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Q4FY21 result review
and earnings revision

Logistics

Target price: Rs3,430

Earnings revision

(%)	FY22E	FY23E
Sales	↑ 7.7	↑ 3.8
EBITDA	↑ 16.2	↑ 11.0
PAT	↑ 279.9	↑ 94.4

Target price revision

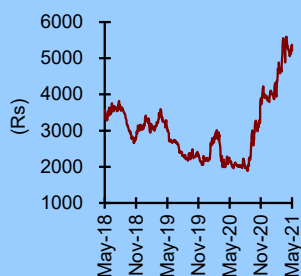
Rs3,430 from Rs3,130

Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	75.0	75.0	75.0
Institutional investors	13.5	13.5	13.3
MFs and other	3.1	3.2	3.3
FIs/ Banks	0.0	0.0	0.0
Insurance Cos.	8.8	8.5	8.0
FII	1.6	1.8	2.0
Others	11.5	11.5	11.7

Source: CMIE

Price chart



Blue Dart Express

SELL

Maintained

Rs5,320

The bulge continues

Blue Dart Express' (BDE) consolidated on the yield gains achieved in Q3FY21 (driven by limited belly cargo capacity) and enjoyed better mix with more B2C air express cargo. The same resulted in ~ 33%YoY revenue growth in Q4FY21 and nearly helped maintain margin performance of last quarter (Q3FY21). What impressed is continued cost focus, coupled with revenue tailwinds currently being enjoyed out of network capacity expansion of the past couple of years. Continued B2B air express resilience (IT, pharma, medical equipments) also helped. 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. Earnings bulge helps discounting of the best-case scenario. Maintain SELL.

- ▶ **33% YoY revenue growth as (apparently) more ecommerce shipments move to air. Improved mix (higher percentage of air express) rather than only volume growth** was the key to achieve an impressive topline performance. Price hike announced (9.6% from Jan, '21) also increases expectation of further profitability improvement in FY22E. However, sustainability of a 40% gross margin scenario remains unclear. We see road players becoming more active; we also see significant increase in belly cargo capacity of domestic carriers and rail emerging as a new competitor – at substantially lower price points. Also, the nature of yield and volume improvement is peculiar to FY21E and should not be extrapolated going forward.
- ▶ **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 (14% in Q4FY21), 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. Higher yield from Jan, '21 and conversion of two leased aircrafts to owned ones have help maintain/improve the margin trajectory in Q4FY21, thereby extending the earnings bulge for some more time.
- ▶ **Maintain SELL.** We have assumed a long term volume growth assumption of 6-7% p.a. for BDE's air freight, 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 revised target price of Rs3,430/share.

Market Cap	Rs126bn/US\$1.7bn	Year to Mar	FY20	FY21	FY22E	FY23E
Reuters/Bloomberg	BLDT.BO / BDE IN	Revenue (Rs mn)	31,751	32,881	35,331	37,825
Shares Outstanding (mn)	23.7	EBITDA(Rs mn)	4,742	6,863	7,828	8,456
52-week Range (Rs)	5591/1886	Net Income (Rs mn)	223	1,277	2,078	2,509
Free Float (%)	25.0	EPS (Rs)	9.4	53.7	87.5	105.6
FII (%)	2.0	P/E (x)	568.1	99.0	60.8	50.4
Daily Volume (US\$'000)	2,398	CEPS (Rs)	155.5	234.7	262.2	274.0
Absolute Return 3m (%)	22.8	EV/E (x)	29.3	19.5	16.6	14.9
Absolute Return 12m (%)	145.2	Dividend Yield	0.7	0.6	0.9	0.9
Sensex Return 3m (%)	(3.9)	RoCE (%)	15.3	32.9	30.6	27.2
Sensex Return 12m (%)	56.5	RoE (%)	4.5	21.6	27.0	25.3

Research Analyst:

Abhijit Mitra

abhijit.mitra@icicisecurities.com
+91 22 6637 7289

Table 1: Q4FY21 result review (standalone)

<i>Rs mn</i>	Q4FY21	Q4FY20	Chg. YoY (%)	Q3FY21	Chg. QoQ (%)	FY21	FY20	Chg. YoY (%)
Net income from operations	9,662	7,241	33.4	10,349	(6.6)	32,797	31,664	3.6
Total income from operations	9,662	7,241	33.4	10,349	(6.6)	32,797	31,664	3.6
Operating expenses	5,947	5,225	13.8	6,284	(5.4)	20,912	21,565	(3.0)
Gross Margin	3,715	2,017	84.2	4,066	(8.6)	11,886	10,099	17.7
<i>Gross Margin (%)</i>	38.4	27.8		39.3		36.2	31.9	
Employee wages	1,343	1,342	0.1	1,579	(14.9)	5,668	5,758	(1.6)
Other expenses	632	518	22.0	752	(16.0)	2,451	2,661	(7.9)
Total expenses	7,922	7,085	11.8	8,615	(8.0)	29,031	29,984	(3.2)
EBITDA	1,739	157	1,009	1,734	0.3	3,766	1,680	124.2
<i>EBITDA Margin (%)</i>	18.0	2.2		16.8		11.5	5.3	
Depreciation	523	437	19.8	547	(4.5)	2,007	1,304	53.9
Other Income	62	25	145.8	24	162.6	127	140	(9.7)
Finance Cost	78	79	(1.3)	77	0.8	317	271	17.0
PBT	1,201	(333)	(460.2)	1,133	6.0	1,569	245	540.4
Tax	310	(95)	NM	278	11.2	347	(89)	NM
PAT	891	(238)	NM	938	(5.0)	963	(307)	NM

Source: Company data, I-Sec research

Table 2: Q4FY21 result review (consolidated)

<i>Rs mn</i>	Q4FY21	Q4FY20	Chg. YoY (%)	Q3FY21	Chg. QoQ (%)	FY21	FY20	Chg. YoY (%)
Net income from operations	9,683	7,263	33.3	10,371	(6.6)	32,881	31,751	3.6
Total income from operations	9,683	7,263	33.3	10,371	(6.6)	32,881	31,751	3.6
Operating expenses	4,809	3,858	24.7	4,876	(1.4)	15,777	16,561	(4.7)
Gross Margin	4,874	3,405	43.1	5,495	(11.3)	17,105	15,191	12.6
<i>Gross Margin (%)</i>	50.3	46.9		53.0		52.0	47.8	
Employee wages	1,764	1,749	0.8	2,015	(12.5)	7,290	7,335	(0.6)
Other expenses	627	732	(14.4)	961	(34.7)	2,952	3,114	(5.2)
Total expenses	7,200	6,340	13.6	7,852	(8.3)	26,018	27,010	(3.7)
EBITDA	2,484	923	169.0	2,519	(1.4)	6,863	4,742	44.7
<i>EBITDA Margin (%)</i>	25.6	12.7		24.3		20.9	14.9	
Depreciation	1,079	954	13.2	1,149	(6.1)	4,300	3,473	23.8
Other Income	74	12	518.5	56	31.9	203	155	30.8
Finance Cost	258	296	(12.8)	270	(4.6)	1,110	1,174	(5.5)
PBT	1,221	(314)	(488.9)	1,156	5.6	1,656	250	562.8
Tax	320	(8)	NM	88	265.0	182	27	562.4
PAT	900	(306)	NM	1,068	(15.7)	1,133	(419)	NM

Source: Company data, I-Sec research

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

We maintain **SELL** on Blue Dart with a revised target price of Rs3,430/share. We have merged the two scenarios, to work with a median long-term volume growth of 6-7%. We have also assumed a flat pricing for FY22E, which implies that the pricing gains of FY21E (driven by Covid disruptions) are maintained in FY22E. We also assume a long-term pricing growth of 1%. There is no competitive price pressure that we are factoring in.

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

Table 3: Earnings change

(Rs mn)	New		Old		% Chg	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Sales	35,331	37,825	32,813	36,455	7.7	3.8
EBITDA	18,208	19,707	15,671	17,751	16.2	11.0
PAT'	2,078	2,509	547	1,291	279.9	94.4

Source: Company data, I-Sec research

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 (New)

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
EBIT	2,563	3,676	4,454	6,908	8,075	9,134	10,135	11,213	12,268	13,408
NOPAT	6,217	6,902	7,333	7,315	7,832	8,441	9,132	9,875	10,699	11,580
Capex	(1,606)	(3,351)	(3,184)	(1,972)	(1,728)	(1,560)	(1,385)	(1,204)	(2,317)	(2,124)
Change in WC	811	(1,613)	(187)	(212)	(270)	(279)	(279)	(299)	(320)	(352)
FCFF	5,422	1,938	3,962	5,131	5,834	6,603	7,468	8,372	8,062	9,104
Terminal value										116,079
Total	5,422	1,938	3,962	5,131	5,834	6,603	7,468	8,372	8,062	125,183
NPV of FCFF	88,635									
Net debt	7,150									
NPV of FCFE	81,484									
Value per share	3,430									

Source: Company data, I-Sec research

Table 5: DCF valuation of Blue Dart Express (Old) – scenario 1 (low growth)

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
EBIT	2,541	2,412	2,934	4,337	5,434	6,057	6,588	7,146	7,644	8,162
NOPAT	5,513	5,220	5,467	5,510	5,649	5,927	6,248	6,582	7,051	7,535
Capex	(3,281)	(2,622)	(2,456)	(1,777)	(1,533)	(1,364)	(1,190)	(1,009)	(1,008)	(1,007)
Change in WC	142	(1)	(81)	(117)	(131)	(127)	(132)	(138)	(99)	(102)
FCFF	2,375	2,596	2,929	3,617	3,986	4,436	4,926	5,435	5,944	6,426
Terminal value										81,928
Total	2,375	2,596	2,929	3,617	3,986	4,436	4,926	5,435	5,944	88,354
NPV of FCFF	62,072									
Net debt	9,621									
NPV of FCFE	52,451									
Value per share	2,208									

Source: Company data, I-Sec research

Table 6: DCF valuation of Blue Dart Express (Old) – scenario 2 (10% p.a. growth)

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
EBIT	2,523	1,877	3,075	5,158	7,283	9,060	10,905	12,967	15,165	17,623
NOPAT	5,518	4,915	5,729	6,312	7,193	8,339	9,662	11,141	12,820	14,687
Capex	(3,540)	(3,182)	(3,016)	(1,978)	(1,734)	(1,565)	(1,391)	(1,210)	(2,323)	(2,130)
Change in WC	142	33	(258)	(286)	(359)	(385)	(405)	(446)	(491)	(550)
FCFF	2,120	1,766	2,455	4,047	5,101	6,389	7,866	9,485	10,006	12,008
Terminal value										153,096
Total	2,120	1,766	2,455	4,047	5,101	6,389	7,866	9,485	10,006	165,104
NPV of FCFF	106,168									
Net debt	9,876									
NPV of FCFE	96,292									
Value per share	4,053									

Source: Company data, I-Sec research

Financial summary (consolidated)

Table 7: Profit & loss statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Revenue from operations	31,751	32,881	35,331	37,825
Direct Expenses	16,561	15,777	17,123	18,118
Gross Margin	15,191	17,105	18,208	19,707
% margins	47.8%	52.0%	51.5%	52.1%
Other operating expenses	10,449	10,242	10,380	11,251
EBITDA	4,742	6,863	7,828	8,456
% margins	14.9%	20.9%	22.2%	22.4%
Other Income	155	203	176	176
Depreciation & Amortisation	3,473	4,300	4,152	4,002
Gross Interest	1,174	1,110	1,074	1,276
Profit before tax	250	1,656	2,778	3,355
Less: Taxes	27	380	700	845
Net Income (Adjusted)	223	1,277	2,078	2,509
Net Income (Reported)	(419)	1,018	2,078	2,509

Source: Company data, I-Sec research

Table 8: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Assets				
Total Current Assets	7,809	11,441	15,207	20,764
of which cash & cash eqv.	1,000	4,606	7,966	13,110
Total Current Liabilities & Provisions	6,350	9,797	8,590	8,817
Net Current Assets	1,460	1,644	6,617	11,948
Net Fixed Assets	6,617	6,444	5,643	4,826
Intangible assets	990	787	787	787
Capital Work-in-Progress	160	39	39	39
Other non-current assets	1,123	827	827	827
Total Assets	19,413	18,370	20,234	23,118
Liabilities				
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	7,463	9,676
Net Worth	4,908	5,920	7,701	9,914
Total Liabilities	19,413	18,370	20,234	23,118

Source: Company data, I-Sec research

Table 9: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Net Profit before tax	(391)	1,398	2,778	3,355
Depreciation	3,623	4,300	4,152	4,002
Non-Cash Adjustments	1,307	1,146	898	1,099
Working Capital Changes	(290)	886	(1,613)	(187)
Taxes Paid	(608)	(228)	(700)	(845)
Operating Cash flow	3,641	7,502	5,515	7,424
Capital Commitments	(1,990)	(1,606)	(3,351)	(3,184)
Free Cash Flow	1,652	5,896	2,164	4,239
Other investing cashflow	60	(1,434)	176	176
Cash flow from Investing Activities	(1,929)	(3,040)	(3,175)	(3,008)
Inc (Dec) in Borrowings	(2,593)	(1,983)	2,396	2,200
Dividend and dividend tax paid	(358)	-	(297)	(297)
Others	(451)	(369)	(1,074)	(1,276)
Cash flow from Financing Activities	(3,401)	(2,352)	1,025	628
Chg. in Cash & Bank balance	(1,689)	2,110	3,365	5,043

Source: Company data, I-Sec research

Table 10: Key ratios

(Year ending March 31)

	FY20	FY21	FY22E	FY23E
Per Share Data (Rs)				
EPS	9.4	53.7	87.5	105.6
Cash EPS	(17.6)	42.8	87.5	105.6
Dividend per share (DPS)	155.5	234.7	262.2	274.0
Book Value per share (BV)	20.0	15.0	25.0	25.0
OCF per share	206.6	249.1	324.1	417.3
FCF per share	153.2	315.7	232.1	312.4
	69.5	248.1	91.1	178.4
Growth (%)				
Net Sales	0.0	3.6	7.5	7.1
EBITDA	66.1	44.7	14.1	8.0
PAT	(75.2)	473.8	62.8	20.8
Valuation Ratios (x)				
P/E	568.1	99.0	61	50
P/BV	25.8	21.4	16.4	12.8
EV / EBITDA	29.3	19.5	16.6	14.9
EV / Sales	4.4	4.1	3.7	3.3
Operating Ratios				
Employee cost / Sales (%)	23.1	22.2	22.1	22.1
Effective Tax Rate (%)	11.0	22.9	25.2	25.2
Net D/E Ratio (x)	2.6	1.2	0.5	-0.1
OCF yield (%)	2.9	5.9	4.4	5.9
FCF yield (%)	1.3	4.7	1.7	3.4
Return/Profitability Ratios (%)				
EBITDA Margins	14.9	20.9	22.2	22.4
Net Income Margins	0.7	3.9	5.9	6.6
Return on Equity (RoE)	4.5	21.6	27.0	25.3
RoCE	15.3	32.9	30.6	27.2

Source: Company data, I-Sec research

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