

Bluedart Express Ltd

ADD

CMP Rs3,974

Target Rs4,403

Upside 10.8%

HIGHLIGHTS	✓ Revenues grew by 21% yoy to Rs10.3 bn. The growth was driven by ~15% growth in volumes and balance in realizations. The Company saw strong pickup from sectors like E-commerce, Pharma and Consumer Electronics driven by shift in Consumer buying behavior and consumption pattern.
	✓ During the quarter, volumes were driven by higher share of packages while document shipments were lower. With limited travel, documents related to passport delivery were low. Similarly, with several exams postponed, document delivery related to those exams got impacted.
	✓ Moderation in Freight Handling costs and employee cost supported profitability. The margins were supported by operating leverage as festive demand supported volumes and pricing. The margins may marginally correct in coming quarters.
	✓ During Q3, the Company reversed Rs.83 mn of past provision made related to restructuring exercise.
	✓ BDE had levied Emergency Situations Surcharge on certain shipments to offset low capacity utilization which got over by December. It was to be replaced through general price increase (GPI) from January 2021. The Company is currently in discussion with customers to implement the price increase.
	✓ During the quarter, BDE purchased two of the six aircraft it was leasing till now for Rs.500 mn. The Company maintains its capex guidance of Rs.1.5 bn for FY21.
Our View	✓ The Company saw strong recovery across Air and Surface segments. The weakness in documents segment was more than covered by the packages segment growth.
	✓ We expect BDE to enjoy premium pricing in some of the segments and we expect it to benefit from general economic recovery. Both Air and Surface cargo segments are likely to do well.
Valuation	✓ We roll forward our estimates to FY23 and upgrade the stock from REDUCE to ADD with target of Rs. 4,403 (45x FY23 P/E).
Risk to our call	✓ COVID 2 nd wave leading impacting shipments.

Result table

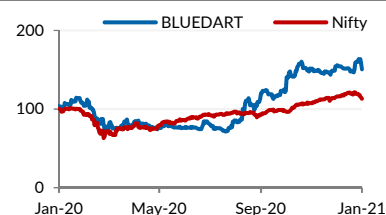
Y/e 31 Mar (Rs mn)	Q3 FY21	Q3 FY20	yoy(%)	Q2 FY21	qoq (%)
Revenue	10,349	8,556	21.0	8,644	19.7
Operating Profit	1,734	669	159.0	1,475	17.5
OPM (%)	16.8	7.8	893 bps	17.1	-31 bps
Other Income	24	34	(30.1)	19	21.8
Depreciation	(547)	(383)	42.9	(509)	7.6
Interest	(77)	(76)	0.7	(88)	(12.6)
Exceptional item	83	(641)	NA	(342)	NA
PBT	1,216	(398)	NA	556	118.7
Tax	(278)	67	NA	(142)	NA
PAT	938	(331)	NA	414	126.6
Adjusted PAT	855	310	175.4	756	13.1

Source: Company, YES Sec - Research

Stock data (as on Jan 29, 2021)

Nifty	13,635
52 Week h/l (Rs)	4470 / 1822
Market cap (Rs/USD mn)	94284 / 1292
Outstanding Shares (mn)	24
6m Avg t/o (Rs mn):	164
Div yield (%):	-
Bloomberg code:	BDE IN
NSE code:	BLUEDART

Stock performance



	1M	3M	1Y
Absolute return	-3.0%	7.5%	46.0%

Shareholding pattern (As of Sep'20 end)

Promoter	75.0%
FII+DII	13.5%
Others	11.5%

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MANAGEMENT INTERACTION HIGHLIGHTS

- ✓ The performance during the quarter was driven by ~15% growth in volumes and 5-6% growth in realization. The operating leverage played out which saw sharp improvement in margins
- ✓ The share of document shipment remained subdued as activities like Passport applications and Exam related documentation still not operating at pre COVID levels. Even credit card applications have been slowly picking leading to subdued logistics demand.
- ✓ The company had levied Emergency Situations Surcharge on certain shipments to offset the low capacity utilization which got over in December. The Company is discussing with clients on price hike and the same may be implemented soon.
- ✓ The margins delivered in last two quarters can be considered elevated due to festive demand, pent up demand and may marginally correct in next couple of quarters.
- ✓ Strong growth was witnessed across surface and air cargo segment. The outlook remains positive for both the segments. The current mix is 70% Air transport with balance being surface transportation.
- ✓ During the quarter, BDE purchased two of the six aircraft it was leasing till now for Rs.500 mn. The Company maintains its capex guidance of Rs.1.5 bn for FY21.
- ✓ Strong growth continues to be witnessed in the E-commerce segment. Other segments like Pharma and Durables also continue to do well for the Company.
- ✓ Vaccine business seems to be small opportunity and has not started yet for BDE in any significant way. When vaccine is distributed across for the entire population then BDE may get some business. However not counting on any major revenues from that space.
- ✓ As the Economy moves back on track, the Company expects growth momentum to continue. GST, Digitization and other reforms are all helping business move to organized players.

Exhibit 1: Financial Summary

Y/e 31 Mar (Rs m)	FY20	FY21E	FY22E	FY23E
Revenues	31,664	32,620	37,676	42,725
yoy growth (%)	0.0	3.0	15.5	13.4
Operating profit	1,878	3,258	4,490	5,789
OPM (%)	5.9	10.0	11.9	13.5
Adjusted PAT	258	727	1,452	2,325
yoy growth (%)	(70.5)	181.8	99.6	60.1
EPS (Rs)	10.9	30.6	61.1	97.9
P/E (x)	365.4	129.7	65.0	40.6
EV/EBITDA (x)	50.0	27.8	19.7	14.8
Debt/Equity (x)	0.1	0.1	0.1	0.0
RoE (%)	4.1	11.4	19.0	24.4

Source: Company, YES Sec – Research

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BUY: Potential return >15% over 12 months

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