

**Weak operating print**

Logistics ▶ Result Update ▶ July 19, 2024

**TARGET PRICE (Rs): 7,050**

**BDE reported a muted quarter, as profitability faltered on both—sequential and YoY—basis, despite revenues improving 9% YoY, presumably on the back of higher utilization of new aircrafts. We believe operating a premium logistics network limits BDE’s ability to sustainably improve margins, in spite of commanding higher pricing in both, air and surface express. Also, maintaining growth momentum with a premium-pricing model in a highly competitive B2B express market may prove challenging. With the stock currently trading near its +1 SD 5-year EV/EBITDA average, current valuations limit upside. We marginally cut FY25/26E PAT by 6%/2%, respectively, as we factor-in the miss; we maintain our REDUCE rating. We roll forward our TP of Rs7,050/sh to Jun-25E (on DCF method), implying FY26E EV/EBITDA of 14x and P/E of 36x.**

**Blue Dart Express: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	51,722	52,678	57,168	62,256	67,237
EBITDA	9,375	8,528	9,806	11,247	11,971
Adj. PAT	3,705	3,010	3,374	4,695	4,900
Adj. EPS (Rs)	156.1	126.8	142.2	197.9	206.5
EBITDA margin (%)	18.1	16.2	17.2	18.1	17.8
EBITDA growth (%)	(6.2)	(9.0)	15.0	14.7	6.4
Adj. EPS growth (%)	(3.1)	(18.8)	12.1	39.2	4.4
RoE (%)	36.1	23.6	23.0	27.2	23.7
RoIC (%)	32.1	22.0	27.4	39.8	43.5
P/E (x)	52.6	64.7	57.7	41.5	39.8
EV/EBITDA (x)	20.9	22.9	19.8	16.9	15.6
P/B (x)	16.5	14.2	12.5	10.3	8.7
FCFF yield (%)	0.6	2.8	2.1	3.4	2.5

Source: Company, Emkay Research

**Weak show; margins contract despite growth in top-line**

Despite seasonality, Q1 consol. revenue grew 2%/9% on QoQ/YoY basis, respectively. Gross margins remained flat YoY, while EBITDA margins contracted by 35bps/202bps on YoY/QoQ basis, respectively. Benefits of insourcing volumes on new freighters vs. using commercial belly space seem limited. We suspect revenues grew on the back of higher utilization of new aircrafts and growth in surface express, but lower substitution of the high-yield express cargo for port-to-port load would have limited margin ramp-up. Employee costs grew 11% YoY, possibly owing to annual wage hikes. Other expenses grew in line with revenues, at 8% YoY. PAT declined 13% YoY due to higher depreciation charges (+20% YoY), lower other income (-11% YoY), and weak operating performance.

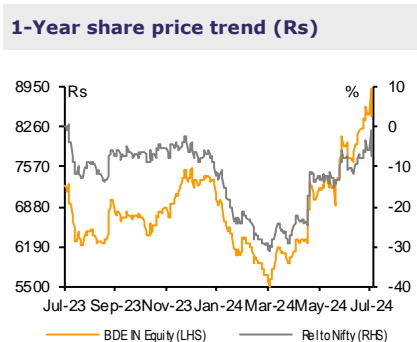
**Outlook and risks**

Though BDE has been able to maintain its market leadership position in the air express industry backed by its impeccable execution and network reliability, we remain concerned about the company maintaining its growth momentum with a premium pricing strategy, especially in current times of intense competition in the B2B express market. We expect margin expansion from current levels owing to higher utilization of new freighters, however sustaining the same over the long term owing to operating a premium logistics network remains challenging. Factoring-in the current quarterly miss, we cut our PAT estimates for FY25/26 by 6%/2%, respectively. Our sales estimates remain largely unchanged, as we expect volume CAGR of 9% over FY24-27E, and anticipate muted realizations (-1% CAGR), as growth in surface outpaces that in the air segment. We expect EBITDAM to expand by 160bps over FY24-27E on the back of ramp-up in utilizations of new freighters. With the stock currently trading near its +1 SD 5-year EV/EBITDA average, current valuations limit further upside, in our view. **Key risks:** Higher demand for air and lesser substitution with other modes, the premium pricing differential is likely to expand due to brand and superior execution, change in pricing strategy in surface express, and rationalization of overhead costs.

Target Price – 12M	Jun-25
<b>Change in TP (%)</b>	<b>5.2</b>
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	(14.1)
CMP (19-Jul-24) (Rs)	8,207.8

Stock Data	Ticker
52-week High (Rs)	8,980
52-week Low (Rs)	5,487
Shares outstanding (mn)	23.7
Market-cap (Rs bn)	195
Market-cap (US\$ mn)	2,328
Net-debt, FY25E (Rs mn)	-836
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	289.3
ADTV-3M (US\$ mn)	3.5
Free float (%)	-
Nifty-50	24,531
INR/US\$	83.7
<b>Shareholding, Jun-24</b>	
Promoters (%)	75.0
FPIs/MFs (%)	5.4/12.7

Price Performance			
(%)	1M	3M	12M
Absolute	4.2	30.3	12.3
Rel. to Nifty	(0.1)	17.7	(9.2)

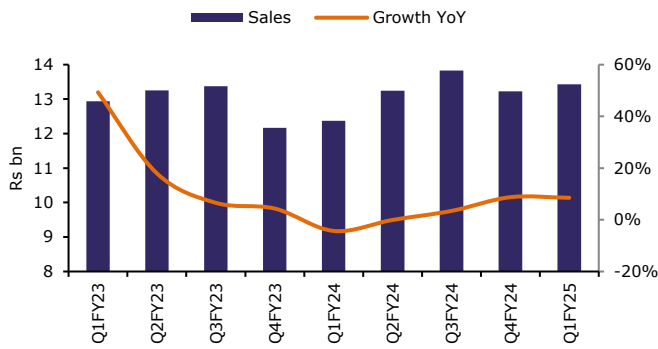


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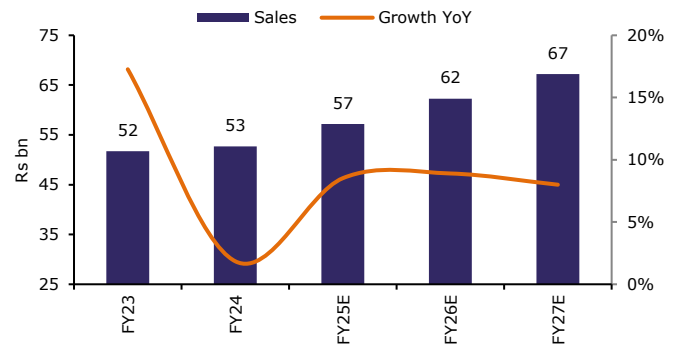
# Story in Charts

**Exhibit 1: Despite seasonality, Q1 consol. sales grew 9% YoY**



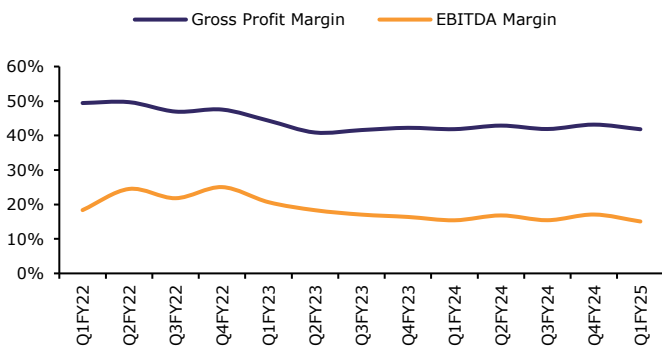
Source: Company, Emkay Research

**Exhibit 2: We expect sales CAGR at 8% over FY24-27E**



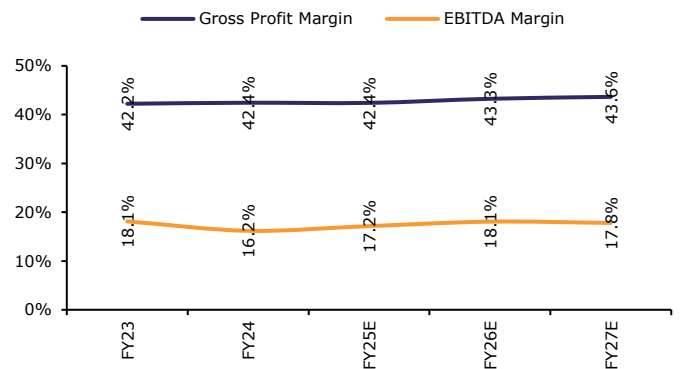
Source: Company, Emkay Research

**Exhibit 3: EBITDA margins contracted on both, QoQ and YoY basis**



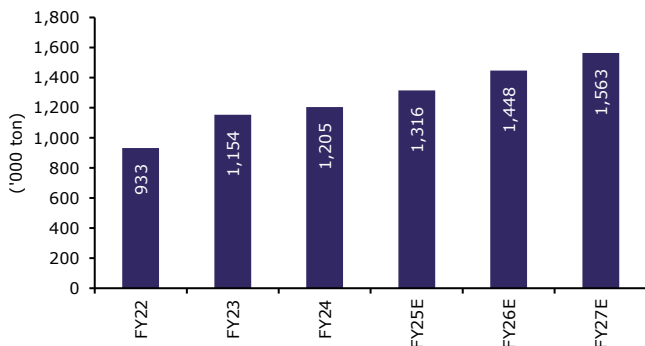
Source: Company, Emkay Research

**Exhibit 4: We expect EBITDAM to expand by 160bps over FY24-27E**



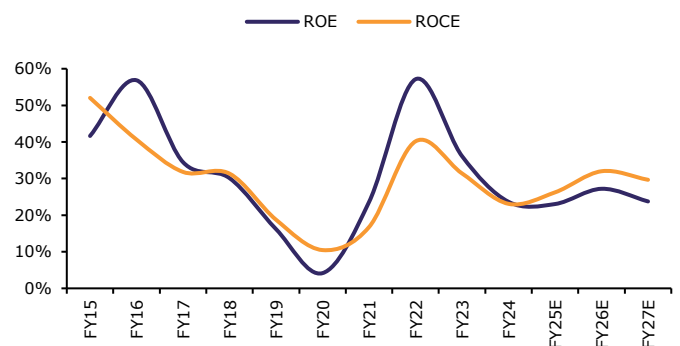
Source: Company, Emkay Research

**Exhibit 5: We anticipate 9% volume CAGR for FY24-27E**



Source: Company, Emkay Research

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



Source: Company, Emkay Research

**Exhibit 7: Summary of quarterly financials (Consolidated)**

Blue Dart - Consolidated (Rs mn)	Q1FY24	Q4FY24	Q1FY25	YoY	QoQ	BBG	vs. Consensus
<b>Net sales</b>	<b>12,376</b>	<b>13,229</b>	<b>13,427</b>	<b>8.5%</b>	<b>1.5%</b>	<b>13,332</b>	<b>0.7</b>
Operating Expenses	(10,469)	(10,969)	(11,405)	8.9%	4.0%		
Freight, handling and service costs	7,197	7,520	7,813	8.6%	3.9%		
Employee Costs	2,171	2,264	2,400	10.5%	6.0%		
Other operating Expenses	1,101	1,186	1,193	8.4%	0.6%		
Gross Profit	5,179	5,709	5,615	8.4%	-1.7%	5,693	(1.4)
<b>EBITDA</b>	<b>1,907</b>	<b>2,260</b>	<b>2,022</b>	<b>6.0%</b>	<b>-10.5%</b>	<b>1,822</b>	<b>11.0</b>
Margin	15.4%	17.1%	15.1%			13.7%	
Depreciation	990	1,127	1,183	19.5%	4.9%		
EBIT	917	1,132	839	-8.5%	-25.9%	1,180	(28.9)
Other Income	102	111	91	-11.0%	-17.9%		
Interest	(195)	(194)	(210)	7.5%	8.2%		
Extra ordinary items							
PBT	824	1,049	720	-12.6%	-31.4%		
Tax	211	272	186	-11.8%	-31.5%		
<b>PAT</b>	<b>613</b>	<b>778</b>	<b>534</b>	<b>-12.8%</b>	<b>-31.3%</b>	<b>786</b>	<b>(32.0)</b>
Adj. PAT	613	778	534	-12.8%	-31.3%		
EPS (Rs)	25.8	32.8	22.5	-12.8%	-0.3	34.2	

	Q1FY24	Q4FY24	Q1FY25	YoY	QoQ	BBG	vs. Consensus
Gross margin	41.8%	43.2%	41.8%	(3)	(134)	42.7%	(89)
EBITDA margin	15.4%	17.1%	15.1%	(35)	(202)		
EBIT margin	7.4%	8.6%	6.2%	(116)	(231)	8.9%	(260)
EBT margin	6.7%	7.9%	5.4%	(129)	(257)		
PAT margin	5.0%	5.9%	4.0%	(97)	(190)	5.9%	(192)
Effective Tax rate	25.6%	25.9%	25.8%	22	(4)		

Source: Company, Emkay Research

**Exhibit 8: Actuals vs. estimates (Q1FY25)**

(Rs mn)	Actual	Estimate	Consensus	Variation	
		(Emkay)	estimate	Emkay	Consensus
Revenue	13,427	13,107	13,332	2%	1%
EBITDA	2,022	2,290	1,822	-12%	11%
EBITDA margin	15.1%	17.5%	14%	-241 bps	139 bps
PAT	534	771	786	-31%	-32%

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

**Exhibit 9: Change in estimates**

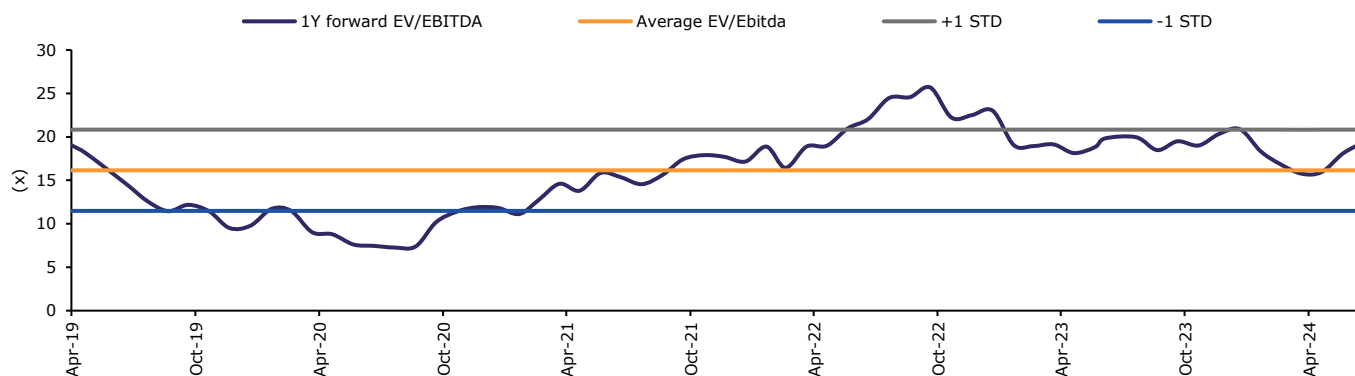
Particulars (Rs mn)	FY25E			FY26E			FY27E		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenue	56,848	57,168	0.6%	61,907	62,256	0.6%	67,237		NA
EBITDA	9,845	9,806	-0.4%	11,095	11,247	1.4%	11,971		NA
EBITDA margin (%)	17.3	17.2	-15 bps	17.9	18.1	17 bps	17.8		NA
EBIT	5,100	4,842	-5.1%	6,596	6,499	-1.5%	6,674		NA
PAT	3,606	3,374	-6.4%	4,781	4,695	-1.8%	4,900		NA
EPS (Rs)	151.9	142.2	-6.4%	201.5	197.9	-1.8%	206.5		NA

Source: Company, Emkay Research

**Exhibit 10: We value BDE at Rs7,050/share (Jun-25E)**

Particulars (Rs mn)	FY23	FY24E	FY25E	FY26E	FY30E	FY35E
Revenue	51,722	52,678	57,168	62,256	84,699	124,451
NOPLAT	3,959	3,219	3,613	4,855	6,618	14,410
Non-cash items	3,945	4,329	4,964	4,748	5,872	8,629
Change in WC	(1,042)	404	(1,194)	133	(223)	(327)
Capex	(5,714)	(2,675)	(2,500)	(2,500)	(2,500)	(3,673)
FCFF	1,148	5,276	4,883	7,235	9,768	19,037
WACC	12.0%					
Terminal growth	6%					
PV of CFs (FY24-35E)	61,831					
PV of terminal value	99,028					
Total EV	1,60,859					
(Less) Net Debt	(820)					
Total Equity value	1,61,680					
Total no. of shares – Jun-24 (mn)	24					
Target price/share (Rs)	7,050					

Source: Company, Emkay Research

**Exhibit 11: BDE is currently trading at +1 SD 5-year EV/EBITDA average**

Source: Company, Emkay Research

## Blue Dart Express: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>51,722</b>	<b>52,678</b>	<b>57,168</b>	<b>62,256</b>	<b>67,237</b>
Revenue growth (%)	17.3	1.8	8.5	8.9	8.0
<b>EBITDA</b>	<b>9,375</b>	<b>8,528</b>	<b>9,806</b>	<b>11,247</b>	<b>11,971</b>
EBITDA growth (%)	(6.2)	(9.0)	15.0	14.7	6.4
Depreciation & Amortization	3,945	4,329	4,964	4,748	5,297
<b>EBIT</b>	<b>5,430</b>	<b>4,199</b>	<b>4,842</b>	<b>6,499</b>	<b>6,674</b>
EBIT growth (%)	(10.2)	(22.7)	15.3	34.2	2.7
Other operating income	0	0	0	0	0
Other income	320	508	449	472	491
Financial expense	669	781	770	686	606
<b>PBT</b>	<b>5,082</b>	<b>3,927</b>	<b>4,522</b>	<b>6,285</b>	<b>6,559</b>
Extraordinary items	0	0	0	0	0
Taxes	1,377	917	1,148	1,590	1,660
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>3,705</b>	<b>3,010</b>	<b>3,374</b>	<b>4,695</b>	<b>4,900</b>
PAT growth (%)	(3.1)	(18.8)	12.1	39.2	4.4
<b>Adjusted PAT</b>	<b>3,705</b>	<b>3,010</b>	<b>3,374</b>	<b>4,695</b>	<b>4,900</b>
<b>Diluted EPS (Rs)</b>	<b>156.1</b>	<b>126.8</b>	<b>142.2</b>	<b>197.9</b>	<b>206.5</b>
Diluted EPS growth (%)	(3.1)	(18.8)	12.1	39.2	4.4
<b>DPS (Rs)</b>	<b>35.0</b>	<b>30.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>
<b>Dividend payout (%)</b>	<b>22.4</b>	<b>23.6</b>	<b>42.2</b>	<b>30.3</b>	<b>29.1</b>
EBITDA margin (%)	18.1	16.2	17.2	18.1	17.8
EBIT margin (%)	10.5	8.0	8.5	10.4	9.9
Effective tax rate (%)	27.1	23.3	25.4	25.3	25.3
<b>NOPLAT (pre-IndAS)</b>	<b>3,959</b>	<b>3,219</b>	<b>3,613</b>	<b>4,855</b>	<b>4,986</b>
Shares outstanding (mn)	23.7	23.7	23.7	23.7	23.7

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	5,082	3,927	4,522	6,285	6,559
Others (non-cash items)	0	0	0	0	0
Taxes paid	(1,388)	(636)	(1,118)	(1,502)	(1,542)
Change in NWC	(1,129)	352	(2,194)	(867)	(1,177)
<b>Operating cash flow</b>	<b>6,858</b>	<b>8,244</b>	<b>6,494</b>	<b>8,877</b>	<b>9,252</b>
Capital expenditure	(5,714)	(2,675)	(2,500)	(2,500)	(4,500)
Acquisition of business	365	(1,364)	0	0	0
Interest & dividend income	0	0	0	0	0
<b>Investing cash flow</b>	<b>(5,028)</b>	<b>(3,531)</b>	<b>(2,051)</b>	<b>(2,028)</b>	<b>(4,009)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	500	47	0	0	0
Payment of lease liabilities	2,753	2,879	1,000	1,000	1,000
Interest paid	(669)	(781)	(770)	(686)	(606)
Dividend paid (incl tax)	831	712	1,424	1,424	1,424
Others	(3,380)	(3,984)	(3,377)	(4,385)	(5,385)
<b>Financing cash flow</b>	<b>(2,718)</b>	<b>(4,006)</b>	<b>(2,723)</b>	<b>(3,646)</b>	<b>(4,567)</b>
Net chg in Cash	(888)	707	1,721	3,202	676
OCF	6,858	8,244	6,494	8,877	9,252
Adj. OCF (w/o NWC chg.)	5,729	8,596	4,300	8,010	8,075
FCFF	1,144	5,569	3,994	6,377	4,752
FCFE	476	4,788	3,224	5,692	4,146
OCF/EBITDA (%)	73.2	96.7	66.2	78.9	77.3
FCFE/PAT (%)	12.8	159.1	95.6	121.2	84.6
<b>FCFF/NOPLAT (%)</b>	<b>28.9</b>	<b>173.0</b>	<b>110.5</b>	<b>131.4</b>	<b>95.3</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	238	238	238	238	238
Reserves & Surplus	11,558	13,435	15,385	18,657	22,133
<b>Net worth</b>	<b>11,796</b>	<b>13,673</b>	<b>15,623</b>	<b>18,894</b>	<b>22,370</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	(1,024)	(1,045)	(1,045)	(1,045)	(1,045)
<b>Total debt</b>	<b>2,500</b>	<b>2,547</b>	<b>2,547</b>	<b>2,547</b>	<b>2,547</b>
<b>Total liabilities &amp; equity</b>	<b>13,272</b>	<b>15,175</b>	<b>17,125</b>	<b>20,396</b>	<b>23,872</b>
Net tangible fixed assets	6,444	5,897	6,340	10,469	8,318
Net intangible assets	730	698	698	698	698
Net ROU assets	7,542	7,062	7,250	7,319	7,374
Capital WIP	4,148	735	735	735	735
Goodwill	0	0	0	0	0
Investments [JV/Associates]	1,709	3,073	3,073	3,073	3,073
<b>Cash &amp; equivalents</b>	<b>955</b>	<b>1,662</b>	<b>3,383</b>	<b>7,535</b>	<b>10,131</b>
Current assets (ex-cash)	9,783	9,865	11,264	12,031	12,782
Current Liab. & Prov.	17,934	18,389	17,594	17,494	17,068
<b>NWC (ex-cash)</b>	<b>(8,152)</b>	<b>(8,524)</b>	<b>(6,330)</b>	<b>(5,463)</b>	<b>(4,286)</b>
<b>Total assets</b>	<b>13,272</b>	<b>15,175</b>	<b>17,125</b>	<b>20,396</b>	<b>23,872</b>
Net debt	1,545	885	(836)	(4,988)	(7,584)
Capital employed	13,272	15,175	17,125	20,396	23,872
<b>Invested capital</b>	<b>6,460</b>	<b>9,705</b>	<b>9,935</b>	<b>9,055</b>	<b>9,935</b>
BVPS (Rs)	497.1	576.2	658.4	796.2	942.7
Net Debt/Equity (x)	0.1	0.1	(0.1)	(0.3)	(0.3)
Net Debt/EBITDA (x)	0.2	0.1	(0.1)	(0.4)	(0.6)
Interest coverage (x)	0.1	0.2	0.1	0.1	0.1
<b>RoCE (%)</b>	<b>31.4</b>	<b>23.1</b>	<b>26.2</b>	<b>32.0</b>	<b>29.7</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	52.6	64.7	57.7	41.5	39.8
P/CE(x)	25.5	26.5	23.4	20.6	19.1
P/B (x)	16.5	14.2	12.5	10.3	8.7
EV/Sales (x)	3.8	3.7	3.4	3.0	2.8
EV/EBITDA (x)	20.9	22.9	19.8	16.9	15.6
EV/EBIT(x)	36.2	46.6	40.0	29.2	28.0
EV/IC (x)	30.4	20.2	19.5	21.0	18.8
FCFF yield (%)	0.6	2.8	2.1	3.4	2.5
FCFE yield (%)	0.2	2.5	1.7	2.9	2.1
Dividend yield (%)	0.4	0.4	0.7	0.7	0.7
<b>DuPont-RoE split</b>					
Net profit margin (%)	7.2	5.7	5.9	7.5	7.3
Total asset turnover (x)	4.5	3.7	3.5	3.3	3.0
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1
<b>RoE (%)</b>	<b>36.1</b>	<b>23.6</b>	<b>23.0</b>	<b>27.2</b>	<b>23.7</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	7.7	6.1	6.3	7.8	7.4
IC turnover (x)	4.6	3.8	4.0	4.2	4.2
<b>RoIC (%)</b>	<b>32.1</b>	<b>22.0</b>	<b>27.4</b>	<b>39.8</b>	<b>43.5</b>
<b>Operating metrics</b>					
Core NWC days	(57.5)	(59.1)	(40.4)	(32.0)	(23.3)
<b>Total NWC days</b>	<b>(57.5)</b>	<b>(59.1)</b>	<b>(40.4)</b>	<b>(32.0)</b>	<b>(23.3)</b>
Fixed asset turnover	1.9	1.7	1.6	1.6	1.6
Opex-to-revenue (%)	24.1	26.3	25.3	25.2	25.8

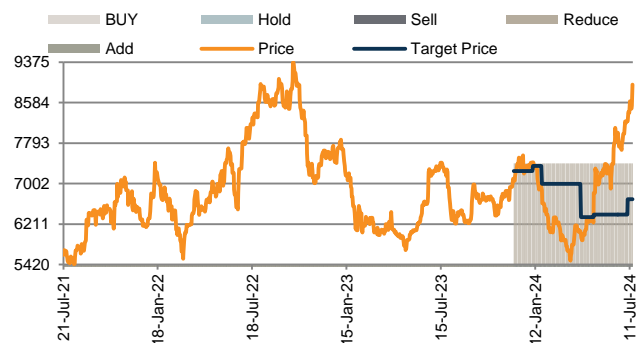
Source: Company, Emkay Research

**RECOMMENDATION HISTORY - DETAILS**

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
07-Jul-24	8,227	6,700	Reduce	Anshul Agrawal
03-May-24	6,822	6,400	Reduce	Anshul Agrawal
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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