

Q1FY22 result review  
and earnings revision

## Logistics

Target price: Rs3,430

## Earnings revision

(%)	FY22E	FY23E
Sales	↑ 7.3	↑ 5.3
EBITDA	↑ 12.0	↑ 4.5
PAT	↑ 30.9	↑ 4.5

## Shareholding pattern

	Dec '20	Mar '21	Jun '21
Promoters	75.0	75.0	75.0
Institutional investors	13.5	13.3	12.6
MFs and other	3.2	3.3	3.5
FIs/ Banks	0.0	0.0	0.0
Insurance Cos.	8.5	8.0	6.6
FII	1.8	2.0	2.5
Others	11.5	11.7	12.4

Source: CMIE

## Price chart



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## INDIA

## Blue Dart Express

**SELL**  
**Maintained**  
**Rs5,468**

Blue Dart Express' (BDE) reported a miss, with standalone EBITDA and PAT declining 52% and 67% QoQ. Normalisation of pent-up consumer spending (ecommerce) and impending increasing competition from increased belly cargo of domestic freighters, rail (new competition) as well as road makes us less confident on the volume or yield thesis. The underlying competitive dynamics of air express in a price-sensitive market remain unchanged. We have seen a glimpse of normalisation in Q1FY22; gross margin/shipment and EBITDA /shipment is well below its FY21E peak. Q1FY22 volumes witnessed ~ 3.3x YoY growths and yet EBITDA margins (standalone) corrected back to single digits from the bulge witnessed in FY21. FY21 witnessed ~53%/160% YoY increase in Gross margin/EBITDA margin (per shipment) despite a 23% YoY volume decline. Maintain **SELL**.

- **Better disclosure aids Q1 analysis.** BDE has shared the operational details for the first time in a quarterly filing. Volumes are up ~ 3.3x YoY (low Q1FY21 base). FY21 shipment volumes declined 23% YoY. If BDE can replicate the performance for the next 9 months, one can expect 19% YoY shipment growth in FY22E. Realisation/shipment bulge is normalising as higher ATF prices start to impact EBITDA. Gross margin/shipment increased 53.3% YoY to ~Rs64 in FY21 despite a 23% YoY volume decline. (Q1FY21 was Rs43/shipment). The trajectory has clearly peaked and has started to come off (as expected) to Rs56.7/shipment in Q1FY22.
- **To capture sustainable market share through entry into road express would require much more focus on costs.** While employee costs have been moderated to 17% of revenues over FY21 (similar in Q1FY22), the same can be sustainably controlled through increased market share in road express – BDE's premium pricing in the segment will be increasingly challenged by rail if not road. Despite conversion of 2 leased aircraft into owned ones, the compression in margins in Q1FY22 as pricing bulge faded (competition from belly cargo resumes) and higher ATF prices start to impact margins, the costs restructuring needs to go an extra mile. Else, we are looking at meaningful consensus earnings downgrades over the course of FY22E. This is despite a possible 19% YoY volume growth in FY22E.
- **Maintain SELL.** We have assumed a long-term volume growth assumption of 6-7% p.a. for BDE's airfreight, which also dictated our margin assumptions for the business. We have factored in the bulge for H1FY22, and assumed pricing pressure post the same. Upside risks to our earnings may arise from continued strength in pricing for H2FY22 as well. Maintain **SELL** with a target price of Rs3,430/share.

Market Cap	Rs130bn/US\$1.7bn	Year to Mar	FY20	FY21	FY22E	FY23E
Reuters/Bloomberg	BLDT.BO / BDE IN	Revenue (Rs mn)	31,751	32,881	37,920	39,816
Shares Outstanding (mn)	23.7	EBITDA(Rs mn)	4,742	6,863	8,771	8,835
52-week Range (Rs)	6101/1886	Net Income (Rs mn)	223	1,277	2,720	2,623
Free Float (%)	25.0	EPS (Rs)	9.4	53.7	114.5	110.4
FII (%)	2.0	P/E (x)	587.3	102.4	48.0	49.8
Daily Volume (US\$'000)	2,925	CEPS (Rs)	155.5	234.7	293.5	283.9
Absolute Return 3m (%)	4.5	EV/E (x)	30.2	20.1	15.3	14.7
Absolute Return 12m (%)	165.3	Dividend Yield	0.7	0.6	0.9	0.9
Sensex Return 3m (%)	8.4	RoCE (%)	15.0	28.4	28.6	22.6
Sensex Return 12m (%)	41.4	RoE (%)	4.5	21.6	32.6	24.6

**Table 1: Q1FY22 result review (standalone)**

Rs mn	Q1FY22	Q1FY21	Chg. YoY (%)	Q4FY21	Chg. QoQ (%)
Net income from operations	8,648	4,142	108.8	9,662	(10.5)
<b>Total income from operations</b>	<b>8,648</b>	<b>4,142</b>	<b>108.8</b>	<b>9,662</b>	<b>(10.5)</b>
Operating expenses	5,741	3,474	65.3	5,947	(3.5)
<b>Gross Margin</b>	<b>2,907</b>	<b>668</b>	<b>335.1</b>	<b>3,715</b>	<b>(21.8)</b>
<b>Gross Margin (%)</b>	<b>33.6</b>	<b>16.1</b>		<b>38.4</b>	
Employee wages	1,492	1,361	9.6	1,343	11.0
Other expenses	581	489	18.7	632	(8.1)
<b>Total expenses</b>	<b>7,814</b>	<b>5,324</b>	<b>46.8</b>	<b>7,922</b>	<b>(1.4)</b>
<b>EBITDA</b>	<b>834</b>	<b>(1,182)</b>	<b>(170.6)</b>	<b>1,739</b>	<b>(52.0)</b>
<b>EBITDA Margin (%)</b>	<b>9.6</b>	<b>(28.5)</b>		<b>18.0</b>	
Depreciation	430	428	0.5	523	(17.8)
Other Income	58	22	162.3	62	(6.5)
Finance Cost	68	75	(8.6)	78	(11.7)
<b>PBT</b>	<b>394</b>	<b>(1,663)</b>	<b>(123.7)</b>	<b>1,201</b>	<b>(67.2)</b>
Tax	100	(383)	NM	310	(67.7)
<b>PAT</b>	<b>294</b>	<b>(1,280)</b>	<b>NM</b>	<b>891</b>	<b>(67.0)</b>

Source: Company data, I-Sec research

**Table 2: Q1FY22 result review (consolidated)**

Rs mn	Q1FY22	Q1FY21	Chg. YoY (%)	Q4FY21	Chg. QoQ (%)
Net income from operations	8,662	4,162	108.1	9,683	(10.5)
<b>Total income from operations</b>	<b>8,662</b>	<b>4,162</b>	<b>108.1</b>	<b>9,683</b>	<b>(10.5)</b>
Operating expenses	4,382	2,221	97.3	4,809	(8.9)
<b>Gross Margin</b>	<b>4,281</b>	<b>1,941</b>	<b>120.5</b>	<b>4,874</b>	<b>(12.2)</b>
<b>Gross Margin (%)</b>	<b>49.4</b>	<b>46.6</b>		<b>50.3</b>	
Employee wages	1,930	1,723	12.0	1,764	9.4
Other expenses	760	643	18.2	627	21.2
<b>Total expenses</b>	<b>7,071</b>	<b>4,587</b>	<b>54.2</b>	<b>7,200</b>	<b>(1.8)</b>
<b>EBITDA</b>	<b>1,591</b>	<b>(425)</b>	<b>(474.0)</b>	<b>2,484</b>	<b>(35.9)</b>
<b>EBITDA Margin (%)</b>	<b>18.4</b>	<b>(10.2)</b>		<b>25.6</b>	
Depreciation	990	955	3.6	1,079	(8.2)
Other Income	66	27	146.8	74	(10.5)
Finance Cost	250	278	(10.0)	258	(2.9)
PBT	<b>416</b>	<b>(1,632)</b>	<b>(125.5)</b>	<b>1,221</b>	<b>(65.9)</b>
Tax	104	(374)	NM	320	(67.7)
<b>PAT</b>	<b>313</b>	<b>(1,258)</b>	<b>NM</b>	<b>900</b>	<b>(65.3)</b>

Source: Company data, I-Sec research

**Table 3: Operational details**

	Q1FY22	Q1FY21	% Chg YoY	FY21	FY20	% Chg YoY
Shipments (mn)	51.2	15.5	229.6	186.1	241.2	(22.9)
Weight (te)	184,431	90,188	104.5	718,548	769,490	(6.6)
Realisation/Shipment	168.8	266.5	(36.7)	176.3	131.3	34.3
Realisation/kg	46.9	45.9	2.1	45.6	41.1	10.9
Kg/Shipment	3.6	5.8	(38.0)	3.9	3.2	21.1
Gross margin/kg	15.8	7.4	112.8	16.5	13.1	26.6
<b>Gross Margin/Shipment</b>	<b>56.7</b>	<b>43.0</b>	<b>32.0</b>	<b>63.9</b>	<b>41.7</b>	<b>53.3</b>
EBITDA/kg	4.5	(13.1)	NM	5.2	2.4	114.7
<b>EBITDA/shipment</b>	<b>16.3</b>	<b>(76.1)</b>	<b>NM</b>	<b>20.2</b>	<b>7.8</b>	<b>160.0</b>

Source: Company data, I-Sec research

## Maintain SELL: Best-case scenario continues to get factored in

We maintain **SELL** on Blue Dart with a target price of Rs3,430/share. We continue to work with a median long-term volume growth of 5%. We have now assumed 6% pricing decline in FY22E, and increase FY22E shipment volumes by 23%. We have worked with a long term pricing growth of 2-2.5% as we believe that given the volume headwinds for air express, its better to maintain pricing power for the volumes transported.

DCF tenure is till FY30E with terminal growth assumptions at 2%, WACC at 10%.

### Key risks

Further increase in yield or maintaining yields in FY22E are key risks to our thesis (maintaining/increasing yields along with 10% volume growth). Also better than expected industry growth, better cost control and prolongation of the bulge are key additional risks to our thesis.

**Table 4: DCF valuation of Blue Dart Express**

(Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
EBIT	2,563	4,517	4,712	7,217	8,470	9,544	10,431	11,388	12,314	13,319
NOPAT	6,275	7,633	7,648	7,688	8,288	8,924	9,544	10,210	10,952	11,745
Capex	(1,606)	(3,498)	(3,345)	(2,147)	(1,916)	(1,761)	(1,600)	(1,433)	(2,559)	(2,379)
Change in WC	811	(1,707)	(415)	(276)	(322)	(312)	(294)	(315)	(325)	(342)
FCFF	5,480	2,427	3,888	5,265	6,051	6,851	7,650	8,463	8,067	9,023
Terminal value										115,047
Total	5,480	2,427	3,888	5,265	6,051	6,851	7,650	8,463	8,067	124,070
NPV of FCFF	88,658									
Net debt	7,150									
NPV of FCFE	81,507									
<b>Value per share</b>	<b>3,430</b>									

Source: Company data, I-Sec research

**Table 5: Earnings change**

(Rs mn)	New		Old		% Chg	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Sales	37,920	39,816	35,331	37,825	7.3	5.3
EBITDA	8,771	8,835	7,828	8,456	12.0	4.5
PAT'	2,720	2,623	2,078	2,509	30.9	4.5

Source: Company data, I-Sec research

## Financial summary (consolidated)

**Table 6: Profit & loss statement**

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Revenue from operations</b>	<b>31,751</b>	<b>32,881</b>	<b>37,920</b>	<b>39,816</b>
Direct Expenses	16,561	15,777	18,817	19,834
<b>Gross Margin</b>	<b>15,191</b>	<b>17,105</b>	<b>19,103</b>	<b>19,982</b>
% margins	47.8%	52.0%	50.4%	50.2%
<b>Other operating expenses</b>	<b>10,449</b>	<b>10,242</b>	<b>10,332</b>	<b>11,146</b>
<b>EBITDA</b>	<b>4,742</b>	<b>6,863</b>	<b>8,771</b>	<b>8,835</b>
% margins	14.9%	20.9%	23.1%	22.2%
Other Income	155	203	176	176
Depreciation & Amortisation	3,473	4,300	4,254	4,123
Gross Interest	1,174	1,110	1,057	1,382
<b>Profit before tax</b>	<b>250</b>	<b>1,656</b>	<b>3,636</b>	<b>3,507</b>
Less: Taxes	27	380	916	884
<b>Net Income (Adjusted)</b>	<b>223</b>	<b>1,277</b>	<b>2,720</b>	<b>2,623</b>
<b>Net Income (Reported)</b>	<b>(419)</b>	<b>1,018</b>	<b>2,720</b>	<b>2,623</b>

Source: Company data, I-Sec research

**Table 7: Balance sheet**

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Assets</b>				
Total Current Assets	7,809	11,441	16,499	21,810
of which cash & cash equiv.	1,000	4,606	8,510	13,482
Total Current Liabilities &				
Provisions	6,350	9,797	9,243	9,167
<b>Net Current Assets</b>	<b>1,460</b>	<b>1,644</b>	<b>7,256</b>	<b>12,642</b>
Net Fixed Assets	6,617	6,444	5,688	4,910
Intangible assets	990	787	787	787
Capital Work-in-Progress	160	39	39	39
Other non-current assets	1,123	827	827	827
<b>Total Assets</b>	<b>19,413</b>	<b>18,370</b>	<b>21,288</b>	<b>24,111</b>
<b>Liabilities</b>				
Borrowings	4,375	2,485	4,880	7,080
Deferred Tax Liability	(645)	(808)	(808)	(808)
Other long term liabilities	1,466	1,501	1,501	1,501
Equity Share Capital	238	238	238	238
Reserves & Surplus	4,671	5,682	8,105	10,432
<b>Net Worth</b>	<b>4,908</b>	<b>5,920</b>	<b>8,343</b>	<b>10,669</b>
<b>Total Liabilities</b>	<b>19,413</b>	<b>18,370</b>	<b>21,288</b>	<b>24,111</b>

Source: Company data, I-Sec research

**Table 8: Cashflow statement**

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Net Profit before tax</b>	<b>(391)</b>	<b>1,398</b>	<b>3,636</b>	<b>3,507</b>
Depreciation	3,623	4,300	4,254	4,123
Non-Cash Adjustments	1,307	1,146	881	1,205
Working Capital Changes	(290)	886	(1,707)	(415)
Taxes Paid	(608)	(228)	(916)	(884)
<b>Operating Cash flow</b>	<b>3,641</b>	<b>7,502</b>	<b>6,148</b>	<b>7,537</b>
Capital Commitments	(1,990)	(1,606)	(3,498)	(3,345)
<b>Free Cash Flow</b>	<b>1,652</b>	<b>5,896</b>	<b>2,649</b>	<b>4,191</b>
Other investing cashflow	60	(1,434)	176	176
<b>Cash flow from Investing</b>				
<b>Activities</b>	<b>(1,929)</b>	<b>(3,040)</b>	<b>(3,322)</b>	<b>(3,169)</b>
Inc (Dec) in Borrowings	(2,593)	(1,983)	2,396	2,200
Dividend and dividend tax paid	(358)	-	(297)	(297)
Others	(451)	(369)	(1,057)	(1,382)
<b>Cash flow from Financing</b>				
<b>Activities</b>	<b>(3,401)</b>	<b>(2,352)</b>	<b>1,042</b>	<b>522</b>
<b>Chg. in Cash &amp; Bank balance</b>	<b>(1,689)</b>	<b>2,110</b>	<b>3,868</b>	<b>4,890</b>

Source: Company data, I-Sec research

**Table 9: Key ratios**

(Year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Per Share Data (Rs)</b>				
EPS	9.4	53.7	114.5	110.4
Cash EPS	(17.6)	42.8	114.5	110.4
Dividend per share (DPS)	155.5	234.7	293.5	283.9
Book Value per share (BV)	20.0	15.0	25.0	25.0
OCF per share	206.6	249.1	351.1	449.0
FCF per share	153.2	315.7	258.7	317.2
	69.5	248.1	111.5	176.4
<b>Growth (%)</b>				
Net Sales	0.0	3.6	15.3	5.0
EBITDA	66.1	44.7	27.8	0.7
PAT	(75.2)	473.8	113.1	(3.6)
<b>Valuation Ratios (x)</b>				
P/E	587.3	102.4	48	50
P/BV	26.6	22.1	15.7	12.2
EV / EBITDA	30.2	20.1	15.3	14.7
EV / Sales	4.5	4.2	3.5	3.3
<b>Operating Ratios</b>				
Employee cost / Sales (%)	23.1	22.2	20.6	21.0
Effective Tax Rate (%)	11.0	22.9	25.2	25.2
Net D/E Ratio (x)	2.6	1.2	0.4	-0.1
OCF yield (%)	2.8	5.7	4.7	5.8
FCF yield (%)	1.3	4.5	2.0	3.2
<b>Return/Profitability Ratios (%)</b>				
EBITDA Margins	14.9	20.9	23.1	22.2
Net Income Margins	0.7	3.9	7.2	6.6
Return on Equity (RoE)	4.5	21.6	32.6	24.6
RoCE	15.0	28.4	28.6	22.6

Source: Company data, I-Sec research

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