

BDE reported a strong quarter as consolidated sales grew 9% YoY and EBITDA margins expanded 70bps YoY, on the back of higher utilization of new aircrafts and general price increase undertaken in Q4. With Guwahati going live in Jan-24, the management expects further ramp-up in volumes, utilization, and profitability. Maintaining growth momentum with a premium-pricing model in a highly competitive B2B express market remains a tall ask, in our view. With H1FY25 expected to be muted for logistics players, owing to seasonality and pending central elections, we remain watchful around sustainability of volume growth and margins for BDE. We marginally raise our EBITDA estimates for FY25/26E by 4% each, factoring-in the beat; we maintain our REDUCE rating. Our Mar-25E TP stands at Rs6,400/sh (using DCF methodology), implying FY26E EV/EBITDA of 14x and P/E of 35x.

Blue Dart Express: Financial Snapshot (Consolidated)					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	44,105	51,722	52,678	56,439	61,593
EBITDA	9,998	9,375	8,528	9,363	10,504
Adj. PAT	4,182	3,705	3,010	3,364	4,393
Adj. EPS (Rs)	161.1	156.1	126.8	141.8	185.1
EBITDA margin (%)	22.7	18.1	16.2	16.6	17.1
EBITDA growth (%)	45.7	(6.2)	(9.0)	9.8	12.2
Adj. EPS growth (%)	275.4	(3.1)	(18.8)	11.8	30.6
RoE (%)	57.1	36.1	23.6	23.0	26.1
RoIC (%)	41.7	32.1	22.0	26.3	35.9
P/E (x)	38.7	43.7	53.8	48.1	36.9
EV/EBITDA (x)	16.2	17.4	19.1	17.2	15.1
P/B (x)	18.6	13.7	11.8	10.4	8.9
FCFF yield (%)	4.1	0.7	3.4	2.2	3.5

Source: Company, Emkay Research

Margins buoyed by higher utilization, drive beat

BDE reported revenue growth of 9% YoY on the back of volumes growing in the e-commerce and documents business. Volume growth was reported at 9% YoY, while blended realizations (per kg) were flat on a YoY basis. Gross margins expanded 93bps YoY, due to substitution of load sent via belly cargo space with owned freighters. EBITDA margins followed suit, expanding 70bps YoY to 17.1% as employee costs were under control at 8% YoY. Other income increased by 28% YoY, negating the rise in depreciation (17% YoY). PAT reported a growth of 12% YoY, driven by strong operating performance. Company announced a dividend of Rs25/share. Capex incurred in FY24 stands at Rs2.67bn and is expected to continue at similar levels with major investments in augmenting surface network.

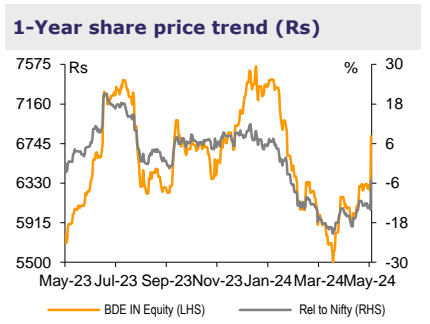
Outlook and risks

With growth returning in Q4, resulting in margin expansion owing to higher utilization of new freighters, we remain watchful around sustainability of the same, especially during H1FY25 — which will see seasonality and pending central elections in India. We believe the strong uptick in the documents business and DART plus product should bode well for the margins going forward. With Guwahati going live in Jan-24, utilization of air capacity could augment further, in our view. Modelling this, we raise our EBITDA for FY25/26E by 4%. Our sales/PAT estimates remain largely unchanged, as we expect volumes at 9% CAGR over FY24-26 period, while change in operating profits are to be largely offset by higher depreciation on account of new freighters. We anticipate muted realizations (-1% CAGR), as growth in surface outpaces the air segment. We await visibility on ramp-up in utilizations on new freighters with high-yield express volumes, as well as the market-share protection in surface express to turn positive for BDE. **Key risks:** Higher demand for air and lesser substitution with other modes, premium pricing differential to expand due to brand and superior execution, change in pricing strategy in surface express, and rationalization of overhead costs.

Target Price – 12M	May-25
Change in TP (%)	0.8
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	(6.2)
CMP (03-May-24) (Rs)	6,821.5

Stock Data	Ticker
52-week High (Rs)	7,650
52-week Low (Rs)	5,487
Shares outstanding (mn)	23.7
Market-cap (Rs bn)	162
Market-cap (USD mn)	1,940
Net-debt, FY25E (Rs mn)	-573
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	183.7
ADTV-3M (USD mn)	2.2
Free float (%)	-
Nifty-50	22,476
INR/USD	83.4
Shareholding, Mar-24	
Promoters (%)	75.0
FPIs/MFs (%)	5.4/11.7

Price Performance			
(%)	1M	3M	12M
Absolute	11.7	6.6	14.6
Rel. to Nifty	11.5	3.6	(7.8)

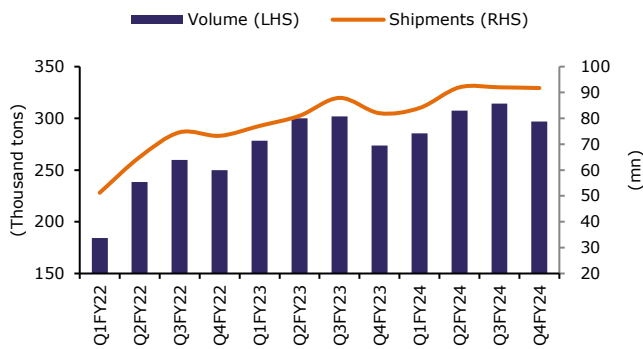


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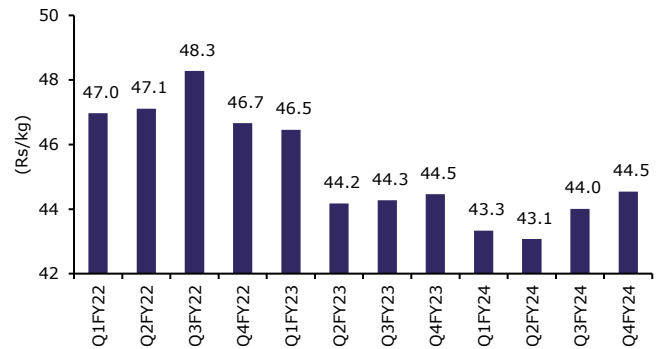
Story in Charts

Exhibit 1: Volumes grew 9% YoY buoyed by e-com demand



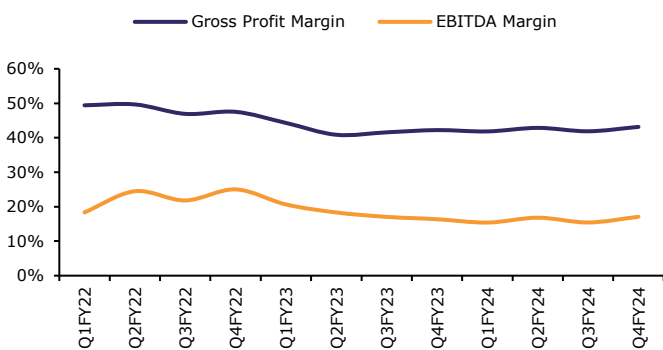
Source: Company, Emkay Research

Exhibit 2: Blended realizations were flat on a YoY basis



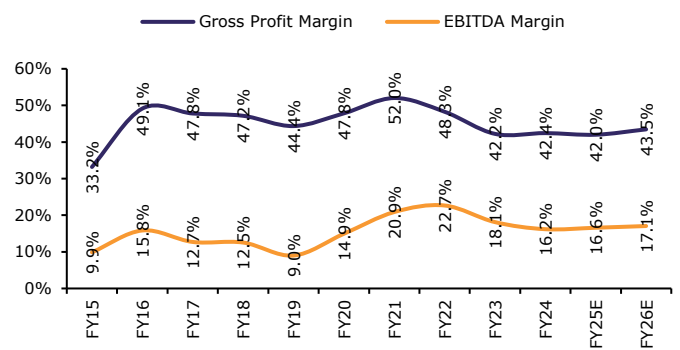
Source: Company, Emkay Research

Exhibit 3: Gross and EBITDA margins expanded QoQ/YoY



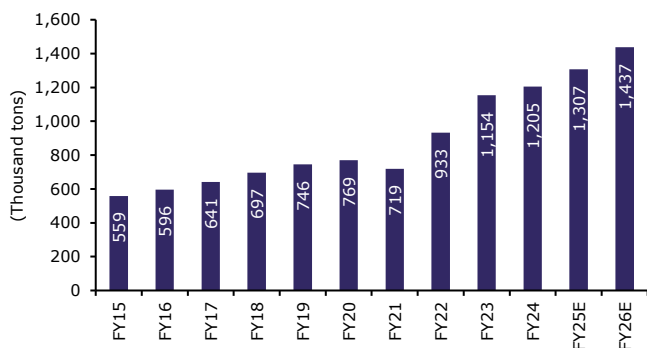
Source: Company, Emkay Research

Exhibit 4: Margins are expected to sustain at current levels going ahead



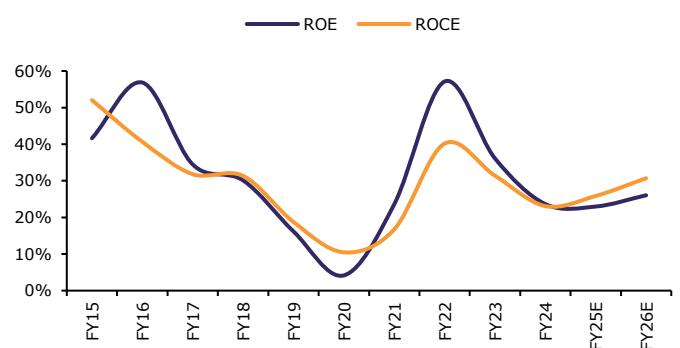
Source: Company, Emkay Research

Exhibit 5: We anticipate 9% volume CAGR from FY24-26E



Source: Company, Emkay Research

Exhibit 6: Return ratios are unlikely to see pandemic peaks due to freighter addition



Source: Company, Emkay Research

Exhibit 7: Summary of quarterly financials (Consolidated)

Particulars (Rs mn)	Q4FY23	Q3FY24	Q4FY24	YoY	QoQ
Net sales	12,166	13,829	13,229	9%	-4%
Operating Expenses	(10,173)	(11,695)	(10,969)	8%	-6%
Freight, handling, and service costs	7,028	8,038	7,520	7%	-6%
Employee Costs	2,089	2,339	2,264	8%	-3%
Other operating Expenses	1,056	1,319	1,186	12%	-10%
Gross Profit	5,137	5,792	5,709	11%	-1%
EBITDA	1,992	2,134	2,260	13%	6%
Margins	16.4%	15.4%	17.1%		
Depreciation	964	1,106	1,127	17%	2%
EBIT	1,029	1,028	1,132	10%	10%
Other Income	87	244	111	28%	(55%)
Interest	(149)	(197)	(194)	30%	(2%)
Extraordinary items					
PBT	966	1,075	1,049	9%	(2%)
Tax	272	186	272	(0%)	46%
PAT	694	889	778	12%	(12%)
Adj. PAT	694	889	778		
EPS (Rs)	29.3	37.5	32.8	12%	(12%)

Margins (%)	Q4FY23	Q3FY24	Q4FY24	YoY (bps)	QoQ (bps)
Gross Margin	42.2%	41.9%	43.2%	93	128
EBIDTA	16.4%	15.4%	17.1%	70	165
EBIT	8.5%	7.4%	8.6%	10	112
EBT	7.9%	7.8%	7.9%	(1)	16
PAT	5.7%	6.4%	5.9%	17	(55)
Effective Tax rate	-28.1%	-17.3%	-25.9%	226	(855)

Source: Company, Emkay Research

Exhibit 8: Key operating metrics

Operating metrics	Q4FY23	Q3FY24	Q4FY24	YoY	QoQ
Shipments (mn)	82	92	91	11%	(1%)
Volumes (metric tonne)	273,630	314,239	297,432	9%	(5%)
Blended realizations (Rs/kg)	44	44	44	0%	1%
Blended realizations (Rs/parcel)	148	150	145	(2%)	(3%)

Source: Company, Emkay Research

Exhibit 9: Actuals vs. estimates (Q4FY24)

(Rs mn)	Actual	Estimate (Emkay)	Consensus estimate (Bloomberg)	Variation (%)	
				Emkay	Consensus
Revenue	13,829	13,007	13,499	6%	2%
EBITDA	2,134	1,864	1,953	14%	9%
EBITDA Margin	15.4%	14.3%	14%	110 bps	96 bps
PAT	889	633	775	40%	15%

Source: Company, Emkay Research; Note: Consensus estimates are a combination of standalone and consolidated numbers of BDE

Exhibit 10: Change in estimates

Particulars (Rs mn)	FY25E			FY26E		
	Old	New	% Change	Old	New	% Change
Revenue	56,200	56,439	0.4%	61,356	61,593	0.4%
EBITDA	9,002	9,363	4.0%	10,138	10,504	3.6%
EBITDA Margin (%)	16.0	16.6	57 bps	16.5	17.1	53 bps
EBIT	4,744	4,682	-1.3%	5,936	6,005	1.2%
PAT	3,334	3,364	0.9%	4,363	4,393	0.7%
EPS (Rs)	140.5	141.8	0.9%	183.9	185.1	0.7%

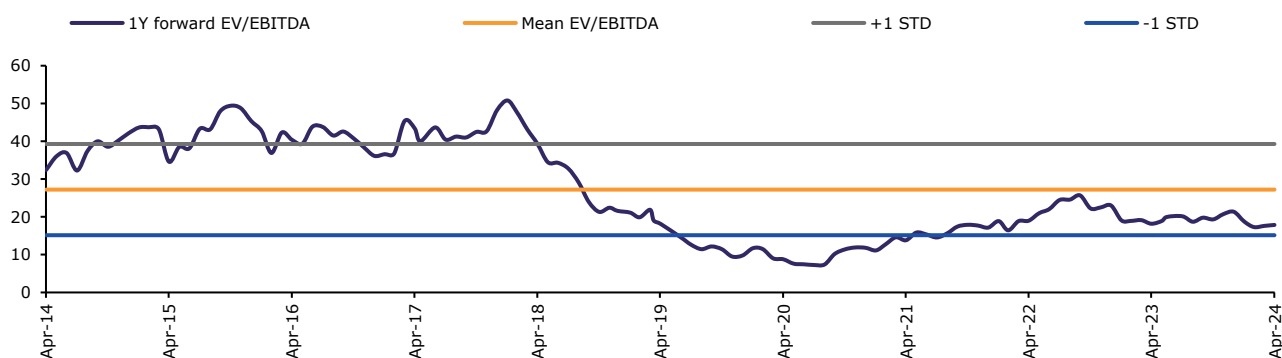
Source: Company, Emkay Research

Exhibit 11: We value BDE at Rs6,400/share

Particulars (Rs mn)	FY23	FY24E	FY25E	FY26E	FY30E	FY35E
Revenue	51,722	52,678	56,439	61,593	80,728	118,616
NOPLAT	3,959	3,219	3,498	4,486	8,800	13,734
Non-cash items	3,945	4,329	4,681	4,499	4,616	6,783
Change in WC	(1,042)	404	(1,164)	126	(132)	(192)
Capex	(5,714)	(2,675)	(2,500)	(2,500)	(2,500)	(3,673)
FCFF	1,148	5,276	4,514	6,611	10,784	16,652
WACC	12.0%					
Terminal growth	7%					
PV of CFs (FY24-35E)	60,376					
PV of terminal value	111,770					
Total EV	172,146					
(Less) Net Debt	(557)					
Total Equity value	172,703					
Total no. of shares (in mn – May-24)	24					
Target price/share (Rs) – May-25E	6,400					

Source: Company, Emkay Research

Exhibit 12: BDE is currently trading at -1 S.D., below its long-term EV/EBITDA average



Source: Company, Emkay Research

Call Highlights

- Management highlighted that the margin increase has been on the account of annual GPI (General Price Increase), more volume of dense cargo and better utilization of aircraft capacity.
- Quarterly shipment volumes were 91.72mn and weighed 296,399 tons.
- Volume growth was driven by e-commerce (D2C and omni-channel included) and Documents (which grew faster than the overall company growth rate).
- The current capacity utilization remains between 75%-85%, with the peak utilization levels at ~92%.
- Company has retained its market share in the Document business.
- The volumes being sent through third party belly space on Guwahati route have shifted to the company. Earlier the value of third-party volume sent through belly space was 20-25% of the cost, while it is now around 10%.
- Management highlighted that the ATF price is a pure pass-through and the margins are driven by GPI, cost measures, and capacity utilization.
- The company undertook price hikes across segments, large parts of which was in B2B business.
- Company expects freighter-related depreciation to stay constant, with the increase driven by lease capex, IT automation, and other maintenance capex.
- Management looks at PBT as the right metric to measure profitability, as EBITDA has the depreciation component (which, in turn, is driven by leases). They expect the increase in PBT to be in the range of 2-5%.
- Surface cargo contributed ~30% to the topline, with e-commerce contributing 30% and air parcels & documents contributing 40%.
- Company expects the volume growth rate to continue at the pace of the current quarter, as the new freighter induction has a normalized base.

Blue Dart Express: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	44,105	51,722	52,678	56,439	61,593
Revenue growth (%)	34.1	17.3	1.8	7.1	9.1
EBITDA	9,998	9,375	8,528	9,363	10,504
EBITDA growth (%)	45.7	(6.2)	(9.0)	9.8	12.2
Depreciation & Amortization	3,954	3,945	4,329	4,681	4,499
EBIT	6,044	5,430	4,199	4,682	6,005
EBIT growth (%)	135.8	(10.2)	(22.7)	11.5	28.3
Other operating income	0	0	0	0	0
Other income	308	320	508	534	561
Financial expense	870	669	781	713	686
PBT	5,482	5,082	3,927	4,503	5,880
Extraordinary items	0	0	0	0	0
Taxes	1,301	1,377	917	1,139	1,488
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	3,822	3,705	3,010	3,364	4,393
PAT growth (%)	275.4	(3.1)	(18.8)	11.8	30.6
Adjusted PAT	4,182	3,705	3,010	3,364	4,393
Diluted EPS (Rs)	161.1	156.1	126.8	141.8	185.1
Diluted EPS growth (%)	275.4	(3.1)	(18.8)	11.8	30.6
DPS (Rs)	40.0	35.0	30.0	60.0	80.0
Dividend payout (%)	24.8	22.4	23.6	42.3	43.2
EBITDA margin (%)	22.7	18.1	16.2	16.6	17.1
EBIT margin (%)	13.7	10.5	8.0	8.3	9.8
Effective tax rate (%)	23.7	27.1	23.3	25.3	25.3
NOPLAT (pre-IndAS)	4,610	3,959	3,219	3,498	4,486
Shares outstanding (mn)	23.7	23.7	23.7	23.7	23.7

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	5,482	5,082	3,927	4,503	5,880
Others (non-cash items)	0	0	0	0	0
Taxes paid	(1,261)	(1,388)	(636)	(1,213)	(1,629)
Change in NWC	(378)	(1,129)	352	(2,164)	(874)
Operating cash flow	8,359	6,858	8,244	5,986	8,001
Capital expenditure	(1,746)	(5,714)	(2,675)	(2,500)	(2,500)
Acquisition of business	(573)	365	(1,364)	0	0
Interest & dividend income	65	0	0	0	0
Investing cash flow	(2,011)	(5,028)	(3,531)	(1,966)	(1,939)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(3,950)	500	47	0	0
Payment of lease liabilities	2,648	2,753	2,879	1,000	1,000
Interest paid	(870)	(669)	(781)	(713)	(686)
Dividend paid (incl tax)	949	831	712	1,424	1,898
Others	(3,740)	(3,380)	(3,984)	(3,273)	(4,443)
Financing cash flow	(7,610)	(2,718)	(4,006)	(2,562)	(3,230)
Net chg in Cash	(1,262)	(888)	707	1,458	2,831
OCF	8,359	6,858	8,244	5,986	8,001
Adj. OCF (w/o NWC chg.)	7,982	5,729	8,596	3,821	7,127
FCFF	6,614	1,144	5,569	3,486	5,501
FCFE	5,809	476	4,788	2,773	4,815
OCF/EBITDA (%)	83.6	73.2	96.7	63.9	76.2
FCFE/PAT (%)	152.0	12.8	159.1	82.4	109.6
FCFF/NOPLAT (%)	143.5	28.9	173.0	99.7	122.6

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	238	238	238	238	238
Reserves & Surplus	8,482	11,558	13,435	15,375	17,869
Net worth	8,720	11,796	13,673	15,613	18,107
Minority interests	0	0	0	0	0
Deferred tax liability (net)	(906)	(1,024)	(1,045)	(1,045)	(1,045)
Total debt	2,000	2,500	2,547	2,547	2,547
Total liabilities & equity	9,814	13,272	15,175	17,115	19,609
Net tangible fixed assets	6,617	6,444	5,897	6,340	5,158
Net intangible assets	813	730	698	698	698
Net ROU assets	7,845	7,542	7,062	7,025	7,089
Capital WIP	506	4,148	735	735	735
Goodwill	0	0	0	0	0
Investments [JV/Associates]	2,074	1,709	3,073	3,073	3,073
Cash & equivalents	1,843	955	1,662	3,120	6,239
Current assets (ex-cash)	8,405	9,783	9,865	11,154	11,931
Current Liab. & Prov.	17,568	17,934	18,389	17,514	17,417
NWC (ex-cash)	(9,163)	(8,152)	(8,524)	(6,360)	(5,486)
Total assets	9,814	13,272	15,175	17,115	19,610
Net debt	157	1,545	885	(573)	(3,692)
Capital employed	9,814	13,272	15,175	17,115	19,609
Invested capital	5,391	6,460	9,705	10,188	9,564
BVPS (Rs)	367.5	497.1	576.2	657.9	763.0
Net Debt/Equity (x)	0.0	0.1	0.1	0.0	(0.2)
Net Debt/EBITDA (x)	0.0	0.2	0.1	(0.1)	(0.4)
Interest coverage (x)	0.1	0.1	0.2	0.1	0.1
RoCE (%)	40.2	31.4	23.1	25.9	30.7

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	38.7	43.7	53.8	48.1	36.9
P/CE(x)	19.9	21.2	22.1	20.1	18.2
P/B (x)	18.6	13.7	11.8	10.4	8.9
EV/Sales (x)	3.7	3.2	3.1	2.9	2.6
EV/EBITDA (x)	16.2	17.4	19.1	17.2	15.1
EV/EBIT(x)	26.8	30.1	38.8	34.4	26.3
EV/IC (x)	30.1	25.3	16.8	15.8	16.5
FCFF yield (%)	4.1	0.7	3.4	2.2	3.5
FCFE yield (%)	3.6	0.3	3.0	1.7	3.0
Dividend yield (%)	0.6	0.5	0.4	0.9	1.2
DuPont-RoE split					
Net profit margin (%)	9.5	7.2	5.7	6.0	7.1
Total asset turnover (x)	4.2	4.5	3.7	3.5	3.4
Assets/Equity (x)	1.4	1.1	1.1	1.1	1.1
RoE (%)	57.1	36.1	23.6	23.0	26.1
DuPont-RoIC					
NOPLAT margin (%)	10.5	7.7	6.1	6.2	7.3
IC turnover (x)	5.1	4.6	3.8	3.9	4.2
RoIC (%)	41.7	32.1	22.0	26.3	35.9
Operating metrics					
Core NWC days	(75.8)	(57.5)	(59.1)	(41.1)	(32.5)
Total NWC days	(75.8)	(57.5)	(59.1)	(41.1)	(32.5)
Fixed asset turnover	1.7	1.9	1.8	1.7	1.7
Opex-to-revenue (%)	25.6	24.1	26.3	25.4	26.4

Source: Company, Emkay Research

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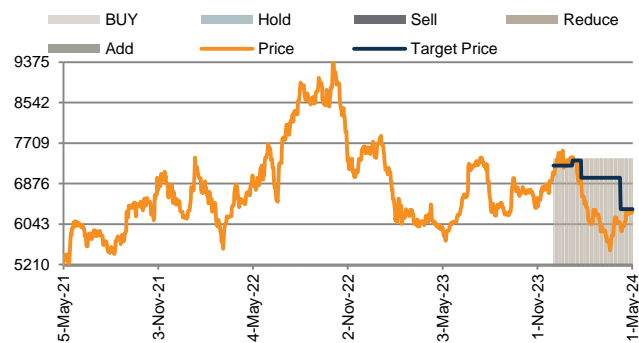
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
08-Apr-24	6,012	6,350	Reduce	Anshul Agrawal
22-Feb-24	6,231	7,000	Reduce	Anshul Agrawal
24-Jan-24	6,875	7,000	Reduce	Anshul Agrawal
15-Jan-24	7,267	7,350	Reduce	Anshul Agrawal
07-Jan-24	7,417	7,350	Reduce	Anshul Agrawal
24-Dec-23	7,342	7,250	Reduce	Anshul Agrawal
01-Dec-23	7,061	7,250	Reduce	Anshul Agrawal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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