

Blue Dart Express

Estimate change



TP change



Rating change



Bloomberg	BDE IN
Equity Shares (m)	24
M.Cap.(INRb)/(USD\$b)	153 / 1.8
52-Week Range (INR)	7650 / 5632
1, 6, 12 Rel. Per (%)	-11/-16/-22
12M Avg Val (INR M)	137

Financial Snapshot (INR b)

Y/E MARCH	2024E	2025E	2026E
Sales	53.7	62.6	73.4
EBITDA	5.3	7.5	9.3
Adj. PAT	3.0	4.5	5.8
EBITDA Margin (%)	9.9	11.9	12.6
Adj. EPS (INR)	125.8	191.5	245.8
EPS Gr. (%)	-18.6	52.3	28.4
BV/Sh. (INR)	596.9	728.4	914.2

Ratios

Net D:E	-0.1	-0.1	-0.2
RoE (%)	22.3	28.9	29.9
RoCE (%)	24.0	30.5	31.2
Payout (%)	47.7	31.3	24.4

Valuations

P/E (x)	51.3	33.7	26.3
P/BV (x)	10.8	8.9	7.1
EV/EBITDA(x)	27.8	19.5	15.3
Div. Yield (%)	0.9	0.9	0.9
FCF Yield (%)	1.9	2.1	3.1

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	75.0	75.0	75.0
DII	11.8	11.8	8.5
FII	5.3	4.7	5.1
Others	7.9	9.6	11.5

FII Includes depository receipts

CMP: INR6,450

TP: INR7,850 (+22%)

Buy

Newly acquired aircraft to see gradual improvement in utilization levels

Revenue in line; a slight miss on margins

- Blue Dart Express (BDE)'s revenue grew 3% YoY to INR13.8b in 3QFY24 (in line). BDE handled 0.31m tonnes of cargo volume (+3% YoY), while the realization improved ~1% YoY to INR 44/kg. It carried 92m shipments in 3Q.
- EBITDA margin came in at 9.7% in 3QFY24 (v/s our estimate of 9.9%). The margin was lower by ~160bp YoY, mainly due to higher other expenses and employee costs. EBITDA declined ~11% YoY to INR1.3b (vs. our est. of INR1.5b). PAT dipped 6% YoY to INR816m (vs. our est. of INR841m). The soft operating performance was partially offset by high other income and a lower tax outgo.
- During 9MFY24, BDE reported revenue of INR39.5b (flat YoY), EBITDA of INR3.8b (-25% YoY), and APAT of INR2.1b (-28% YoY). BDE carried 0.9m tonnes of shipments (+3.1% YoY) during the period. The realization per kg stood at INR43.5 (-3.3% YoY).
- Slower growth in the industry and high competition (particularly in surface express) have hit the volumes of BDE. As the overall demand improves and new aircraft stabilize, a pickup in volumes is anticipated in FY25 and FY26. The standalone EBITDA margin, which has reduced to sub-10% level, would also improve as volume levels pick up.
- We cut our EBITDA by ~6%/3%/3% for FY24/25/26E to incorporate 3QFY24 performance and gradual improvement in utilization levels. **Reiterate BUY with a revised TP of INR7,850 (based on 20x FY26E EV/EBITDA).**

Utilization levels of new aircraft improve; surface express likely to be the key growth driver

- The introduction of two new aircraft has resulted in increased sequential volumes for the quarter. The management remains confident that the newly added aircraft will achieve optimal utilization soon, leading to improved efficiency and higher margins.
- Despite intense competition and ongoing consolidation in the surface express industry, BDE is expanding its market share. The Surface Express sector is expected to be a key growth driver for BDE, with anticipated double-digit growth.
- BDE currently holds a large market share in the document logistics segment, which posted a 7-8% YoY growth during the quarter.

Highlights from the management commentary

- Standalone EBITDA margin is expected to be in the low double-digit range, with a potential 5-6% growth in realization.
- The two aircraft would operate in the existing network where BDE operates currently. Additionally, BDE would add Guwahati to its network using these new aircraft.

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MotilalOswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- The general price hikes were implemented at the start of the year. Management expects to push a 5% price hike on a blended basis, post-negotiation with customers.
- The festive-led demand was spread between 2QFY24 and 3QFY24.
- Surface Express contributed ~25%-30% to the overall revenue and the balance came from Air Express.

Valuation and view

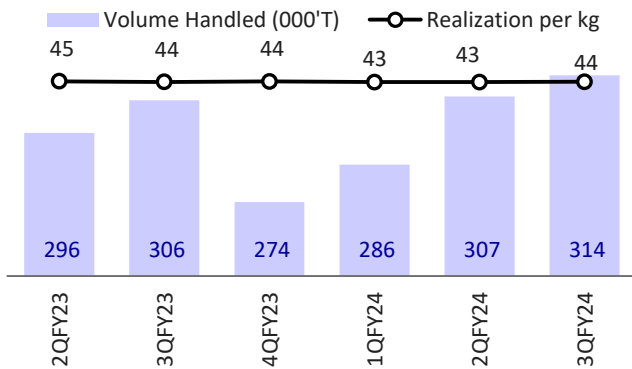
- BDE is facing temporary challenges, such as the costs linked to the integration of new aircraft and slow industry activity. Despite these obstacles, BDE is making efforts to achieve optimal utilization for the recently acquired aircraft and aims to increase its share in the ground express segment within the overall mix.
- With improved volumes, better realizations, and an increasing market share of BDE in the Surface Express segment, we expect the company to register a revenue/EBITDA/PAT CAGR of ~12%/14%/17% over FY23-26. **Reiterate BUY with a revised TP of INR7,850 (based on 20x FY26E EV/EBITDA).**

Quarterly snapshot - Standalone

Y/E March (INR m)	INR m											
	FY23				FY24E				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	vs Est
Net Sales	12,933	13,253	13,371	12,166	12,376	13,245	13,829	14,257	51,722	53,707	14,039	(1)
YoY Change (%)	49.6	18.0	6.6	4.3	-4.3	-0.1	3.4	17.2	17.3	3.8	5.0	
EBITDA	1,908	1,627	1,506	1,282	1,133	1,305	1,343	1,521	6,323	5,302	1,481	(9)
Margins (%)	14.7	12.3	11.3	10.5	9.2	9.9	9.7	10.7	12.2	9.9	10.6	
YoY Change (%)	128.7	-18.0	-26.1	-41.2	-40.6	-19.8	-10.8	1.3	-10.2	-16.1	-6.3	
Depreciation	397	419	414	436	444	456	473	473	1,666	1,845	450	
Interest	47	42	42	44	45	48	47	49	174	189	48	
Other Income	102	121	139	143	157	151	228	146	505	682	140	
PBT before EO expense	1,566	1,288	1,189	945	801	952	1,050	1,146	4,987	3,950	1,123	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	1,566	1,288	1,189	945	801	952	1,050	1,146	4,987	3,950	1,123	
Tax	394	368	320	241	204	240	235	288	1,323	966	282	
Rate (%)	25.2	28.5	26.9	25.5	25.4	25.2	22.4	25.1	26.5	24.5	25.2	
Reported PAT	1,172	920	869	703	598	713	816	858	3,664	2,984	841	
Adj PAT	1,172	920	869	703	598	713	816	858	3,664	2,984	841	(3)
YoY Change (%)	298.9	-26.6	-28.9	-48.1	-49.0	-22.5	-6.2	22.0	-11.1	-18.6	-3.3	
Margins (%)	9.1	6.9	6.5	5.8	4.8	5.4	5.9	6.0	7.1	5.6	6.0	

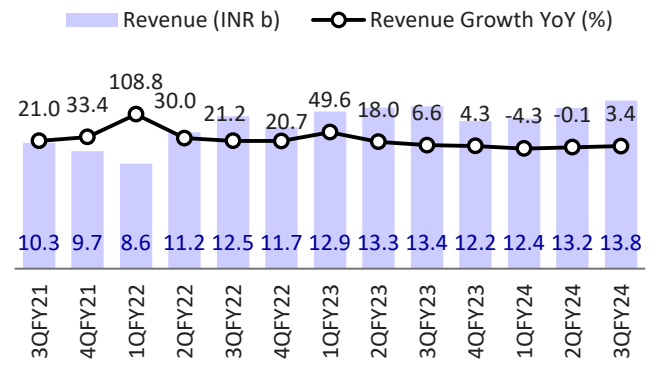
The quarter in charts

Exhibit 1: Volume and realization trends



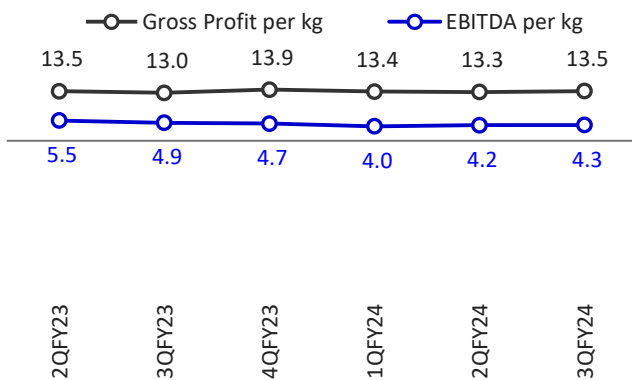
Source: Company, MOFSL

Exhibit 2: Revenue remained flattish YoY



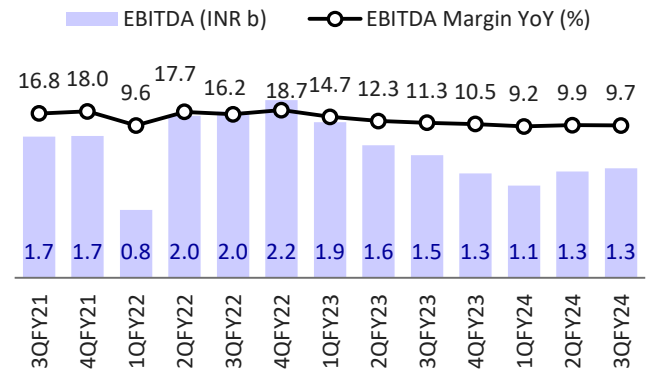
Source: Company, MOFSL

Exhibit 3: Operating profitability per kg



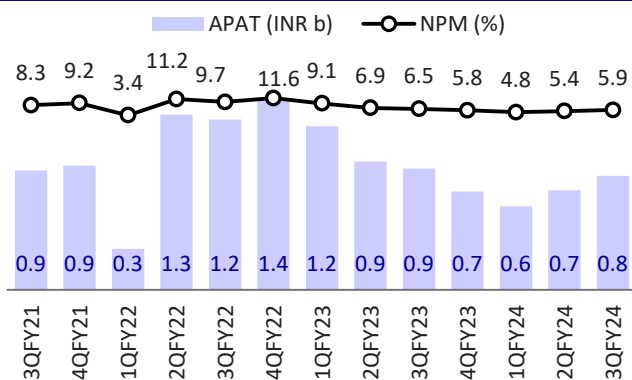
Source: Company, MOFSL

Exhibit 4: EBITDA margin contracted ~150bp YoY



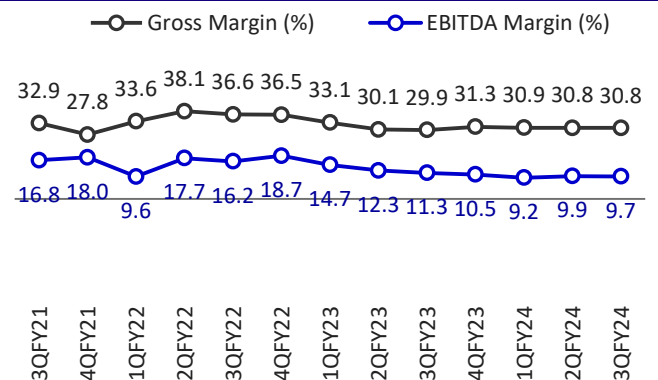
Source: Company, MOFSL

Exhibit 5: PAT decreased 6% YoY



Source: Company, MOFSL

Exhibit 6: Flattish volume hit margins in 3QFY24



Source: Company, MOFSL

Highlights from our interaction with the management

Volume:

- Volume growth over the past nine quarters has been modest, with 9MFY24 shipments growing by 9% YoY and volume in tonnage increasing by 3% YoY. Growth is slower YoY as the previous year had some international charter, which was due to the pandemic. Adjusted for that, growth has been decent.
- The two aircraft are seeing a pickup in utilization levels. However, the market has been slow and BDE expects the coming quarters to show better performance QoQ.
- The two aircraft would operate in the existing network where BDE operates currently. Additionally, BDE would add Guwahati to its network using these new aircraft.
- The Air to Surface Express ratio was similar to the last quarter. Surface Express is experiencing faster growth, and the documents business is also showing a notable increase in growth rate. However, the Surface business has been competitive of late and BDE would be positioning this accordingly.
- Sequential growth was seen in shipments in both the B2B and B2C segments. However, better growth is expected going forward.

Operations

- The general price hikes were implemented at the start of the year. Management expects to push a 5% price hike on a blended basis, post-negotiation with customers.
- B2C is experiencing a faster rate of growth. Surface Express serves as a growth driver for the company, with a significantly better growth percentage compared to Air Express. This is attributed to improved infrastructure.
- The utilization levels of the two new aircraft showed an increase in volume in the air business, aligning with the company's planned utilization.
- The festive-led demand was spread between 2QFY24 and 3QFY24.
- Growth in document shipments has been in mid-single digits on YoY basis
- Surface Express contributed ~25%-30% to the overall revenue and the balance came from Air Express.
- Passenger Aircraft could add some capacity. Pure Cargo players are not adding much capacity.
- BDE added capacity and the volumes would flow in the coming period. It is never an immediate ramp-up.

Guidance:

- Two Aircraft have been added and would take some time to get optimally utilized.
- Margins are expected to improve once optimum utilization levels for the new aircraft are achieved.
- Standalone EBITDA margin is expected to be in the low double-digit range in next couple of years (the current level is 9.5-10.0%)
- The realization could increase by 4-5% due to GPI.
- BDE aims to cater to B2B and B2C segments without compromising on profitability. The goal is to outpace industry growth and expand market share.

- Over long-term, the Surface Express is anticipated to exhibit faster growth compared to Air Express, with the former likely to achieve double-digit expansion while Air Express will likely experience high single-digit growth.
- The overall market is likely to expand, and BDE is actively expanding both its infrastructure and capacity to seize this growing opportunity.

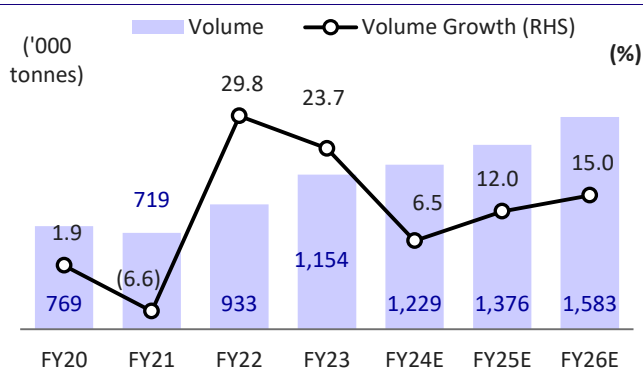
Exhibit 7: Our revised forecasts

(INR m)	FY24E			FY25E			FY26E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	53,707	54,686	-1.8	62,558	63,086	-0.8	73,380	73,999	-0.8
EBITDA	5,302	5,666	-6.4	7,462	7,717	-3.3	9,254	9,552	-3.1
EBITDA Margin (%)	9.9	10.4	-49	11.9	12.2	-30	12.6	12.9	-30
PAT	2,984	3,182	-6.2	4,544	4,734	-4.0	5,833	5,973	-2.3
EPS (INR)	125.8	134.1	-6.2	191.5	199.5	-4.0	245.8	251.7	-2.3

Source: Company, MOFSL

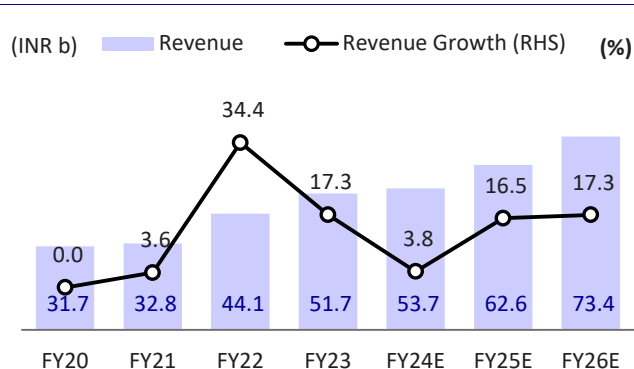
Financial story in charts

Exhibit 8: Volume growth to improve going forward



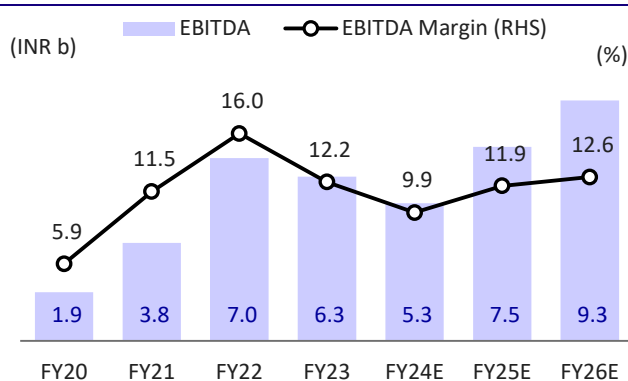
Source: Company, MOFSL

Exhibit 9: Revenue to largely mirror volume growth



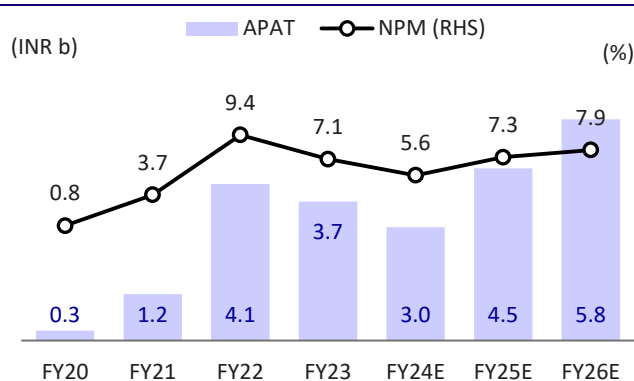
Source: Company, MOFSL

Exhibit 10: Margin to improve as costs stabilize



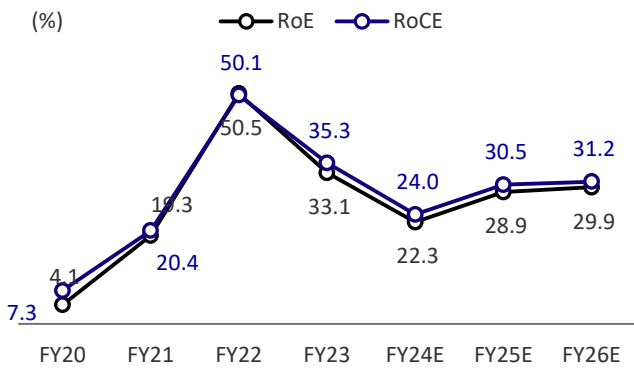
Source: Company, MOFSL

Exhibit 11: PAT to see healthy growth ahead



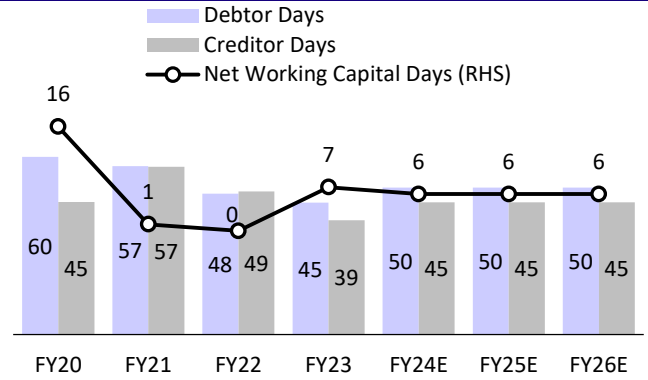
Source: Company, MOFSL

Exhibit 12: Return ratios to remain healthy



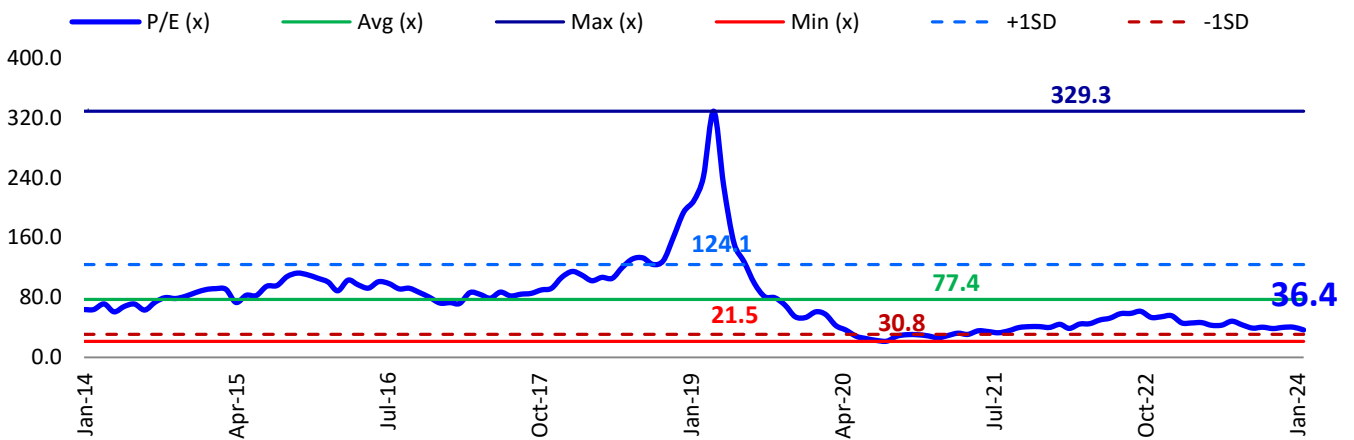
Source: Company, MOFSL

Exhibit 13: Working capital position comfortable



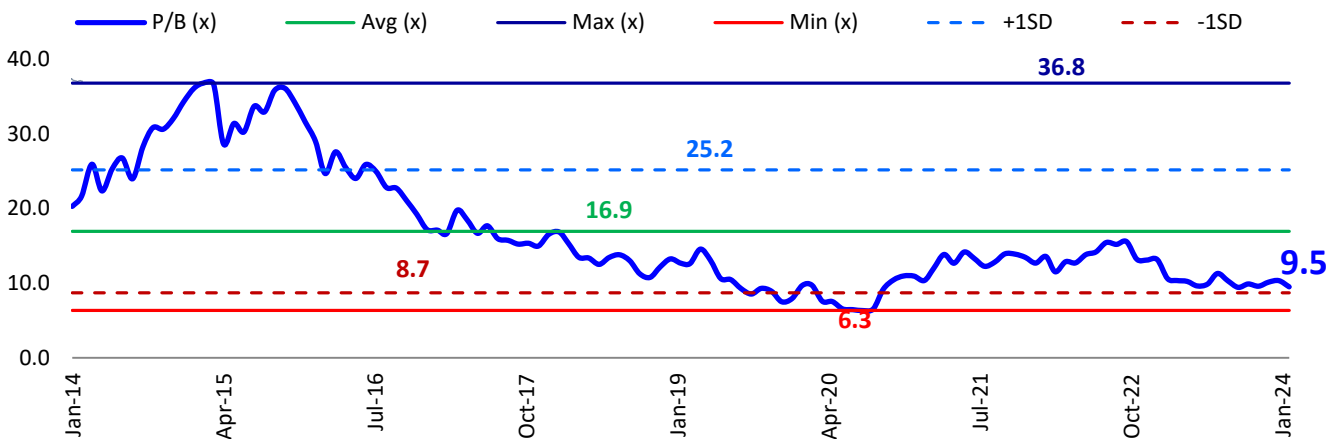
Source: Company, MOFSL

Exhibit 14: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 15: One-year forward P/B (x)



Source: Company, MOFSL

Financials and valuations

Standalone – Income Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	31,664	32,797	44,090	51,722	53,707	62,558	73,380
Change (%)	0.0	3.6	34.4	17.3	3.8	16.5	17.3
Gross Margin (%)	31.8	36.2	36.4	31.1	31.0	31.4	31.2
EBITDA	1,878	3,766	7,038	6,323	5,302	7,462	9,254
Margin (%)	5.9	11.5	16.0	12.2	9.9	11.9	12.6
Depreciation	1,528	2,007	1,687	1,666	1,845	1,904	2,027
EBIT	350	1,760	5,351	4,656	3,457	5,559	7,227
Int. and Finance Charges	321	317	241	174	189	200	180
Other Income	140	127	285	505	682	716	752
PBT	169	1,569	5,395	4,987	3,950	6,075	7,799
Tax	-89	347	1,271	1,323	966	1,531	1,965
Effective Tax Rate (%)	NA	26.5	25.2	26.5	24.5	25.2	25.2
PAT before EO. Items	258	1,222	4,124	3,664	2,984	4,544	5,833
Extraordinary Items	641	259	360	0	0	0	0
Reported PAT	-383	963	3,764	3,664	2,984	4,544	5,833
Adjusted PAT	258	1,222	4,124	3,664	2,984	4,544	5,833
Change (%)	-70.5	373.1	237.6	-11.1	-18.6	52.3	28.4
Margin (%)	0.8	3.7	9.4	7.1	5.6	7.3	7.9

Standalone – Balance Sheet

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	238	238	238	238	238	238	238
Total Reserves	5,597	6,554	9,311	12,366	13,926	17,047	21,456
Net Worth	5,835	6,792	9,549	12,604	14,164	17,284	21,694
Deferred Tax Liabilities	-269	-284	-310	-336	-336	-336	-336
Total Loans	750	1,425	0	0	0	0	0
Capital Employed	6,316	7,933	9,239	12,268	13,828	16,948	21,358
Gross Block	7,998	8,071	7,924	8,867	10,117	11,617	12,817
Less: Accum. Deprn.	2,362	3,100	3,419	3,799	5,644	7,548	9,575
Net Fixed Assets	5,636	4,972	4,505	5,068	4,473	4,069	3,242
Capital WIP	22	5	1	17	17	17	17
Total Investments	1,441	2,941	3,515	3,150	4,550	6,250	7,450
Curr. Assets, Loans, and Adv.	8,244	10,164	12,005	14,760	16,292	19,265	24,751
Inventory	37	58	70	78	74	86	101
Account Receivables	5,245	5,149	5,788	6,350	7,357	8,570	10,052
Cash and Bank Balances	985	3,077	1,829	948	1,195	1,679	4,123
Loans and Advances	8	0	2,501	4,504	4,677	5,448	6,390
Others	1,969	1,880	1,818	2,879	2,990	3,483	4,085
Current Liab. and Prov.	9,027	10,149	10,786	10,727	11,504	12,653	14,102
Account Payables	3,911	5,131	5,876	5,502	6,621	7,713	9,047
Other Current Liabilities	3,933	3,808	3,680	4,105	3,763	3,820	3,935
Provisions	1,183	1,211	1,230	1,120	1,120	1,120	1,120
Net Current Assets	-783	15	1,219	4,033	4,788	6,612	10,649
Application of Funds	6,316	7,933	9,239	12,268	13,828	16,948	21,358

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	10.9	51.5	173.8	154.4	125.8	191.5	245.8
EPS growth (%)	-70.5	373.1	237.6	-11.1	-18.6	52.3	28.4
Cash EPS	75.3	136.0	244.9	224.6	203.5	271.7	331.3
BV/Share	245.9	286.2	402.4	531.1	596.9	728.4	914.2
DPS	0.0	15.0	60.0	30.0	60.0	60.0	60.0
Payout (Incl. Div. Tax, %)	-93.4	0.0	37.8	19.4	47.7	31.3	24.4
Valuation (x)							
P/E	593.4	125.4	37.2	41.8	51.3	33.7	26.3
Cash P/E	85.8	47.5	26.4	28.7	31.7	23.8	19.5
EV/EBITDA	80.7	39.5	21.0	23.6	27.8	19.5	15.3
EV/Sales	4.8	4.5	3.4	2.9	2.7	2.3	1.9
P/BV	26.3	22.6	16.0	12.2	10.8	8.9	7.1
Dividend Yield (%)	0.0	0.2	0.9	0.5	0.9	0.9	0.9
Return Ratios (%)							
RoE	4.1	19.3	50.5	33.1	22.3	28.9	29.9
RoCE	7.3	20.4	50.1	35.3	24.0	30.5	31.2
RoIC	9.2	44.8	137.9	56.8	32.2	48.7	57.6
Working Capital Ratios							
Fixed Asset Turnover (x)	5.1	4.1	5.5	6.2	5.7	5.8	6.0
Asset Turnover (x)	5.0	4.1	4.8	4.2	3.9	3.7	3.4
Inventory (Days)	0	1	1	1	1	1	1
Debtors (Days)	60	57	48	45	50	50	50
Creditors (Days)	45	57	49	39	45	45	45
Leverage Ratio (x)							
Net Debt/Equity	0.0	-0.2	-0.2	-0.1	-0.1	-0.1	-0.2

Standalone – Cash Flow Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	-472	1,311	5,035	4,987	3,950	6,075	7,799
Depreciation	1,678	2,007	1,687	1,666	1,845	1,904	2,027
Direct Taxes Paid	-551	-276	-1,261	-1,388	-966	-1,531	-1,965
(Inc.)/Dec. in WC	77	1,219	360	-1,849	-108	-1,140	-1,393
Other Items	205	229	6	-225	-493	-516	-572
CF from Operations	937	4,489	5,827	3,193	4,228	4,792	5,895
(Inc.)/Dec. in FA	-558	-258	-517	-918	-1,250	-1,500	-1,200
Free Cash Flow	379	4,230	5,310	2,275	2,978	3,292	4,695
Change in Investments	34	-3,710	-759	-1,467	-1,400	-1,700	-1,200
Others	129	25	160	211	682	716	752
CF from Investments	-395	-3,944	-1,115	-2,173	-1,968	-2,484	-1,648
Inc./(Dec.) in Debt	-712	675	-1,425	0	0	0	0
Dividends Paid	-358	0	-949	-563	-1,424	-1,424	-1,424
Others	-1,155	-1,373	-1,334	-1,338	-589	-400	-380
CF from Fin. Activity	-2,225	-698	-3,708	-1,901	-2,013	-1,824	-1,804
Inc./(Dec.) in Cash	-1,683	-153	1,004	-881	247	484	2,444
Opening Balance (includes Bank Bal.)	2,670	985	3,077	1,829	948	1,195	1,679
Inc/(Dec) in Bank Bal.	-2	2,245	-2,252	0	0	0	0
Closing Balance (includes Bank Bal.)	985	3,077	1,829	948	1,195	1,679	4,123

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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