



India

REDUCE (previously HOLD)

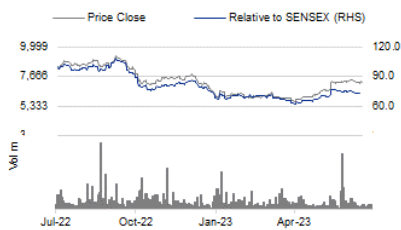
Consensus ratings*: Buy 5 Hold 2 Sell 2

Current price:	Rs7,229
Target price:	Rs6,100
Previous target:	Rs6,250
Up/downside:	-15.6%
InCred Research / Consensus:	-17.3%
Reuters:	BLDT.NS
Bloomberg:	BDE IN
Market cap:	US\$2,362m Rs171,530m
Average daily turnover:	US\$2.1m Rs150.0m
Current shares o/s:	23.7m
Free float:	25.0%

*Source: Bloomberg

Key changes in this note

- Reduce FY24F/25F EBITDA estimates by 4% each.
- Reduce target price by 3% to Rs6,100.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.4	21.0	(12.9)
Relative (%)	(3.2)	11.6	(25.3)

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

Brokers Poll 2023

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InCred Research

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Blue Dart Express Ltd

Weak 1Q volume, margin & air market share

- Blue Dart Express' (BDE) 1QFY24 EBITDA declined by 29%/ 4% yoy/qoq.
- We reduce our FY24F/25F EBITDA estimates by 4% each. Downgrade rating to REDUCE (from HOLD earlier) with a 3% lower target price of Rs6,100.

Weak volume and margin lead to 29% yoy/4% qoq EBITDA decline

Consolidated 1QFY24 sales (Rs12.4bn) of BDE fell by 4% yoy and rose by 2% qoq (vs. 3% yoy/4% qoq growth in volume). Thus, blended tariff fell 7% yoy/3% qoq. It is disconcerting that tariffs, after plateauing in the last two quarters, fell by 3% qoq in 1QFY24. As a result, EBITDA (Rs1.9bn) fell by 29% yoy/4% qoq. EBITDA margin dipped by 525bp yoy and 97bp qoq to 15.4%, below our margin estimate for FY25F (16.4%). This is the fifth consecutive quarter of margin decline, and in line with our thesis. However, the silver lining is that the pace of qoq decline has abated from 351bp in 1QFY23 to 97bp in 1QFY24.

BDE's air cargo market share plunges to 15.9% in May 2023

1QFY24 domestic air passenger traffic was 3% higher than in 3QFY20 (the last quarter before the Covid-19 pandemic). In May 2023, BDE's market share in air cargo was 15.9%, significantly lower than 21.1%/ 17.2% in FY22/ FY20, respectively. The EBITDA margin in its core air express segment (70% of BDE's sales) has been 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.

Downgrade rating to REDUCE with a lower target price of Rs6,100

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 by ~20% (10% p.a.) while prior to the pandemic, its air cargo growth was flat (FY16-20). As normalcy returns, we expect BDE's EBITDA margin to decline to 16.4% due to intense competition in its core air cargo segment (like the average over 3QFY23-1QFY24). We reduce our FY24F/25F EBITDA by 4% each. After the 20% rise in stock price in the last three months and weak 1QFY24 results, we have downgraded our rating on BDE to REDUCE (from HOLD earlier) with a lower target price of Rs6,100 (Rs6,250 earlier), valuing the stock at 14x FY25F EV/EBITDA (close to three-year median). BDE trades at 18.4x FY24F EV/EBITDA. Upside risk: Weak air passenger traffic denting airlines' (BDE's competitors) cargo volume.

Financial Summary

	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue (Rsm)	32,881	44,105	51,722	57,277	65,210
Operating EBITDA (Rsm)	6,863	9,998	9,375	9,592	10,718
Net Profit (Rsm)	1,018	3,822	3,705	3,408	3,872
Core EPS (Rs)	50.8	172.1	155.9	143.4	163.0
Core EPS Growth	179.6%	239.0%	(9.4%)	(8.0%)	13.6%
FD Core P/E (x)	168.68	44.94	46.36	50.41	44.36
DPS (Rs)	15.0	60.0	30.0	34.5	39.7
Dividend Yield	0.21%	0.83%	0.41%	0.48%	0.55%
EV/EBITDA (x)	25.44	17.20	18.49	17.61	15.37
P/FCFE (x)	49.43	118.57	146.67	59.79	32.53
Net Gearing	48.1%	1.8%	13.1%	(20.0%)	(41.2%)
P/BV (x)	29.02	19.70	14.56	12.08	10.13
ROE	22.3%	55.9%	36.1%	26.2%	24.8%
% Change In Core EPS Estimates				(0.03%)	(0.04%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Weak volume, margin & air market share

Figure 1: Consolidated quarterly financials

(Rs. m)	Quarter ended				
	1QFY24	1QFY23	% Chg	4QFY23	% Chg
Net Sales	12,376	12,933	-4	12,166	2
Gross margin %	41.8	44.3		42.2	
EBITDA	1,907	2,672	-29	1,992	-4
Other income	102	67	51	87	18
Depreciation	990	974	2	964	3
Interest	195	176	11	149	31
Extraordinary income	0	0		0	
Reported PAT	613	1,188	-48	694	-12
Adjusted PAT	613	1,188	-48	694	-12
EBITDA margin (%)	15.4	20.7		16.4	
Tax rate (%)	25.6	25.3		28.1	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Standalone quarterly financials

(Rs. m)	Quarter ended				
	1QFY24	1QFY23	% Chg	4QFY23	% Chg
Net Sales	12,376	12,933	-4	12,166	2
Gross margin %	30.9	33.1		31.3	
EBITDA	1,133	1,908	-41	1,282	-12
Other income	157	102	54	143	10
Depreciation	444	397	12	436	2
Interest	45	47	-3	44	2
Extraordinary income	0	0		0	
Reported PAT	597	1,172	-49	703	-15
Adjusted PAT	597	1,172	-49	703	-15
EBITDA margin (%)	9.2	14.7		10.5	
Tax rate (%)	25.4	25.2		25.5	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Operating metrics

	1QFY24	1QFY23	% Chg	4QFY23	% Chg
Volume (kt)	286	278	3	274	4
Tariff (Rs/t)	43,328	46,456	(7)	44,460	(3)
Opex/t (Rs)	36,652	36,858	(1)	37,179	(1)
EBITDA/t (Rs)	6,676	9,599	(30)	7,281	(8)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

	1QFY24	qoq growth %	growth (1QFY23 vs. 3QFY20)
Domestic air passengers (m)	77	3	3
Domestic Air Cargo (kt) - Source: AAI	328	5	(7)
Blue Dart overall cargo (kt)	286	4	na

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

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

	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	Apr-May 23
Domestic industry air cargo (kt) - Source: DGCA	182	189	174	193	192	179	168	125
Blue Dart air cargo (kt) - domestic	38	38	35	36	38	37	32	21
Blue Dart's market share %	21.0	20.3	20.1	18.6	19.6	20.7	19.1	16.8

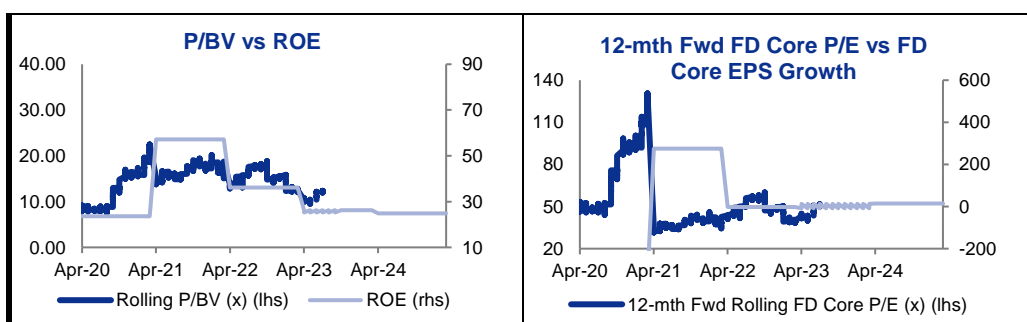
SOURCE: INCRED RESEARCH, COMPANY REPORTS, DIRECTORATE GENERAL OF CIVIL AVIATION (DGCA)

Figure 6: Our revised earnings estimates

(Rs m)	FY24F		FY25F	
	Old	New	Old	New
Sales	58,309	57,277	66,385	65,210
% change		(2)		(2)
EBITDA	9,948	9,592	11,118	10,718
% change		(4)		(4)
Adjusted PAT	3,510	3,408	4,048	3,872
% change		(3)		(4)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Total Net Revenues	32,881	44,105	51,722	57,277	65,210
Gross Profit	16,866	20,929	21,367	23,826	27,511
Operating EBITDA	6,863	9,998	9,375	9,592	10,718
Depreciation And Amortisation	(4,300)	(3,954)	(3,945)	(4,632)	(5,252)
Operating EBIT	2,563	6,044	5,430	4,960	5,466
Financial Income/(Expense)	(1,109)	(870)	(669)	(647)	(566)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	203	307	320	355	404
Profit Before Tax (pre-EI)	1,657	5,481	5,082	4,668	5,304
Exceptional Items	(259)	(360)			
Pre-tax Profit	1,398	5,122	5,082	4,668	5,304
Taxation	(380)	(1,300)	(1,377)	(1,260)	(1,432)
Exceptional Income - post-tax					
Profit After Tax	1,018	3,822	3,705	3,408	3,872
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,018	3,822	3,705	3,408	3,872
Recurring Net Profit	1,207	4,090	3,705	3,408	3,872
Fully Diluted Recurring Net Profit	1,207	4,090	3,705	3,408	3,872

Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
EBITDA	6,863	9,998	9,375	9,592	10,718
Cash Flow from Invt. & Assoc.					
Change In Working Capital	964	403	(689)	1,333	156
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(259)	(360)			
Other Operating Cashflow					
Net Interest (Paid)/Received	(906)	(563)	(348)	(292)	(162)
Tax Paid	(380)	(1,300)	(1,377)	(1,260)	(1,432)
Cashflow From Operations	6,282	8,178	6,961	9,373	9,280
Capex	(1,956)	(2,206)	(6,655)	(4,000)	(4,000)
Disposals Of FAs/subsidiaries	(1,501)	(573)	365		
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(3,457)	(2,779)	(6,290)	(4,000)	(4,000)
Debt Raised/(repaid)	650	(3,950)	500	(2,500)	
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(427)	(1,708)	(854)	(982)	(1,130)
Preferred Dividends					
Other Financing Cashflow	(943)	(1,002)	(1,205)		
Cash Flow From Financing	(720)	(6,660)	(1,559)	(3,482)	(1,130)
Total Cash Generated	2,105	(1,262)	(888)	1,890	4,151
Free Cashflow To Equity	3,475	1,449	1,171	2,873	5,280
Free Cashflow To Firm	3,934	6,268	1,340	6,019	5,846

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Total Cash And Equivalents	3,105	1,843	955	2,845	6,996
Total Debtors	5,179	5,800	6,367	7,446	8,477
Inventories	318	350	394	436	496
Total Other Current Assets	701	696	1,179	1,305	1,486
Total Current Assets	9,303	8,689	8,895	12,033	17,455
Fixed Assets	15,111	14,247	18,030	17,397	16,145
Total Investments	1,501	2,074	1,709	1,709	1,709
Intangible Assets	787	813	730	730	730
Total Other Non-Current Assets	2,272	2,464	2,868	2,868	2,868
Total Non-current Assets	19,671	19,598	23,336	22,704	21,451
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	5,094	5,799	5,851	7,804	8,885
Other Current Liabilities	1,180	1,526	1,878	2,505	2,852
Total Current Liabilities	6,274	7,325	7,729	10,310	11,738
Total Long-term Debt	5,950	2,000	2,500		
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	10,773	10,219	10,178	10,178	10,178
Total Non-current Liabilities	16,723	12,219	12,678	10,178	10,178
Total Provisions	58	25	28	28	28
Total Liabilities	23,055	19,568	20,435	20,515	21,943
Shareholders Equity	5,920	8,720	11,796	14,221	16,963
Minority Interests					
Total Equity	5,920	8,720	11,796	14,221	16,963

Key Ratios					
	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue Growth	3.6%	34.1%	17.3%	10.7%	13.9%
Operating EBITDA Growth	38.6%	45.7%	(6.2%)	2.3%	11.7%
Operating EBITDA Margin	20.9%	22.7%	18.1%	16.7%	16.4%
Net Cash Per Share (Rs)	(119.73)	(6.60)	(65.02)	119.75	294.44
BVPS (Rs)	249.14	367.00	496.45	598.52	713.93
Gross Interest Cover	2.31	6.95	8.12	7.67	9.66
Effective Tax Rate	27.2%	25.4%	27.1%	27.0%	27.0%
Net Dividend Payout Ratio	27.9%	34.0%	19.2%	24.0%	24.3%
Accounts Receivables Days	58.06	45.43	42.93	44.01	44.56
Inventory Days	6.70	5.26	4.47	4.52	4.51
Accounts Payables Days	103.75	85.78	70.04	74.50	80.80
ROIC (%)	12.8%	33.4%	31.9%	22.7%	27.5%
ROCE (%)	23.2%	53.5%	43.4%	34.8%	35.1%
Return On Average Assets	8.6%	17.6%	14.5%	12.1%	12.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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