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BLUE DART

Stock Info

| | |
|-----------------------|-------------|
| Bloomberg | BDE IN |
| Equity Shares (m) | 24 |
| M.Cap.(INRb)/(USDb) | 160 / 1.9 |
| 52-Week Range (INR) | 9639 / 5633 |
| 1, 6, 12 Rel. Per (%) | 8/-15/-19 |
| 12M Avg Val (INR M) | 201 |
| Free float (%) | 25.0 |

Financials Snapshot (INR b)

| Y/E March | 2023 | 2024E | 2025E |
|-------------------|-------|-------|-------|
| Net Sales | 51.7 | 57.5 | 66.8 |
| EBITDA | 6.3 | 6.9 | 9.2 |
| Adj. PAT | 3.7 | 4.2 | 5.8 |
| EBITDA Margin (%) | 12.2 | 12.0 | 13.8 |
| Adj. EPS (INR) | 154.4 | 174.9 | 246.0 |
| EPS Gr. (%) | -11.1 | 13.3 | 40.6 |
| BV/Sh. (INR) | 531.1 | 646.0 | 832.0 |

Ratios

| | | | |
|-------------|------|------|------|
| Net D/E (x) | -0.1 | -0.1 | -0.2 |
| RoE (%) | 33.1 | 29.7 | 33.3 |
| RoCE (%) | 35.3 | 31.7 | 34.8 |
| Payout (%) | 19.4 | 34.3 | 24.4 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 43.5 | 38.4 | 27.3 |
| P/BV (x) | 12.6 | 10.4 | 8.1 |
| EV/EBITDA (x) | 24.6 | 22.1 | 16.2 |
| Div. Yield (%) | 0.4 | 0.9 | 0.9 |
| FCF Yield (%) | 1.4 | 2.3 | 2.9 |

Shareholding pattern (%)

| As On | Mar-23 | Dec-22 | Mar-22 |
|----------|--------|--------|--------|
| Promoter | 75.0 | 75.0 | 75.0 |
| DII | 9.9 | 8.5 | 9.5 |
| FII | 4.9 | 5.1 | 3.3 |
| Others | 10.3 | 11.5 | 12.2 |

FII Includes depository receipts

Blue Dart Express

CMP: INR6,740

TP: INR8,040 (+20%)

Upgrade to Buy

Lower ATF prices to support margins; aircraft addition to boost volumes in 2HFY24

- For an express logistics airline such as Blue Dart Express (BDE), the cost of aviation turbine fuel (ATF) accounts for ~40% of direct operating costs. ATF prices usually move in sync with Brent prices. In early FY23, ATF surged in line with Brent, but it did not come down when Brent prices declined in the last few quarters. As a result, BDE witnessed under-recovery of fuel surcharge, which affected its margins in FY23. However, ATF prices have significantly corrected recently, which should boost margins for BDE going forward.
- BDE has added two new aircraft to cater to tier-II and tier-III cities as it sees a healthy demand outlook in these cities for the long term. BDE would move some of the belly cargo capacity, for which it uses third-party aircraft, to new aircraft. We expect BDE to clock a 12% volume CAGR during FY23-25, supported by strong growth in the Road and Air segments.
- With lower ATF prices and its annual general price increase effective from Jan'23, we expect BDE's margins to improve going forward. As the capacity utilization of new aircraft ramps up, we expect BDE's EBITDA margin to rise to 13-14% from 2HFY24 onward from the current level of 10-11%. We expect BDE to clock a CAGR of 14%/21%/26% in revenue/EBITDA/PAT during FY23-25. With an improved outlook and a ~30% correction in the stock price from the highs seen in Oct'22, we believe the stock is now attractively valued. We upgrade our rating to BUY from Neutral, with a TP of INR8,040 (premised on 20x FY25E EV/EBITDA).

ATF prices decline sharply in 1QFY24; the disconnect between ATF prices and Brent prices reduces

- In FY23, ATF prices did not move in sync with global Brent prices, which led to a significant under-recovery for BDE, thereby impacting margins.
- However, in the last few months, ATF prices have corrected significantly (~22% lower than Mar'23 level; Brent prices corrected ~4%).
- BDE has also implemented a 10% annual general price hike in Jan'23.
- We believe these factors, along with improvement in volumes, would lead to margin improvement in coming quarters.

BDE adds two new aircraft to expand footprint in small towns

- The company has added two Boeing 737 aircraft in FY23 to cater to growing demand for Air express. The two aircraft with 18-tonne capacity (30-tonne capacity in existing aircraft) will cover Tier II and Tier III cities.
- BDE has a strong parentage and an enviable network catering to more than 55,000+ locations, with a fleet of six aircraft and more than 12,000 vehicles.
- The robust network will help it capitalize on the growth opportunity in the Express Logistics space.

Market leadership in Air Express; focusing on increasing market share in e-commerce

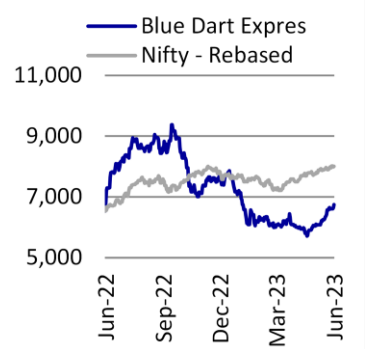
- BDE enjoys a ~60% market share in the organized Air Express segment (as of FY22) and has been gaining market share in the Surface Express segment.

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Stock Performance (1-year)

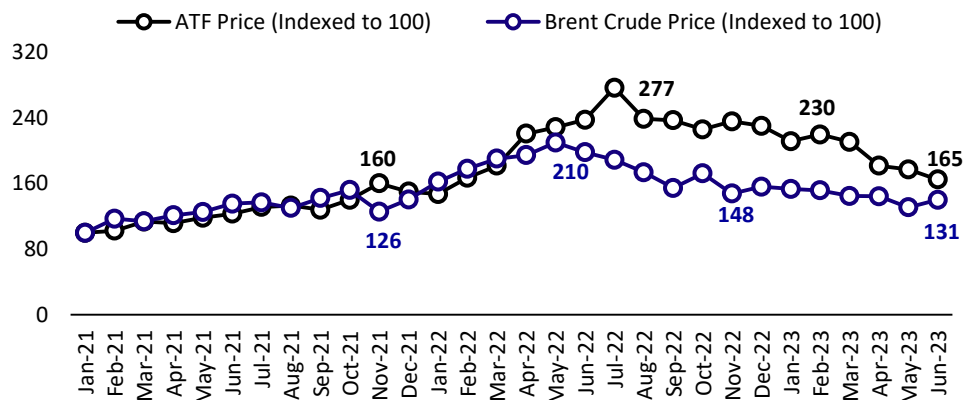
- E-commerce plays a crucial role for BDE as it accounts for one-fourth of the company's total revenue. BDE's strong presence and focus on serving the e-commerce market allow it to leverage the growing online shopping trends.

Valuation and view

- With lower ATF prices and a price hike in Jan'23, BDE's margin is likely to stabilize in the 13-14% range.
- BDE is also looking to increase the contribution from the Surface Express segment from current levels of 35%. Growth in Ground Express is expected to be 2x higher than growth in Air Express due to the cost differential between the two segments.
- BDE has added two aircraft to its fleet to cater to strong demand growth.
- With an improved outlook and a ~30% correction in the stock price from the high seen in Oct'22, we believe the stock is now attractively valued. We upgrade our rating to BUY from Neutral with a TP of INR8,040 (premised on 20x FY25E EV/EBITDA).

Correction in ATF prices

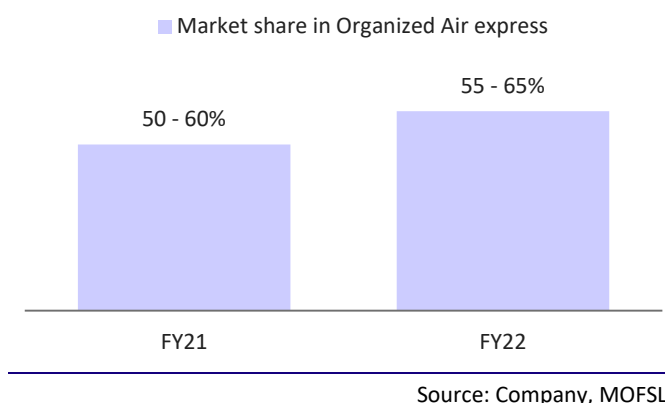
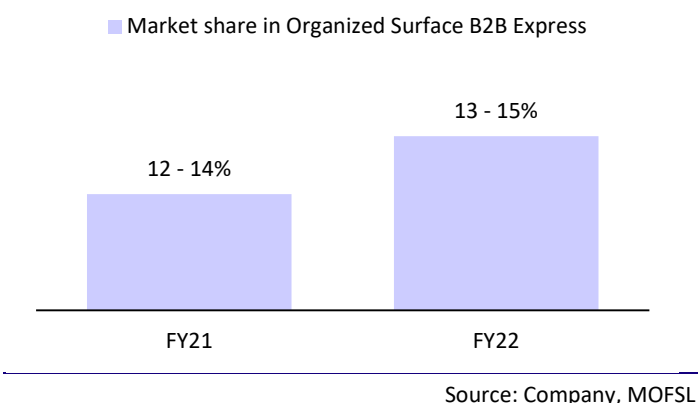
The decrease in ATF prices in recent months, following a sharp rise in FY23, is expected to support BDE's margins and may drive up its air freight volumes.

Exhibit 1: ATF prices correct more than 40% from highs in Jul'22

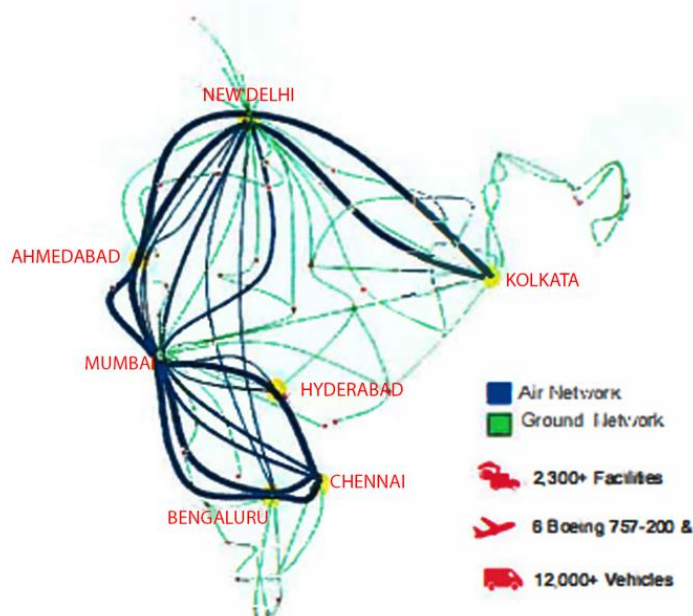
Source: IOCL, MOFSL

Market leadership in the B2B Express

- BDE enjoys a ~60% market share in the organized Air Express segment (as of FY22). It is well placed to capitalize on the Express business opportunity.
- The Surface segment contributes around 35% to total revenue. It is growing in higher double-digits vs. high single-digit growth in the Air segment.

Exhibit 2: Leadership of BDE in Air Express**Exhibit 3: Increasing share in Surface B2B Express****Network presence**

- BDE has a strong parentage and an enviable network catering to more than 55,000 locations, with a fleet of six aircraft and more than 12,000 vehicles.
- The company has 2,300+ facilities and hubs across India, which help it serve 99% of pin codes. It plans to further strengthen and consolidate its air and ground infrastructure, expand its reach, and offer the 'best-in-class' transit times.

Exhibit 4: Well-diversified reach

Source: Company, MOFSL

Embracing the e-commerce wave

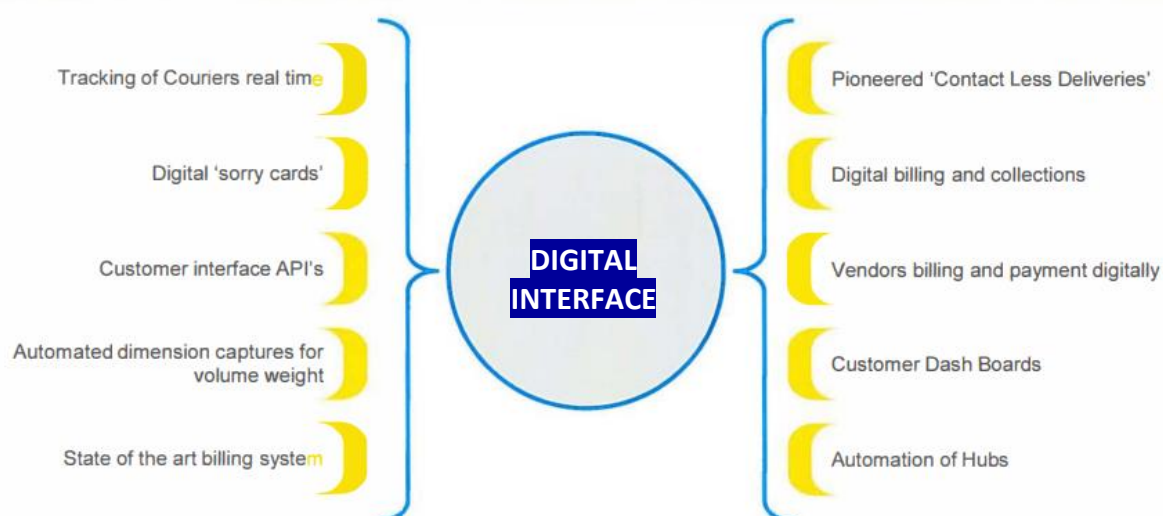
- E-commerce is a key vertical for the company and constitutes roughly one-fourth of its revenue.
- The e-commerce market witnessed a surge in growth, with consumers and businesses ordering everything from groceries to consumer durables online.
- BDE provides the most efficient solutions to the e-commerce industry, such as enablement of digital payments through 16-digital wallets on courier handheld machines, apart from acceptance of credit and debit cards.

Exhibit 5: BDE is focusing on the high growth e-commerce segment

Source: Company

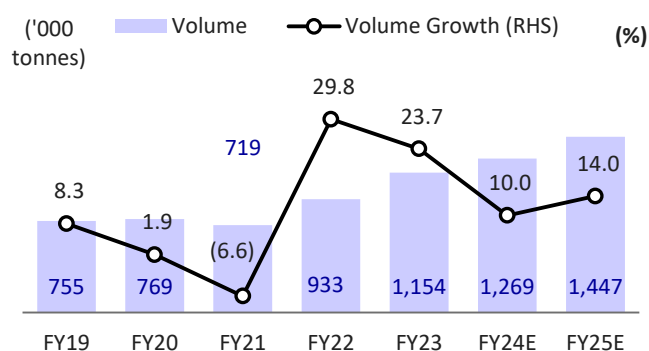
Technology

- Technology and digitalization have always helped BDE remain a step ahead of the curve in the highly competitive industry. The company continues to offer CLD, which was made possible by activating various digital wallets, net banking, credit and debit cards, UPI, B-QR code, etc.
- BDE has enhanced its API-based solutions. This allows exchange of detailed manifest to ensure an automated and seamless supply chain, from pre-pick-up to post-delivery, inclusive of collections.
- BDE's Big Data setup provides advanced analytics to various segments of its operational process, customer insights, and trends in volume and revenue from different geographies.
- The company launched a digital vendor portal that will help it initiate paperless transactions for all vendor partners in FY22.

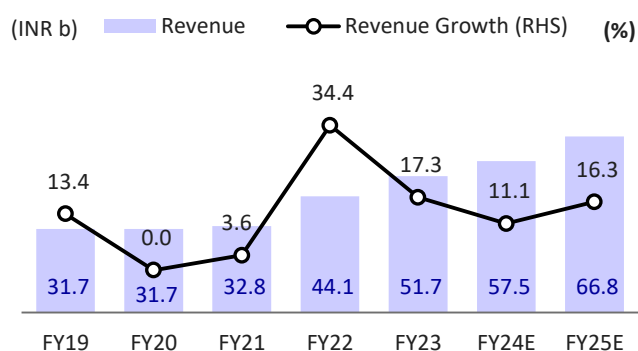
Exhibit 6: Digitalization initiatives to enhance its customer experience

Source: Company

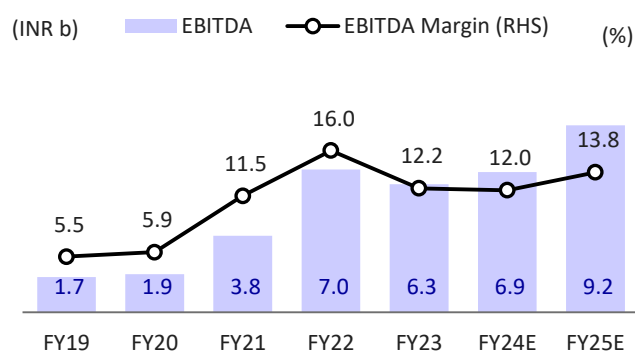
Story in charts

Exhibit 7: Volume growth to remain steady


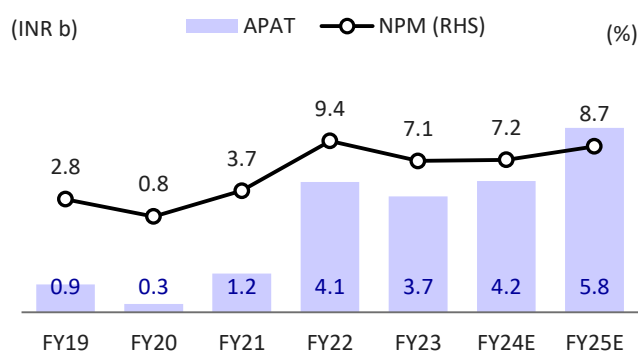
Source: Company, MOFSL

Exhibit 8: Revenue to largely mirror volume growth


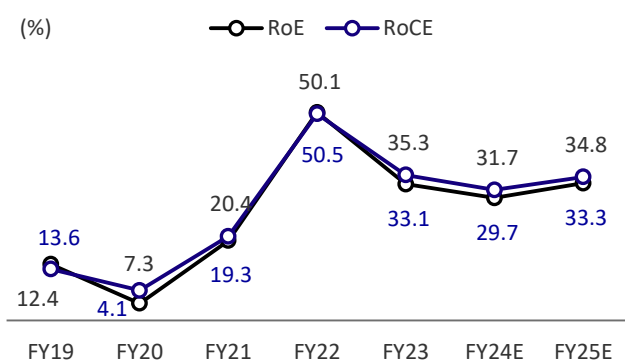
Source: Company, MOFSL

Exhibit 9: Margin to improve as costs stabilize


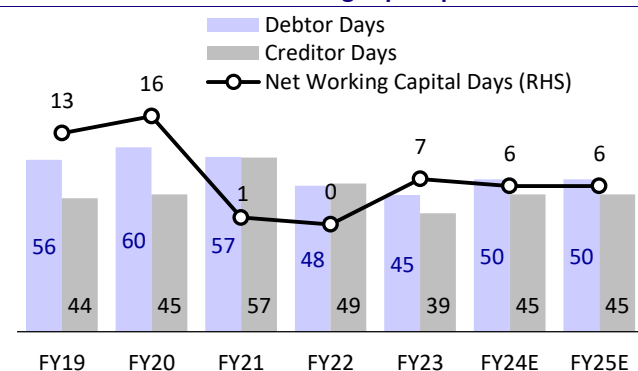
Source: Company, MOFSL

Exhibit 10: PAT to see healthy growth ahead


Source: Company, MOFSL

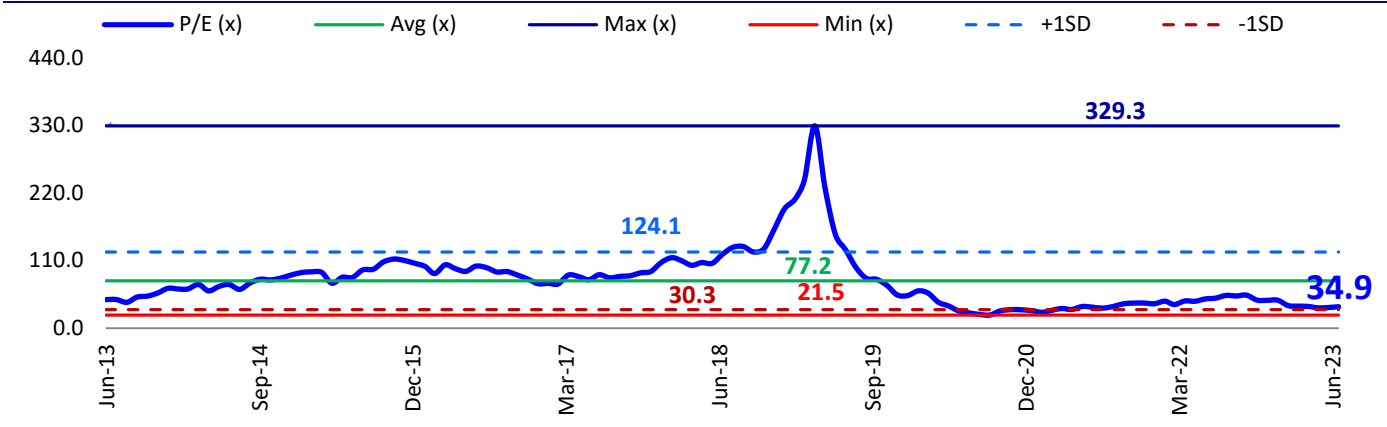
Exhibit 11: Return ratios to remain healthy


Source: Company, MOFSL

Exhibit 12: Comfortable working capital position


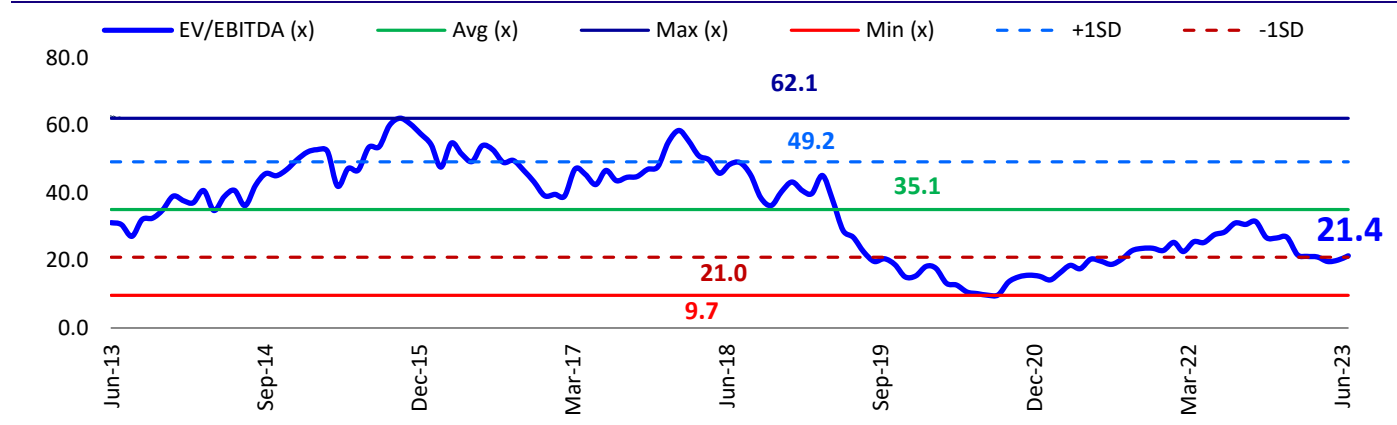
Source: Company, MOFSL

Exhibit 13: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 14: One-year forward EV/EBITDA (x)



Source: Company, MOFSL

Financials and valuations

Standalone – Income Statement

| Y/E March (INR m) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 31,655 | 31,664 | 32,797 | 44,090 | 51,722 | 57,463 | 66,818 |
| Change (%) | 13.4 | 0.0 | 3.6 | 34.4 | 17.3 | 11.1 | 16.3 |
| Gross Margin (%) | 33.4 | 31.8 | 36.2 | 36.4 | 31.1 | 31.8 | 32.3 |
| EBITDA | 1,735 | 1,878 | 3,766 | 7,038 | 6,323 | 6,920 | 9,225 |
| Margin (%) | 5.5 | 5.9 | 11.5 | 16.0 | 12.2 | 12.0 | 13.8 |
| Depreciation | 480 | 1,528 | 2,007 | 1,687 | 1,666 | 1,682 | 1,779 |
| EBIT | 1,255 | 350 | 1,760 | 5,351 | 4,656 | 5,238 | 7,446 |
| Int. and Finance Charges | 154 | 321 | 317 | 241 | 174 | 220 | 200 |
| Other Income | 182 | 140 | 127 | 285 | 505 | 531 | 557 |
| PBT | 1,284 | 169 | 1,569 | 5,395 | 4,987 | 5,549 | 7,803 |
| Tax | 408 | -89 | 347 | 1,271 | 1,323 | 1,398 | 1,966 |
| Effective Tax Rate (%) | 31.7 | NA | 26.5 | 25.2 | 26.5 | 25.2 | 25.2 |
| PAT before EO. Items | 876 | 258 | 1,222 | 4,124 | 3,664 | 4,150 | 5,837 |
| Extraordinary Items | 0 | 641 | 259 | 360 | 0 | 0 | 0 |
| Reported PAT | 876 | -383 | 963 | 3,764 | 3,664 | 4,150 | 5,837 |
| Adjusted PAT | 876 | 258 | 1,222 | 4,124 | 3,664 | 4,150 | 5,837 |
| Change (%) | -38.4 | -70.5 | 373.1 | 237.6 | -11.1 | 13.3 | 40.6 |
| Margin (%) | 2.8 | 0.8 | 3.7 | 9.4 | 7.1 | 7.2 | 8.7 |

Standalone – Balance Sheet

| Y/E March (INR m) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|--------------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Equity Share Capital | 238 | 238 | 238 | 238 | 238 | 238 | 238 |
| Total Reserves | 6,410 | 5,597 | 6,554 | 9,311 | 12,366 | 15,093 | 19,506 |
| Net Worth | 6,648 | 5,835 | 6,792 | 9,549 | 12,604 | 15,330 | 19,743 |
| Deferred Tax Liabilities | -156 | -269 | -284 | -310 | -336 | -336 | -336 |
| Total Loans | 1,462 | 750 | 1,425 | 0 | 0 | 0 | 0 |
| Capital Employed | 7,954 | 6,316 | 7,933 | 9,239 | 12,268 | 14,994 | 19,407 |
| Gross Block | 4,538 | 7,998 | 8,071 | 7,924 | 10,154 | 11,404 | 12,904 |
| Less: Accum. Deprn. | 1,685 | 2,362 | 3,100 | 3,419 | 5,085 | 6,767 | 8,547 |
| Net Fixed Assets | 2,853 | 5,636 | 4,972 | 4,505 | 5,068 | 4,636 | 4,357 |
| Capital WIP | 76 | 22 | 5 | 1 | 17 | 17 | 17 |
| Total Investments | 1,441 | 1,441 | 2,941 | 3,515 | 3,150 | 4,550 | 6,250 |
| Curr. Assets, Loans, and Adv. | 9,179 | 8,244 | 10,164 | 12,005 | 14,760 | 17,868 | 22,085 |
| Inventory | 59 | 37 | 58 | 70 | 78 | 79 | 92 |
| Account Receivables | 4,890 | 5,245 | 5,149 | 5,788 | 6,350 | 7,872 | 9,153 |
| Cash and Bank Balances | 2,670 | 985 | 3,077 | 1,829 | 948 | 1,714 | 3,302 |
| Loans and Advances | 119 | 8 | 0 | 2,501 | 4,504 | 5,004 | 5,819 |
| Others | 1,442 | 1,969 | 1,880 | 1,818 | 2,879 | 3,199 | 3,720 |
| Current Liab. and Prov. | 5,595 | 9,027 | 10,149 | 10,786 | 10,727 | 12,077 | 13,302 |
| Account Payables | 3,795 | 3,911 | 5,131 | 5,876 | 5,502 | 7,085 | 8,238 |
| Other Current Liabilities | 924 | 3,933 | 3,808 | 3,680 | 4,105 | 3,872 | 3,944 |
| Provisions | 877 | 1,183 | 1,211 | 1,230 | 1,120 | 1,120 | 1,120 |
| Net Current Assets | 3,584 | -783 | 15 | 1,219 | 4,033 | 5,791 | 8,783 |
| Application of Funds | 7,954 | 6,316 | 7,933 | 9,239 | 12,268 | 14,994 | 19,407 |

Financials and valuations

Ratios

| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Basic (INR) | | | | | | | |
| EPS | 36.9 | 10.9 | 51.5 | 173.8 | 154.4 | 174.9 | 246.0 |
| EPS growth (%) | -38.4 | -70.5 | 373.1 | 237.6 | -11.1 | 13.3 | 40.6 |
| Cash EPS | 57.1 | 75.3 | 136.0 | 244.9 | 224.6 | 245.8 | 321.0 |
| BV/Share | 280.1 | 245.9 | 286.2 | 402.4 | 531.1 | 646.0 | 832.0 |
| DPS | 12.5 | 0.0 | 15.0 | 60.0 | 30.0 | 60.0 | 60.0 |
| Payout (Incl. Div. Tax, %) | 40.8 | -93.4 | 0.0 | 37.8 | 19.4 | 34.3 | 24.4 |
| Valuation (x) | | | | | | | |
| P/E | 181.9 | 617.1 | 130.4 | 38.6 | 43.5 | 38.4 | 27.3 |
| Cash P/E | 117.5 | 89.2 | 49.4 | 27.4 | 29.9 | 27.3 | 20.9 |
| EV/EBITDA | 90.3 | 83.9 | 41.1 | 21.9 | 24.6 | 22.1 | 16.2 |
| EV/Sales | 5.0 | 5.0 | 4.7 | 3.5 | 3.0 | 2.7 | 2.2 |
| P/BV | 24.0 | 27.3 | 23.5 | 16.7 | 12.6 | 10.4 | 8.1 |
| Dividend Yield (%) | 0.2 | 0.0 | 0.2 | 0.9 | 0.4 | 0.9 | 0.9 |
| Return Ratios (%) | | | | | | | |
| RoE | 13.6 | 4.1 | 19.3 | 50.5 | 33.1 | 29.7 | 33.3 |
| RoCE | 12.4 | 7.3 | 20.4 | 50.1 | 35.3 | 31.7 | 34.8 |
| RoIC | 21.9 | 9.2 | 44.8 | 137.9 | 56.8 | 46.5 | 60.0 |
| Working Capital Ratios | | | | | | | |
| Fixed Asset Turnover (x) | 7.5 | 5.1 | 4.1 | 5.5 | 5.7 | 5.3 | 5.5 |
| Asset Turnover (x) | 4.0 | 5.0 | 4.1 | 4.8 | 4.2 | 3.8 | 3.4 |
| Inventory (Days) | 1 | 0 | 1 | 1 | 1 | 1 | 1 |
| Debtors (Days) | 56 | 60 | 57 | 48 | 45 | 50 | 50 |
| Creditors (Days) | 44 | 45 | 57 | 49 | 39 | 45 | 45 |
| Leverage Ratio (x) | | | | | | | |
| Net Debt/Equity | -0.2 | 0.0 | -0.2 | -0.2 | -0.1 | -0.1 | -0.2 |

Standalone – Cash Flow Statement

| Y/E March (INR m) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|---|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| OP/(Loss) before Tax | 1,284 | -472 | 1,311 | 5,035 | 4,987 | 5,549 | 7,803 |
| Depreciation | 480 | 1,678 | 2,007 | 1,687 | 1,666 | 1,682 | 1,779 |
| Direct Taxes Paid | -655 | -551 | -276 | -1,261 | -1,388 | -1,398 | -1,966 |
| (Inc.)/Dec. in WC | 472 | 77 | 1,219 | 360 | -1,849 | -592 | -1,204 |
| Other Items | -11 | 205 | 229 | 6 | -225 | -311 | -357 |
| CF from Operations | 1,570 | 937 | 4,489 | 5,827 | 3,193 | 4,930 | 6,055 |
| (Inc.)/Dec. in FA | -756 | -558 | -258 | -517 | -918 | -1,250 | -1,500 |
| Free Cash Flow | 814 | 379 | 4,230 | 5,310 | 2,275 | 3,680 | 4,555 |
| Change in Investments | 4 | 34 | -3,710 | -759 | -1,467 | -1,400 | -1,700 |
| Others | 288 | 129 | 25 | 160 | 211 | 531 | 557 |
| CF from Investments | -464 | -395 | -3,944 | -1,115 | -2,173 | -2,119 | -2,643 |
| Inc./(Dec.) in Debt | -199 | -712 | 675 | -1,425 | 0 | 0 | 0 |
| Dividends Paid | -358 | -358 | 0 | -949 | -563 | -1,424 | -1,424 |
| Others | -154 | -1,155 | -1,373 | -1,334 | -1,338 | -620 | -400 |
| CF from Fin. Activity | -710 | -2,225 | -698 | -3,708 | -1,901 | -2,044 | -1,824 |
| Inc./(Dec.) in Cash | 395 | -1,683 | -153 | 1,004 | -881 | 766 | 1,588 |
| Opening Balance (includes Bank Bal.) | 2,273 | 2,670 | 985 | 3,077 | 1,829 | 948 | 1,714 |
| Inc/(Dec) in Bank Bal. | 1 | -2 | 2,245 | -2,252 | 0 | 0 | 0 |
| Closing Balance (includes Bank Bal.) | 2,670 | 985 | 3,077 | 1,829 | 948 | 1,714 | 3,302 |

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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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