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India | Equity Research | Q2FY25 results review

## Blue Dart Express

Logistics

### Volume uptick visible, but margin is still stagnant

Blue Dart Express' (BDE) Q2FY25 performance missed our and consensus' estimates. Key points: 1) Number of shipments rose 5% YoY while volume (in tonnage) grew 11.8% YoY; 2) EBITDA margin stood at 15.1%, similar QoQ, but down 170bps YoY due to higher growth of surface express; 3) utilisation of new freighters has improved, but still below optimal levels; and 4) management is confident of securing 9-12% price hike from Jan'25. Taking cognisance of Q2FY25 result and management commentary, we believe competitive pressure in air express segment continues to be high, while increasing share of surface express segment is keeping margins under pressure. That said, volume growth of 11.8% YoY is impressive. Maintain **HOLD** with an unchanged TP of INR 7,500 based on 35x FY26E EPS.

### Performance undershoots estimates

BDE's Q2FY25 EBITDA of INR 2.2bn (down 2% YoY) missed our and consensus estimates by 3% and 5%, respectively. Key points: 1) Number of shipments rose 5% YoY (7% QoQ) to 96.6mn. Volume rose 11.8% YoY (9.8% QoQ) to 343.7kte; 2) weight/parcel rose 6.4% YoY to 3.6kg, implying the higher growth of surface express compared to air express; 3) EBITDA margin was stable QoQ at 15.1%, but was down 170bps YoY, mainly due to higher mix of surface compared to air; 4) utilisation of two new freighters improved QoQ to 82-83%, but is still lower than the optimal utilisation of 90-92%; and 5) other expenses rose 14% YoY (10.4% QoQ) to INR 1.3bn. Going ahead, management expects volume growth to sustain and 2nos. new freighters to achieve optimal utilisation by Q4FY25.

### Perceive balance in risk-reward

We perceive mixed outlook for BDE. Key points: 1) The company has announced the annual general price increase (GPI) of 9-12% from Jan'25; however, with regards to competitive environment, the absorption is likely to come at the cost of volume in the near term, we believe; 2) margins might remain under pressure due to increasing share of surface express; 3) the decline in unabsorbed fixed cost, in case of new freighters, is positive and may support margins; and 4) volume uptick in a difficult quarter is a key positive and would efficiently absorb the fixed cost (~50% of overall).

### Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	51,722	52,678	58,471	64,933
EBITDA	9,375	8,528	9,490	11,188
EBITDA Margin (%)	18.1	16.2	16.2	17.2
Net Profit	3,705	2,972	3,673	5,095
EPS (INR)	155.9	125.1	154.6	214.5
EPS % Chg YoY	(11.4)	(19.8)	23.6	38.7
P/E (x)	47.7	59.5	48.1	34.7
EV/EBITDA (x)	18.8	20.2	17.9	14.8
RoCE (%)	32.2	24.6	26.1	30.1
RoE (%)	42.0	26.1	26.2	29.8

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#### Market Data

Market Cap (INR)	177bn
Market Cap (USD)	2,092mn
Bloomberg Code	BDE IN
Reuters Code	BLDT.BO
52-week Range (INR)	9,489 /5,487
Free Float (%)	25.0
ADTV-3M (mn) (USD)	5.2

Price Performance (%)	3m	6m	12m
Absolute	(6.8)	6.1	10.2
Relative to Sensex	(5.2)	(0.7)	(9.4)

ESG Score	2022	2023	Change
ESG score	NA	66.0	NA
Environment	NA	41.9	NA
Social	NA	70.5	NA
Governance	NA	77.7	NA

Note - Score ranges from 0 - 100 with a higher number indicating a higher ESG score.

Source: SES ESG, I-sec research

#### Previous Reports

24-07-2024: [Q1FY25 results review](#)

05-05-2024: [Q4FY24 results review](#)

## Outlook: Price hike absorption is key

BDE's Q2FY25 performance was a mixed bag. While the company managed to maintain a healthy volume growth (in tonnage) of 11.8% YoY in an increasingly competitive and subdued operating environment, margins remained stagnant due to increasing share of surface express segment. In our view, GPI contemplated from Jan'25 may come at the cost of volumes in near term, potentially resulting in adverse operating leverage. At CMP, we perceive risk-reward balance and see the extent of GPI absorption as key. Maintain **HOLD** on BDE stock at an unchanged TP of INR 7,500 (based on 35x FY26E EPS).

## Key risks

- Lower than expected volume growth.
- Higher capacity utilisation of new aircraft, leading to better margins.
- Higher than expected price hike.

## Q2FY25 conference call takeaways

- Volume in Q2FY25: 96.6mn parcels, 343,676 tonnes.
- Growth outlook: Festive season is likely to ensure that Q3FY25 would be better compared to Q2FY25.
- New freighters: Utilisation improved with respect to previous quarter. Unutilised fixed expenses were down to INR 80mn compared to INR 110mn QoQ. Utilisation level of new freighters stood at 82-83%, while as per the management, 90-92% is ideal. Management expects to achieve optimal utilisation in Q3/ Q4FY25.
- Segment growth: More of ground mix than air. Management mentioned B2B express is a growth area for the company and surface segment at an industry level (for the relevant segments) is growing by 12% YoY.
- IT investment in facility in North region resulted in slightly lower margins. If the investment is removed, PBT level in Q2FY25 would have been 6.6%.
- Management considers PBT margin of 8% as realistic and achievable in the near term.
- E-commerce: Competitive pressure continues from airlines and e-commerce players.
- GPI of 9-12% across services has been announced from Jan'25. Management expects the implementation of price hike led by superior service quality of BDE; however, for a short period of time, there may be some volume challenge.
- The company may not be as dominant as in the past in air express segment.
- In North East, while the potential remains intact, the pace of growth has been below par, thus far.
- 50% of total cost is fixed in nature.
- Do not see any major white space to invest. Capital expenditure: In the range of INR 2.40-2.50bn, mainly on surface express.
- It has no plans to purchase any new freighters in near term.

**Exhibit 1: Blue Dart Q2FY25 standalone financial performance review**

INR mn	Q2FY25	Q2FY24	Chg YoY(%)	Q1FY25	Chg QoQ(%)	FY24	FY23	Chg YoY(%)
<b>Total income</b>	<b>14,485</b>	<b>13,245</b>	9.4	<b>52,678</b>	(72.5)	<b>52,678</b>	<b>51,722</b>	1.8
Operating expenses	10,278	9,162	12.2	36,366	(71.7)	36,366	35,649	2.0
<b>Gross Margin</b>	<b>4,207</b>	<b>4,083</b>	3.0	<b>16,312</b>	(74.2)	<b>16,312</b>	<b>16,073</b>	1.5
<b>Gross Margin (%)</b>	<b>29.0</b>	<b>30.8</b>		<b>31.0</b>		<b>31.0</b>	<b>31.1</b>	
Employee wages	1,881	1,777	5.9	7,078	(73.4)	7,078	6,495	9.0
Other expenses	1,107	1,002	10.5	4,060	(72.7)	4,060	3,255	24.7
<b>Total expenses</b>	<b>13,266</b>	<b>11,940</b>	11.1	<b>47,504</b>	(72.1)	<b>47,504</b>	<b>45,400</b>	4.6
<b>EBITDA</b>	<b>1,219</b>	<b>1,305</b>	(6.6)	<b>5,175</b>	(76.4)	<b>5,175</b>	<b>6,323</b>	(18.2)
EBITDA Margin (%)	8.4	9.9		9.8		9.8	12.2	
Depreciation	519	456	13.9	1,873	(72.3)	1,873	1,666	12.4
Other Income	190	151	26.0	718	(73.5)	718	505	42.1
Finance Cost	70	48	48.2	193	(63.4)	193	174	10.6
<b>PBT</b>	<b>820</b>	<b>952</b>	(14.0)	<b>3,828</b>	(78.6)	<b>3,828</b>	<b>4,987</b>	(23.2)
Tax	212	240	(11.6)	942	(77.5)	942	1,323	(28.8)
<b>PAT</b>	<b>608</b>	<b>713</b>	(14.8)	<b>2,887</b>	(79.0)	<b>2,887</b>	<b>3,664</b>	(21.2)

Source: I-Sec research, Company data

**Exhibit 2: Blue Dart Q2FY25 consolidated financial performance review**

INR mn	Q2FY25	Q2FY24	Chg YoY(%)	Q1FY25	Chg QoQ(%)	FY24	FY23	Chg YoY(%)
<b>Total income</b>	<b>14,485</b>	<b>13,245</b>	9.4	<b>13,427</b>	7.9	<b>52,678</b>	<b>51,722</b>	1.8
Operating expenses	8,513	7,566	12.5	7,813	9.0	30,321	29,880	1.5
<b>Gross Margin</b>	<b>5,971</b>	<b>5,678</b>	5.2	<b>5,615</b>	6.4	<b>22,358</b>	<b>21,843</b>	2.4
<b>Gross Margin (%)</b>	<b>41.2</b>	<b>42.9</b>		<b>41.8</b>		<b>42.4</b>	<b>42.2</b>	
Employee wages	2,474	2,298	7.7	2,400	3.1	9,071	8,378	8.3
Other expenses	1,317	1,154	14.2	1,193	10.4	4,759	4,090	16.4
<b>Total expenses</b>	<b>12,304</b>	<b>11,018</b>	11.7	<b>11,405</b>	7.9	<b>44,151</b>	<b>42,347</b>	4.3
<b>EBITDA</b>	<b>2,181</b>	<b>2,227</b>	(2.1)	<b>2,022</b>	7.9	<b>8,528</b>	<b>9,375</b>	(9.0)
EBITDA Margin (%)	15.1	16.8	(176.2)	15.1	(0.3)	16.2	18.1	
Depreciation	1,210	1,106	9.5	1,183	2.3	4,329	3,945	9.7
Other Income	87	52	65.8	91	(4.5)	508	320	58.7
Finance Cost	208	195	6.4	210	(0.7)	781	669	16.8
<b>PBT</b>	<b>849</b>	<b>979</b>	(13.2)	<b>720</b>	17.9	<b>3,927</b>	<b>5,082</b>	(22.7)
Tax	221	248	(11.0)	186	18.6	917	1,377	(33.4)
<b>PAT</b>	<b>628</b>	<b>731</b>	(14.0)	<b>534</b>	17.6	<b>3,010</b>	<b>3,705</b>	(18.8)

Source: I-Sec research, Company data

**Exhibit 3: Blue Dart Q2FY25 operational performance review**

(INR)	Q2FY25	Q2FY24	Chg YoY(%)	Q1FY25	Chg QoQ(%)	FY24	FY23	Chg YoY(%)
Shipments (mn)	96.6	92.0	5.0	90.2	7.2	359.7	328.0	9.7
Weight (te)	3,43,676	3,07,480	11.8	3,13,089	9.8	12,04,342	11,54,000	4.4
Realisation/Shipment	148.0	144.0	2.8	148.9	(0.6)	146.4	157.7	(7.1)
Realisation/kg	43.0	43.1	(0.2)	42.9	0.3	43.7	44.8	(2.4)
kg/Shipment	3.6	3.3	6.4	3.5	2.4	3.3	3.5	(4.8)
Gross margin/kg	17.4	18.5	(5.9)	17.9	(3.1)	18.6	18.9	(1.9)
Gross Margin/Shipment	61.8	61.7	0.1	62.3	(0.7)	62.2	66.6	(6.7)
EBITDA/kg	6.3	7.2	(12.4)	6.5	(1.7)	7.1	8.1	(12.8)
EBITDA/shipment	22.6	24.2	(6.8)	22.4	0.7	23.7	28.6	(17.1)

Source: I-Sec research, Company data

### Exhibit 4: Shareholding pattern

%	Mar'24	Jun'24	Sep'24
Promoters	75.0	75.0	75.0
Institutional investors	17.1	18.0	18.4
MFs and other	6.7	8.0	8.9
FIs/ Banks	0.0	0.0	0.3
Insurance Cos.	4.8	3.0	3.7
FII	5.6	7.0	5.5
Others	7.9	7.0	6.6

Source: Bloomberg, I-Sec research

### Exhibit 5: Price chart



Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 6: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	51,722	52,678	58,471	64,933
<b>Operating Expenses</b>	<b>12,468</b>	<b>13,830</b>	<b>15,157</b>	<b>16,377</b>
EBITDA	9,375	8,528	9,490	11,188
<b>EBITDA Margin (%)</b>	<b>18.1</b>	<b>16.2</b>	<b>16.2</b>	<b>17.2</b>
Depreciation & Amortization	3,945	4,329	4,288	4,255
EBIT	5,430	4,199	5,202	6,933
Interest expenditure	669	781	748	748
Other Non-operating Income	320	508	455	627
Recurring PBT	5,082	3,927	4,910	6,812
<b>Profit / (Loss) from Associates</b>	-	-	-	-
<b>Less: Taxes</b>	<b>1,377</b>	<b>955</b>	<b>1,237</b>	<b>1,717</b>
PAT	3,705	2,972	3,673	5,095
Less: Minority Interest	-	-	-	-
Extraordinary (Net)	-	-	-	-
Net Income (Reported)	3,705	2,972	3,673	5,095
<b>Net Income (Adjusted)</b>	<b>3,705</b>	<b>2,972</b>	<b>3,673</b>	<b>5,095</b>

Source Company data, I-Sec research

### Exhibit 7: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	11,353	13,738	17,199	22,919
of which cash & cash eqv.	2,664	4,735	7,398	11,890
Total Current Liabilities & Provisions	7,757	11,259	12,139	13,226
<b>Net Current Assets</b>	<b>3,596</b>	<b>2,480</b>	<b>5,059</b>	<b>9,693</b>
Investments	-	-	-	-
Net Fixed Assets	6,340	10,469	9,681	8,927
ROU Assets	-	-	-	-
Capital Work-in-Progress	4,148	735	735	735
Total Intangible Assets	8,272	7,760	7,760	7,760
Other assets	199	146	146	146
Deferred Tax Assets	896	716	716	716
<b>Total Assets</b>	<b>23,450</b>	<b>22,306</b>	<b>24,097</b>	<b>27,976</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>2,500</b>	-	<b>206</b>	<b>206</b>
<b>Deferred Tax Liability</b>	<b>(1,024)</b>	<b>(1,045)</b>	<b>(1,045)</b>	<b>(1,045)</b>
provisions	-	-	-	-
other Liabilities	1,477	1,495	1,495	1,495
Equity Share Capital	238	238	238	238
Reserves & Surplus	11,558	13,435	16,396	20,780
<b>Total Net Worth</b>	<b>11,796</b>	<b>13,673</b>	<b>16,633</b>	<b>21,017</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>23,450</b>	<b>22,306</b>	<b>24,097</b>	<b>27,976</b>

Source Company data, I-Sec research

### Exhibit 8: Quarterly trend

(INR mn, year ending March)

	Dec-23	Mar-24	Jun-24	Sep-24
Net Sales	13,829	13,229	52,678	13,427
% growth (YOY)	3.4	8.7	1.8	8.5
EBITDA	2,134	2,260	8,528	2,022
Margin %	15.4	17.1	16.2	15.1
Other Income	244	111	508	91
Extraordinary	-	-	-	-
Adjusted Net Profit	889	778	3,010	534

Source Company data, I-Sec research

### Exhibit 9: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Operating Cashflow</b>	<b>7,498</b>	<b>11,329</b>	<b>8,336</b>	<b>9,329</b>
Working Capital Changes	(716)	3,148	83	(142)
Capital Commitments	(5,714)	(2,675)	(3,500)	(3,500)
<b>Free Cashflow</b>	<b>1,784</b>	<b>8,653</b>	<b>4,836</b>	<b>5,829</b>
<b>Other investing cashflow</b>	<b>573</b>	<b>(1,071)</b>	<b>(920)</b>	<b>122</b>
Cashflow from Investing Activities	(5,141)	(3,746)	(4,420)	(3,378)
Issue of Share Capital	-	-	-	-
Interest Cost	(99)	(201)	(748)	(748)
Inc (Dec) in Borrowings	(2,253)	(2,832)	206	-
Dividend paid	(563)	(979)	(712)	(712)
Others	-	-	-	-
Cash flow from Financing Activities	(2,915)	(4,012)	(1,253)	(1,459)
<b>Chg. in Cash &amp; Bank balance</b>	<b>(558)</b>	<b>3,570</b>	<b>2,663</b>	<b>4,492</b>
Closing cash & balance	1,268	4,508	7,398	11,890

Source Company data, I-Sec research

### Exhibit 10: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Reported EPS	155.9	125.1	154.6	214.5
Adjusted EPS (Diluted)	155.9	125.1	154.6	214.5
Cash EPS	322.0	307.3	335.0	393.5
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	496.4	575.5	700.1	884.6
Dividend Payout (%)	-	-	-	-
<b>Growth (%)</b>				
Net Sales	17.3	1.8	11.0	11.1
EBITDA	(6.2)	(9.0)	11.3	17.9
EPS (INR)	(11.4)	(19.8)	23.6	38.7
<b>Valuation Ratios (x)</b>				
P/E	47.7	59.5	48.1	34.7
P/CEPS	23.1	24.2	22.2	18.9
P/BV	15.0	12.9	10.6	8.4
EV / EBITDA	18.8	20.2	17.9	14.8
Dividend Yield (%)	-	-	-	-
<b>Operating Ratios</b>				
Gross Profit Margins (%)	42.2	42.4	42.3	42.7
EBITDA Margins (%)	18.1	16.2	16.2	17.2
Effective Tax Rate (%)	27.1	24.3	25.2	25.2
Net Profit Margins (%)	7.2	5.6	6.3	7.8
Net Debt / Equity (x)	0.0	(0.3)	(0.4)	(0.6)
Net Debt / EBITDA (x)	0.0	(0.6)	(0.8)	(1.0)
Total Asset Turnover (x)	2.4	2.4	2.5	2.6
Inventory Turnover Days	3	4	4	5
Receivables Days	54	49	50	53
Payables Days	50	45	47	50
<b>Profitability Ratios</b>				
RoE (%)	42.0	26.1	26.2	29.8
RoCE (%)	32.2	24.6	26.1	30.1
RoIC (%)	46.2	34.8	38.9	56.1

Source Company data, I-Sec research

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