yoy/ 6% qoq. EBITDA margin fell by 475 bp yoy and 128 bp qoq to 17.1%, in line with our margin estimates for FY24F-25F. This is the third consecutive quarter of margin decline, and in line with our thesis – 3QFY23 margin was 650bp lower than the 2QFY21-4QFY22 average.

BDE's air cargo market share stabilizes at 20%

Oct-Nov 2022 domestic air passengers were 7% below 3QFY20 level (the last quarter before the Covid-19 pandemic). In Oct-Nov 2022, 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 BDE's sales) has been negatively impacted as normalcy returned 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-19 pandemic when passenger traffic declined sharply. The 20% recent dip in the prices of air turbine fuel will reduce BDE's overall cost by ~2% and we believe this is likely to be passed on to customers due to intense competition.

BDE to add two cargo planes to its fleet (vs. six planes now) in 2HFY23

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 aircraft to service Tier-II/ III cities. BDE currently uses the 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 fall in capacity utilization (from 90% now to 80% post acquisition).

Roll forward TP to Mar 2024F (Rs6,750); upgrade to HOLD from REDUCE

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% p.a.) while prior to Covid, BDE's air cargo was flat (FY16-20). As normalcy returns, we expect BDE's EBITDA margin to decline to 17.5% due to intense competition in its core air cargo segment (similar to 2-3QFY23). The stock price has declined by 28% since Oct 2022. We broadly maintain our FY23F/24F EBITDA numbers and introduce FY25F estimates. We raise our target price to Rs6,750 (Rs5,766 earlier) and upgrade BDE to HOLD (from REDUCE earlier) as we roll forward the target price to Mar 2024F, valuing BDE at 14x EV/EBITDA FY25F (close to three-year median). The stock trades at 15.8x EV/EBITDA FY24F. Upside risk: Weak air passenger traffic denting airlines' (BDE's competitors) cargo volume.

Financial Summary

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	32,881	44,105	52,897	59,007	67,180
Operating EBITDA (Rsm)	6,863	9,998	9,615	10,443	11,679
Net Profit (Rsm)	1,018	3,822	3,733	3,774	4,356
Core EPS (Rs)	50.8	172.1	157.1	158.8	183.3
Core EPS Growth	179.6%	239.0%	(8.7%)	1.1%	15.4%
FD Core P/E (x)	157.46	41.96	42.95	42.49	36.81
DPS (Rs)	15.0	60.0	69.0	79.3	91.3
Dividend Yield	0.22%	0.89%	1.02%	1.17%	1.35%
EV/EBITDA (x)	23.78	16.05	16.90	15.32	13.41
P/FCFE (x)	46.14	110.69	173.79	89.84	26.81
Net Gearing	48.1%	1.8%	21.0%	(2.7%)	(26.9%)
P/BV (x)	27.09	18.39	15.29	13.36	11.65
ROE	22.3%	55.9%	38.9%	33.6%	33.8%
% Change In Core EPS Estimates			0.12%	0.09%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Third consecutive quarter of margin decline, in line with our thesis

Figure 1: Consolidated quarterly financials

(Rs. m)	Quarter ended				
	3QFY23	3QFY22	% Chg	2QFY23	% Chg
Net Sales	13,371	12,548	7	13,253	1
Gross margin %	41.6	46.9		40.9	
EBITDA	2,281	2,737	-17	2,430	-6
Other income	90	62	44	77	17
Depreciation	996	1,031	-3	1,011	-2
Interest	159	196	-19	184	-14
Extraordinary income	0	82		0	
Reported PAT	887	1,234	-28	936	-5
Adjusted PAT	887	1,173	-24	936	-5
EBITDA margin (%)	17.1	21.8		18.3	
Tax rate (%)	27.0	25.4		28.6	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Standalone quarterly financials

(Rs. m)	Quarter ended				
	3QFY23	3QFY22	% Chg	2QFY23	% Chg
Net Sales	13,371	12,548	7	13,253	1
Gross margin %	29.9	36.6		30.1	
EBITDA	1,506	2,039	-26	1,627	-7
Other income	139	78	79	121	15
Depreciation	414	430	-4	419	-1
Interest	42	54	-24	42	-0
Extraordinary income	0	0		0	
Reported PAT	869	1,222	-29	920	-6
Adjusted PAT	869	1,222	-29	920	-6
EBITDA margin (%)	11.3	16.2		12.3	
Tax rate (%)	26.9	25.1		28.5	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Operating metrics

	3QFY23	3QFY22	% Chg	2QFY23	% Chg
Volume (kt)	302	260	16	300	1
Tariff (Rs/t)	44,278	48,274	(8)	44,176	0
Opex/t (Rs)	36,726	37,745	(3)	36,076	2
EBITDA/t (Rs)	7,552	10,529	(28)	8,100	(7)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

	3QFY23	qoq growth %	growth (3QFY23 vs. 3QFY20)
Domestic air passengers (m) #	69	15	(7)
Domestic air cargo (kt) - Source: AAI #	317	(5)	(10)
BlueDart overall cargo (kt)	302	1	na

3QFY23 based on Oct-Nov 22 as Dec 22 data is awaited

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

Figure 5: India air cargo and BDE air cargo

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	Oct-Nov 22
Domestic industry air cargo (kt) - Source: DGCA	151	182	189	170	193	192	122
BlueDart air cargo (kt) - domestic	34	38	38	35	36	38	24
BlueDart's market share %	22.5	21.0	20.3	20.5	18.9	19.6	20.0

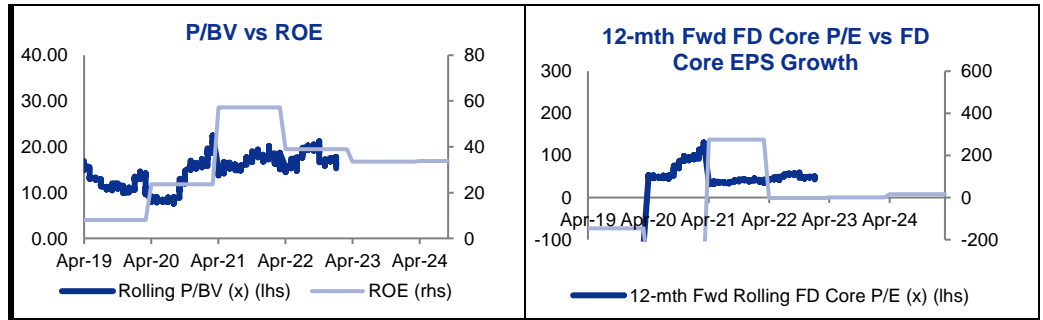
SOURCE: INCRED RESEARCH, COMPANY REPORTS, DIRECTORATE GENERAL OF CIVIL AVIATION (DGCA)

Figure 6: Earnings revision

(Rs m)	FY23F		FY24F		FY25F
	Old	New	Old	New	
Sales	51,722	52,897	55,394	59,007	67,180
% change		2		7	
EBITDA	9,559	9,615	10,218	10,443	11,679
% change		1		2	
Adjusted PAT	3,323	3,758	3,454	3,799	4,356
% change		13		10	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenue	32,881	44,105	52,897	59,007	67,180
Gross Profit	16,866	20,929	21,809	25,283	29,176
Operating EBITDA	6,863	9,998	9,615	10,443	11,679
Depreciation And Amortisation	(4,300)	(3,954)	(4,110)	(4,973)	(5,573)
Operating EBIT	2,563	6,044	5,505	5,470	6,106
Financial Income/(Expense)	(1,109)	(870)	(759)	(711)	(606)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	203	307	368	410	467
Profit Before Tax (pre-EI)	1,657	5,481	5,114	5,169	5,967
Exceptional Items	(259)	(360)			
Pre-tax Profit	1,398	5,122	5,114	5,169	5,967
Taxation	(380)	(1,300)	(1,381)	(1,396)	(1,611)
Exceptional Income - post-tax					
Profit After Tax	1,018	3,822	3,733	3,774	4,356
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,018	3,822	3,733	3,774	4,356
Recurring Net Profit	1,207	4,090	3,733	3,774	4,356
Fully Diluted Recurring Net Profit	1,207	4,090	3,733	3,774	4,356

Cash Flow

(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	6,863	9,998	9,615	10,443	11,679
Cash Flow from Invt. & Assoc.					
Change In Working Capital	964	403	(146)	38	51
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(259)	(360)			
Other Operating Cashflow					
Net Interest (Paid)/Received	(906)	(563)	(391)	(301)	(139)
Tax Paid	(380)	(1,300)	(1,381)	(1,396)	(1,611)
Cashflow From Operations	6,282	8,178	7,697	8,785	9,980
Capex	(1,956)	(2,206)	(6,165)	(4,000)	(4,000)
Disposals Of FAs/subsidiaries	(1,501)	(573)	(1,610)		
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(3,457)	(2,779)	(7,775)	(4,000)	(4,000)
Debt Raised/(repaid)	650	(3,950)	1,000	(3,000)	
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)			
Cash Flow From Financing	(720)	(6,660)	(965)	(5,259)	(2,598)
Total Cash Generated	2,105	(1,262)	(1,042)	(475)	3,382
Free Cashflow To Equity	3,475	1,449	923	1,785	5,980
Free Cashflow To Firm	3,934	6,268	681	5,496	6,586

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	3,105	1,843	801	327	3,708
Total Debtors	5,179	5,800	7,935	8,851	10,077
Inventories	318	350	420	468	533
Total Other Current Assets	701	696	835	931	1,060
Total Current Assets	9,303	8,689	9,990	10,577	15,378
Fixed Assets	15,111	14,247	16,137	15,164	13,592
Total Investments	1,501	2,074	3,684	3,684	3,684
Intangible Assets	787	813	813	813	813
Total Other Non-Current Assets	2,272	2,464	2,629	2,629	2,629
Total Non-current Assets	19,671	19,598	23,263	22,290	20,718
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	5,094	5,799	7,538	8,408	9,573
Other Current Liabilities	1,180	1,526	1,984	2,213	2,519
Total Current Liabilities	6,274	7,325	9,522	10,621	12,092
Total Long-term Debt	5,950	2,000	3,000		
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	10,773	10,219	10,219	10,219	10,219
Total Non-current Liabilities	16,723	12,219	13,219	10,219	10,219
Total Provisions	58	25	25	25	25
Total Liabilities	23,055	19,568	22,765	20,864	22,335
Shareholders' Equity	5,920	8,720	10,489	12,003	13,761
Minority Interests					
Total Equity	5,920	8,720	10,489	12,003	13,761

Key Ratios

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	3.6%	34.1%	19.9%	11.6%	13.9%
Operating EBITDA Growth	38.6%	45.7%	(3.8%)	8.6%	11.8%
Operating EBITDA Margin	20.9%	22.7%	18.2%	17.7%	17.4%
Net Cash Per Share (Rs)	(119.73)	(6.60)	(92.54)	13.75	156.08
BVPS (Rs)	249.14	367.00	441.44	505.18	579.16
Gross Interest Cover	2.31	6.95	7.25	7.69	10.07
Effective Tax Rate	27.2%	25.4%	27.0%	27.0%	27.0%
Net Dividend Payout Ratio	27.9%	34.0%	43.9%	49.9%	49.7%
Accounts Receivables Days	58.06	45.43	47.39	51.92	51.42
Inventory Days	6.70	5.26	4.52	4.80	4.81
Accounts Payables Days	103.75	85.78	78.29	86.29	86.35
ROIC (%)	12.8%	33.4%	32.3%	28.4%	33.5%
ROCE (%)	23.2%	53.5%	45.5%	42.9%	47.4%
Return On Average Assets	8.6%	17.6%	14.6%	13.6%	14.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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