

Blue Dart Express

Estimate change 

TP change 

Rating change 

CMP: INR7,846

TP: INR9,500 (+21%)

Buy

Capacity utilization of new aircraft to improve; outlook bright

Bloomberg	BDE IN
Equity Shares (m)	24
M.Cap.(INRb)/(USDb)	186.2 / 2.2
52-Week Range (INR)	8980 / 5487
1, 6, 12 Rel. Per (%)	-3/-2/-16
12M Avg Val (INR M)	182

Financial Snapshot (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	52.7	59.7	72.0
EBITDA	5.2	6.0	9.0
Adj. PAT	2.9	3.3	5.3
EBITDA Margin (%)	9.8	10.1	12.5
Adj. EPS (INR)	121.6	137.1	223.5
EPS Gr. (%)	-21.2	12.7	63.0
BV/Sh. (INR)	606.2	683.4	846.9

Ratios

Net D:E	-0.1	-0.1	-0.1
RoE (%)	21.4	21.3	29.2
RoCE (%)	23.1	23.1	30.8
Payout (%)	20.6	43.8	26.8

Valuations

P/E (x)	64.5	57.2	35.1
P/BV (x)	12.9	11.5	9.3
EV/EBITDA(x)	34.8	29.7	19.5
Div. Yield (%)	0.3	0.8	0.8
FCF Yield (%)	2.0	1.3	1.8

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	75.0	75.0	75.0
DII	12.7	11.7	11.1
FII	5.4	5.4	4.2
Others	7.0	7.9	9.6

FII Includes depository receipts

High freight handling costs drag down EBITDA

- Blue Dart Express's (BDE) revenue grew 8% YoY to INR13.4b in 1QFY25 (in line). BDE handled 0.31m tons of cargo volume (+9.6% YoY). The realization decreased 1% YoY to INR42.9/kg. It carried 90.2m shipments in 1Q.
- EBITDA margin came in at 8.1% in 1Q (est. 11%), down 100bp YoY and ~240bp QoQ, due to a sharp increase in freight handling costs as a percentage of revenue. EBITDA decreased by 3% YoY to INR1.1b (est. INR1.5b). APAT declined 14% YoY to INR515m (est. INR837m).
- During the quarter, Surface volumes grew at a faster rate than air volumes. The margin contraction was due to lower margins in the surface segment (vs. air) amid competition. Newly added routes like Guwahati are still ramping up.
- 1Q was a challenging quarter in terms of margins as capacity utilization of new aircraft is still ramping up. We decrease our EBITDA/APAT estimates for FY25 by 12%/13%, factoring in lower EBITDA margins and low profitability in the near term. We retain our estimates for FY26 and maintain BUY with a TP of INR9,500 (based on 24x FY26E EV/EBITDA). With high capacity in place and utilization expected to pick up, we believe BDE is well placed to capitalize on the growth opportunity ahead.

Newly added routes ramping up; segments like surface/ecommerce witnessing strong growth

- As the festival season kicks in, the capacity utilization of new aircraft is expected to pick up. As they reach optimal utilization levels, efficiency will improve, leading to higher margins. New routes like Guwahati are starting to ramp up and should pick up pace in coming quarters.
- BDE continues to expand in the surface express segment, which forms 30% of its total revenues. The surface express segment is expected to be a key growth driver for BDE as it is expected to grow faster than the air segment.

Highlights from the management commentary

- Margins in 1Q were affected due to the competitive nature of the surface segment, which currently generates lower margins compared to the air segment. The company is in an investment phase, resulting in elevated cost structure in the near term.
- The two newly added aircraft capacities have replaced third-party volume with in-house operations. The share of third-party cargo has declined from 20-25% to 10-11% currently. The Guwahati market is still ramping up and the new aircraft are expected to break even in the next few quarters.
- Depreciation may rise from the existing levels, due to capex in infrastructure and IT integration. Air fleet-related depreciation should remain steady.
- PBT margins are expected to be in the range of 7-8% going forward. No margin impact is anticipated from the expansion of hubs.

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Valuation and view

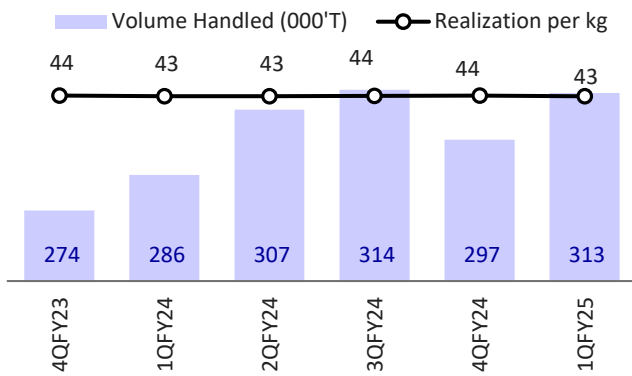
- Enhanced utilization of newly added aircraft, increased volumes on newly introduced routes, and network expansion are expected to lead to higher volumes for the company.
- With an increasing market share of BDE in the surface express segment along with network expansion, we expect BDE to register a CAGR of ~17%/32%/36% in revenue/EBITDA/PAT over FY24-26. **We retain our estimates for FY26 and maintain our BUY with a TP of INR9,500 (based on 24x FY26E EV/EBITDA).**

Quarterly snapshot - Standalone

Y/E March (INR m)	INR m											
	FY24				FY25E				FY24	FY25E	FY25	Var. vs Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE		
Net Sales	12,376	13,245	13,829	13,229	13,427	14,870	15,984	15,403	52,678	59,685	13,633	(2)
YoY Change (%)	-4.3	-0.1	3.4	8.7	8.5	12.3	15.6	16.4	1.8	13.3	10.2	
EBITDA	1,133	1,305	1,343	1,394	1,094	1,450	1,686	1,782	5,175	6,012	1,505	(27)
Margins (%)	9.2	9.9	9.7	10.5	8.1	9.7	10.5	11.6	9.8	10.1	11.0	
YoY Change (%)	-40.6	-19.8	-10.8	8.7	-3.4	-1.0	25.6	27.8	-18.2	16.2	32.8	
Depreciation	444	456	473	500	523	535	540	559	1,873	2,157	501	
Interest	45	48	47	53	70	63	65	62	193	259	70	
Other Income	157	151	228	183	191	184	192	187	718	754	185	
PBT before EO expense	801	952	1,050	1,024	693	1,036	1,273	1,348	3,828	4,351	1,119	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	801	952	1,050	1,024	693	1,036	1,273	1,348	3,828	4,351	1,119	
Tax	204	240	235	263	178	260	320	339	942	1,096	282	
Rate (%)	25.4	25.2	22.4	25.7	25.7	25.1	25.1	25.1	24.6	25.2	25.2	
Reported PAT	598	713	816	761	515	776	954	1,009	2,886	3,254	837	
Adj PAT	598	713	816	761	515	776	954	1,009	2,886	3,254	837	(38)
YoY Change (%)	-49.0	-22.5	-6.2	8.1	-13.8	8.8	16.9	32.7	-21.2	12.7	40.0	
Margins (%)	4.8	5.4	5.9	5.7	3.8	5.2	6.0	6.6	5.5	5.5	6.1	

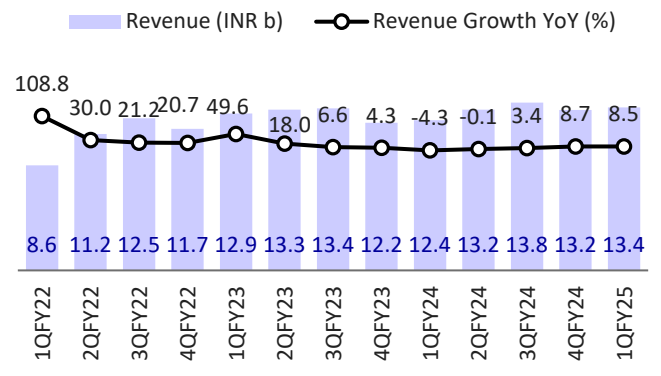
The quarter in charts

Exhibit 1: Volume and realization trends



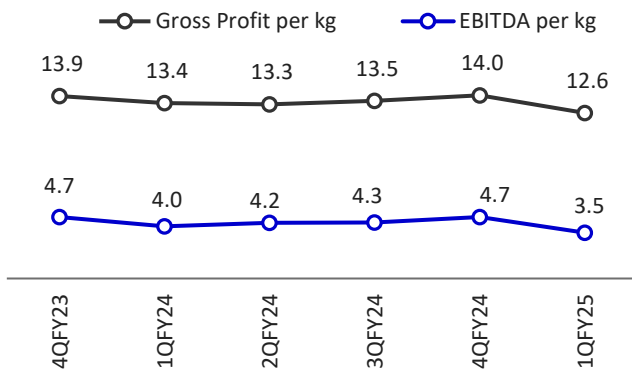
Source: Company, MOFSL

Exhibit 2: Revenue increased 8% YoY



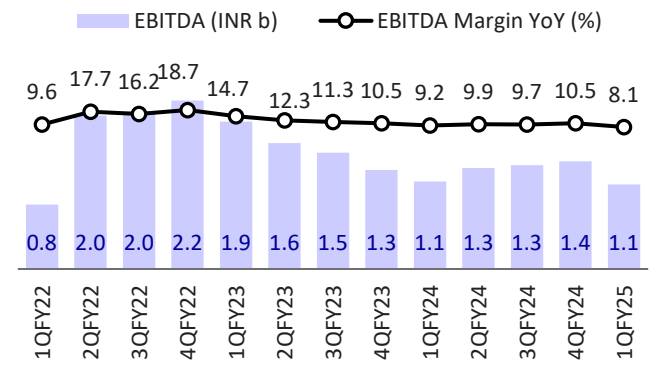
Source: Company, MOFSL

Exhibit 3: Operating profitability per kg



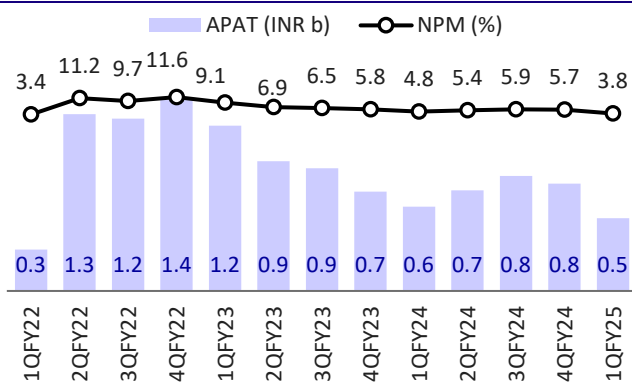
Source: Company, MOFSL

Exhibit 4: EBITDA margin contracted 240bp QoQ



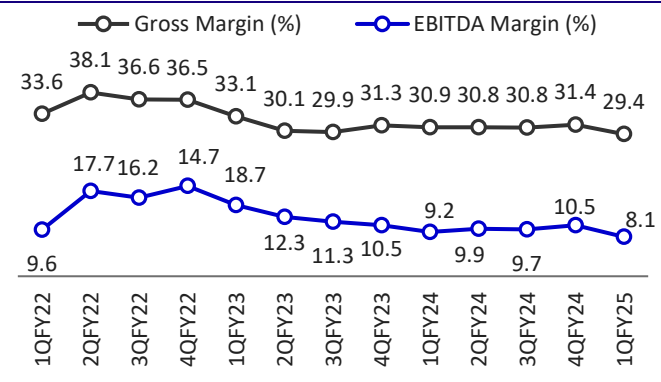
Source: Company, MOFSL

Exhibit 5: APAT declined 14% YoY



Source: Company, MOFSL

Exhibit 6: Margin trend



Source: Company, MOFSL

Highlights from management interaction

Volume:

- BDE handled tonnage of 0.31m tons and 90.2mn shipments in 1Q.
- The two newly added aircraft capacities have replaced third-party volume with in-house operations. The share of third-party cargo has declined from 20-25% to 10-11% currently.
- The Guwahati market is still ramping up and the new aircraft are expected to break even by Sep'24.
- The new aircraft capacity helped BDE improve utilization in the northeast region.
- There has been no significant change in BDE's market share, which remains strong.

Operations

- Surface volumes increased at a faster rate compared to air volumes. E-commerce has been the main driver of growth. The Air Parcel and Documents business is also doing well for the company.
- Margins were affected due to the competitive nature of the surface segment, which currently generates lower margins compared to the air segment.
- The company is in an investment phase, resulting in elevated cost structures in the near term.
- The management expects to prioritize capex for the surface segment and building infrastructure for competitive advantages.

Guidance:

- PBT margins are expected to be in the range of 7-8% going forward. No margin impact is anticipated from the expansion of hubs.
- Investments will yield returns in subsequent quarters.
- The management expects a healthy demand outlook to translate into better profitability.

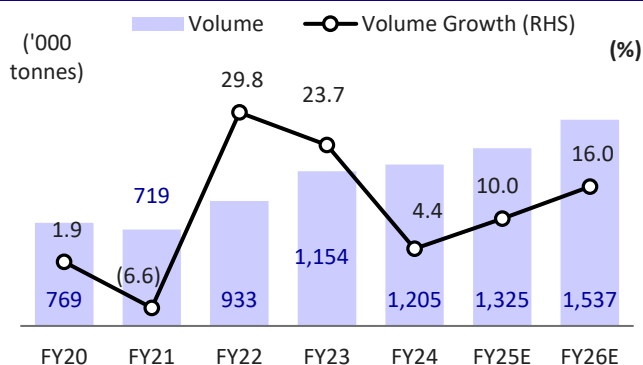
Exhibit 7: Our revised estimates

(INR m)	FY25E			FY26E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	59,685	59,685	0.0	72,003	72,003	0.0
EBITDA	6,012	6,848	-12.2	9,015	9,015	0.0
EBITDA Margin (%)	10.1	11.5	-140	12.5	12.5	0
PAT	3,254	3,733	-12.8	5,304	5,304	0.0
EPS (INR)	137.1	157.3	-12.8	223.5	223.5	0.0

Source: Company, MOFSL

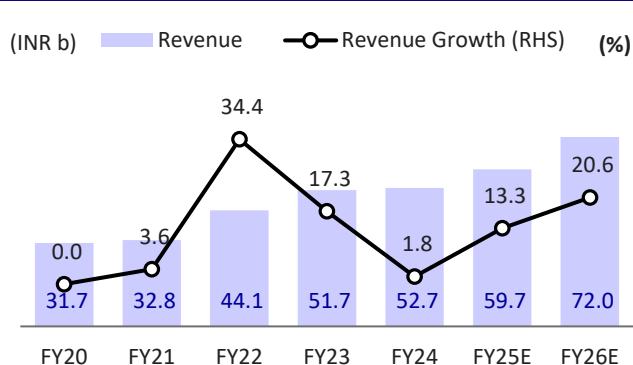
Financial story in charts

Exhibit 8: Volume growth to improve going forward



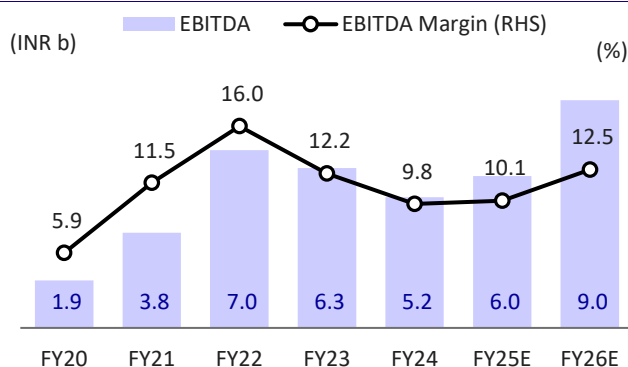
Source: Company, MOFSL

Exhibit 9: Revenue to largely mirror volume growth



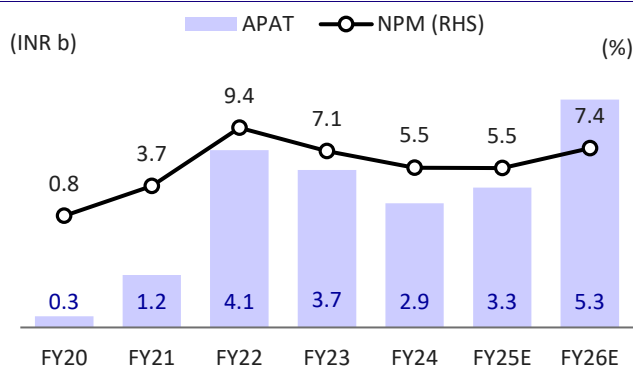
Source: Company, MOFSL

Exhibit 10: Margin to improve as costs stabilize and utilization improves



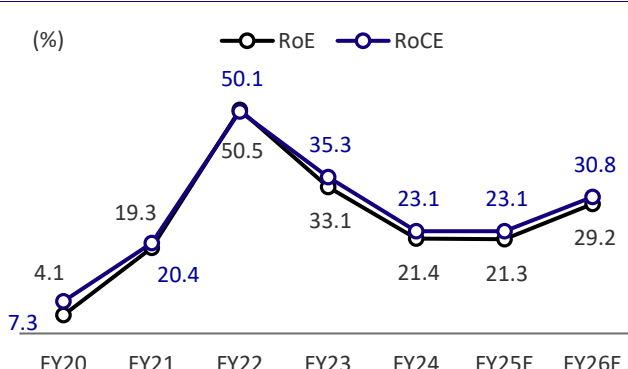
Source: Company, MOFSL

Exhibit 11: PAT to see healthy growth ahead



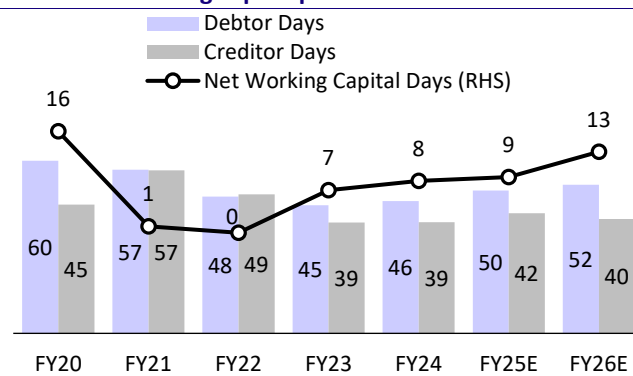
Source: Company, MOFSL

Exhibit 12: Return ratios to remain healthy



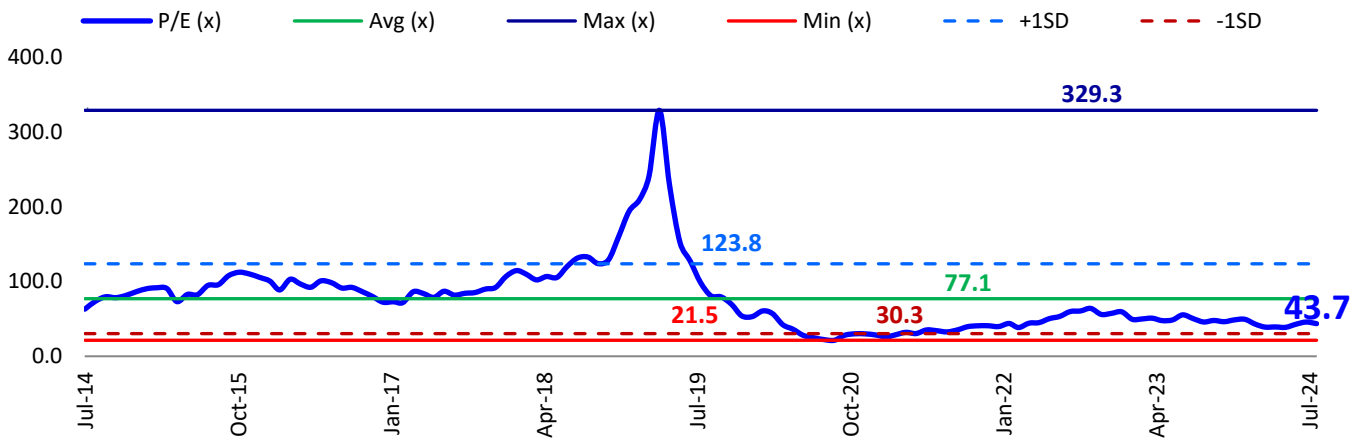
Source: Company, MOFSL

Exhibit 13: Working capital position comfortable



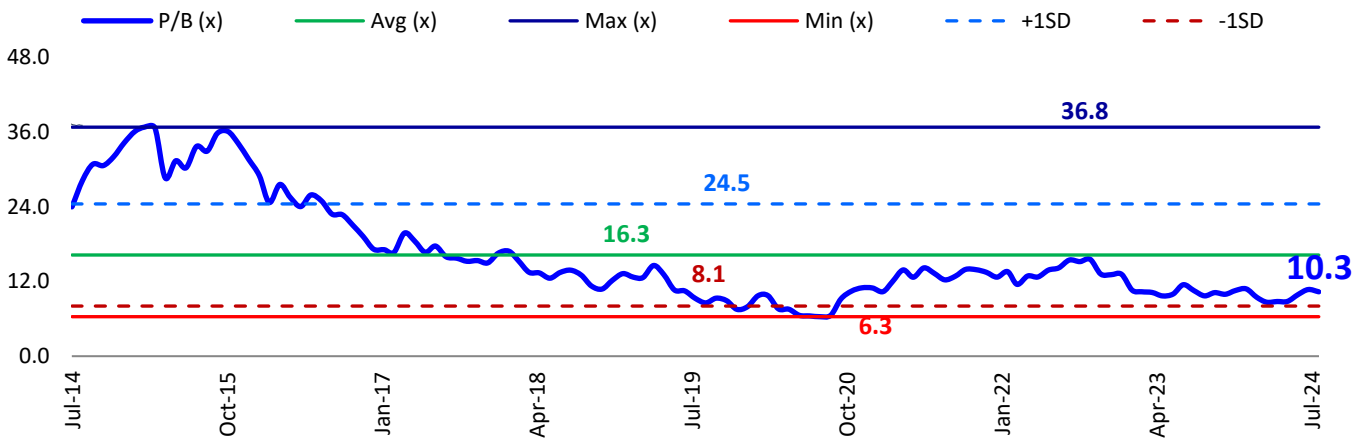
Source: Company, MOFSL

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	FY24	FY25E	FY26E
Net Sales	31,664	32,797	44,090	51,722	52,678	59,685	72,003
Change (%)	0.0	3.6	34.4	17.3	1.8	13.3	20.6
Gross Margin (%)	31.8	36.2	36.4	31.1	31.0	30.0	31.2
EBITDA	1,878	3,766	7,038	6,323	5,175	6,012	9,015
Margin (%)	5.9	11.5	16.0	12.2	9.8	10.1	12.5
Depreciation	1,528	2,007	1,687	1,666	1,873	2,157	2,477
EBIT	350	1,760	5,351	4,656	3,302	3,855	6,538
Int. and Finance Charges	321	317	241	174	193	259	239
Other Income	140	127	285	505	718	754	792
PBT	169	1,569	5,395	4,987	3,828	4,351	7,091
Tax	-89	347	1,271	1,323	942	1,096	1,787
Effective Tax Rate (%)	NA	26.5	25.2	26.5	24.6	25.2	25.2
PAT before EO. Items	258	1,222	4,124	3,664	2,886	3,254	5,304
Extraordinary Items	641	259	360	0	0	0	0
Reported PAT	-383	963	3,764	3,664	2,886	3,254	5,304
Adjusted PAT	258	1,222	4,124	3,664	2,886	3,254	5,304
Change (%)	-70.5	373.1	237.6	-11.1	-21.2	12.7	63.0
Margin (%)	0.8	3.7	9.4	7.1	5.5	5.5	7.4

Standalone – Balance Sheet

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	238	238	238	238	238	238	238
Total Reserves	5,597	6,554	9,311	12,366	14,149	15,979	19,859
Net Worth	5,835	6,792	9,549	12,604	14,386	16,217	20,097
Deferred Tax Liabilities	-269	-284	-310	-336	-377	-377	-377
Total Loans	750	1,425	0	0	0	0	0
Capital Employed	6,316	7,933	9,239	12,268	14,010	15,840	19,720
Gross Block	7,998	8,071	7,924	8,867	12,326	13,826	15,326
Less: Accum. Deprn.	2,362	3,100	3,419	3,799	6,911	9,068	11,545
Net Fixed Assets	5,636	4,972	4,505	5,068	5,415	4,758	3,781
Capital WIP	22	5	1	17	21	21	21
Total Investments	1,441	2,941	3,515	3,150	4,513	6,213	7,713
Curr. Assets, Loans, and Adv.	8,244	10,164	12,005	14,760	15,423	17,502	22,094
Inventory	37	58	70	78	86	98	118
Account Receivables	5,245	5,149	5,788	6,350	6,683	8,176	10,258
Cash and Bank Balances	985	3,077	1,829	948	1,658	1,301	2,155
Loans and Advances	8	0	2,501	4,504	4,277	4,846	5,846
Others	1,969	1,880	1,818	2,879	2,719	3,081	3,716
Current Liab. and Prov.	9,027	10,149	10,786	10,727	11,363	12,654	13,889
Account Payables	3,911	5,131	5,876	5,502	5,611	6,868	7,891
Other Current Liabilities	3,933	3,808	3,680	4,105	4,552	4,587	4,798
Provisions	1,183	1,211	1,230	1,120	1,200	1,200	1,200
Net Current Assets	-783	15	1,219	4,033	4,060	4,848	8,205
Application of Funds	6,316	7,933	9,239	12,268	14,010	15,840	19,720

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)							
EPS	10.9	51.5	173.8	154.4	121.6	137.1	223.5
EPS growth (%)	-70.5	373.1	237.6	-11.1	-21.2	12.7	63.0
Cash EPS	75.3	136.0	244.9	224.6	200.5	228.0	327.9
BV/Share	245.9	286.2	402.4	531.1	606.2	683.4	846.9
DPS	0.0	15.0	60.0	30.0	25.0	60.0	60.0
Payout (Incl. Div. Tax, %)	-93.4	0.0	37.8	19.4	20.6	43.8	26.8
Valuation (x)							
P/E	720.5	152.3	45.1	50.8	64.5	57.2	35.1
Cash P/E	104.2	57.6	32.0	34.9	39.1	34.4	23.9
EV/EBITDA	98.2	48.2	25.7	28.8	34.8	29.7	19.5
EV/Sales	5.8	5.5	4.1	3.5	3.4	3.0	2.4
P/BV	31.9	27.4	19.5	14.8	12.9	11.5	9.3
Dividend Yield (%)	0.0	0.2	0.8	0.4	0.3	0.8	0.8
Return Ratios (%)							
RoE	4.1	19.3	50.5	33.1	21.4	21.3	29.2
RoCE	7.3	20.4	50.1	35.3	23.1	23.1	30.8
RoIC	9.2	44.8	137.9	56.8	31.2	35.8	53.9
Working Capital Ratios							
Fixed Asset Turnover (x)	5.1	4.1	5.5	6.2	4.5	4.6	4.9
Asset Turnover (x)	5.0	4.1	4.8	4.2	3.8	3.8	3.7
Inventory (Days)	0	1	1	1	1	1	1
Debtors (Days)	60	57	48	45	46	50	52
Creditors (Days)	45	57	49	39	39	42	40
Leverage Ratio (x)							
Net Debt/Equity	0.0	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1

Standalone – Cash Flow Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	-472	1,311	5,035	4,987	3,828	4,351	7,091
Depreciation	1,678	2,007	1,687	1,666	1,873	2,157	2,477
Direct Taxes Paid	-551	-276	-1,261	-1,388	-636	-1,096	-1,787
(Inc.)/Dec. in WC	77	1,219	360	-1,849	-224	-944	-2,303
Other Items	205	229	6	-225	-378	-495	-553
CF from Operations	937	4,489	5,827	3,193	4,463	3,972	4,925
(Inc.)/Dec. in FA	-558	-258	-517	-918	-767	-1,500	-1,500
Free Cash Flow	379	4,230	5,310	2,275	3,695	2,472	3,425
Change in Investments	34	-3,710	-759	-1,467	-1,209	-1,700	-1,500
Others	129	25	160	211	643	754	792
CF from Investments	-395	-3,944	-1,115	-2,173	-1,334	-2,446	-2,208
Inc./(Dec.) in Debt	-712	675	-1,425	0	-1,438	0	0
Dividends Paid	-358	0	-949	-563	-979	-1,424	-1,424
Others	-1,155	-1,373	-1,334	-1,338	0	-459	-439
CF from Fin. Activity	-2,225	-698	-3,708	-1,901	-2,417	-1,883	-1,863
Inc./(Dec.) in Cash	-1,683	-153	1,004	-881	712	-357	854
Opening Balance (includes Bank Bal.)	2,670	985	3,077	1,829	946	1,658	1,301
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	1,658	1,301	2,155

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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

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