

Improving fleet utilisation to provide profitable growth

BlueDart reported Q1FY21 results, which saw consolidated revenues declining 47% YoY to ₹ 416 crore (mainly due to focus on operations to support only essential supplies). Further, while utilisation remained weak in Q1 (essential supplies via air freight and some pickup in the B2C segment), July showed logistics operations normalising (upwards of 80% compared to July last year). The company also slashed its courier charges by 25% across retail customers and small businesses in Q1, which further led to losses on the operational front. Demand for movement of the cargo via air continues to see upside due to the prevalent partial lockdown conditions in the economy (that has led to higher surface freight prices and delayed delivery of parcels).

Air cargo segment beneficiary of evolving business climate

In Q1, BlueDart's cargo aircraft flew across domestic and international locations to carry essential supplies (supported by DGCA and Government of India). Also, owing to continued challenges being faced by the surface and shipping players in timely delivery of the cargo, air cargo is expected to be a beneficiary of the situation in the near to medium term, as the industry normalises and manufacturers rush to transport shipments. For BlueDart, improved product mix (2x realisation to surface) can lower the impact of the slashing of courier prices by the company across segments (the measure is expected to be temporary in nature).

BlueDart expected to be beneficiary of industry consolidation

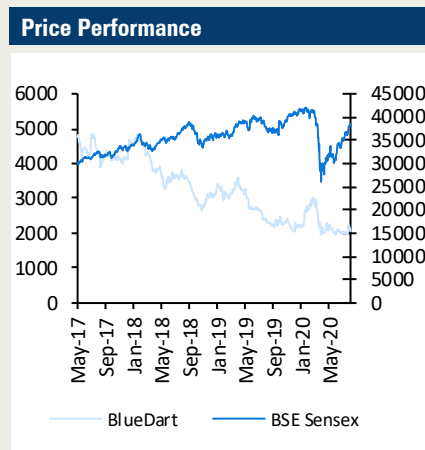
Covid-19 has hastened the expected consolidation of BlueDart's competitors (PE funded players) in the B2C and B2B segment, as they are seeing greater stress in cashflow management, inflated labour cost and other expenses. This can deter them from dealing in unprofitable business sales, lowering competitive intensity in the segment. BlueDart being an already profitable player in the space, remains a key beneficiary of such changing dynamics in the sector, which helps it to gain its lost market share.

Valuation & Outlook

While operations are expected to normalise by H2, we expect tonnage growth to return in FY22. BlueDart is expected to tide over the current crisis by continued automation, enhancing technological capabilities and enhance service capabilities. New client acquisitions and a focus on reducing costs is expected to keep the company on a profitable growth trajectory. On the EBITDA margin front, we largely expect it to stay rangebound at 15% in FY22. BlueDart will remain on its road to recovery in the near to medium term. Hence, we change our recommendation from BUY to **HOLD** with a revised target price of ₹ 2100.



Particulars	
Particular	Amount
Market Capitalization (₹cr)	4,702
Total Debt (FY 20) (₹cr)	410.0
Cash (FY 20) (₹cr)	100.0
EV (₹cr)	5,012.0
52 week H/L	3450/1822
Equity Capital (₹cr)	23.7
Face Value (₹)	10.0



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Key Financial Summary

₹ crore	FY18	FY19	FY20	FY21E	FY22E	CAGR (%)
Net Sales	2799.2	3174.4	3175.1	2800.5	3234.5	3.7
EBITDA	351.3	285.5	474.2	374.0	497.0	9.1
EBITDA margins (%)	12.5	9.0	14.9	13.4	15.4	
PAT	144.7	89.8	-41.9	-65.0	28.0	-33.7
P/E (x)	32.6	52.5	-112.7	-72.6	168.5	
P/B (x)	8.9	8.2	9.6	12.1	12.3	
RoCE (%)	29.3	17.0	35.7	25.2	42.2	
RoE (%)	27.2	15.5	4.5	-16.7	7.3	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Total operating Income	3,174.4	3,175.1	2,800.5	3,234.5
Growth (%)	13.4	0.0	-11.8	15.5
Operating and handling	1,321.0	1,324.1	1,115.8	1,265.8
Other Aircraft Expenses	155.0	74.0	56.0	64.7
Fuel Charges	238.5	210.2	182.0	210.2
Other Operating Expenses	51.7	47.7	42.0	48.5
Employee Cost	698.4	733.5	756.1	841.0
Other Expenses	424.4	311.4	274.4	307.3
Total Expenditure	2,889.0	2,701.0	2,426.5	2,737.5
EBITDA	285.5	474.2	374.0	497.0
Growth (%)	-18.7	66.1	-21.1	32.9
Depreciation	127.9	149.8	164.1	182.1
Interest	42.7	45.6	50.6	39.6
Other Income	19.2	15.5	16.8	19.4
Extraordinary Expenses	0.0	64.1	0.0	0.0
PBT	134.1	230.2	176.1	294.7
Tax	44.4	2.7	-21.9	9.4
PAT	89.8	-41.9	-65.0	28.0
Growth (%)	-38.0	-146.6	55.2	-143.1
EPS	37.8	-17.6	-27.3	11.8

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20P	FY21E	FY22E
Profit after Tax	89.8	-41.9	-65.0	28.0
Add: Depreciation	127.9	347.3	351.8	360.4
Add: Interest	42.7	117.4	125.9	118.6
Increase in Current Liabilities	171.5	65.7	-48.2	61.3
Increase in Current Assets	-83.3	-26.9	28.3	-34.1
Others	-105.2	-97.6	0.0	0.0
CF from operating activities	243.3	364.1	392.8	534.2
(Inc)/dec in Investments	-1.1	-2.7	-10.0	-10.0
(Inc)/dec in Fixed Assets	-287.4	-197.5	-110.0	-160.0
Others	6.0	25.8	105.8	107.6
CF from investing activities	-282.5	-174.4	-14.2	-62.4
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	90.1	-86.2	50.0	-100.0
Less: Interest	-42.7	-45.6	-50.6	-39.6
Others	31.8	-226.6	-236.2	-246.2
CF from financing activities	79.2	-358.5	-236.8	-385.8
Net Cash flow	40.0	-168.7	141.9	86.0
Opening Cash	228.7	268.7	100.0	241.9
Closing Cash	268.7	100.0	241.9	327.9

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Liabilities				
Equity Capital	23.8	23.8	23.8	23.8
Reserve and Surplus	554.0	467.1	366.3	358.6
Total Shareholders funds	577.7	490.8	390.1	382.3
Total Debt	496.2	410.0	460.0	360.0
Long term Provisions	3.6	5.0	5.0	5.0
Other Long term liabilities	18.3	953.9	1,000.4	1,049.3
Deferred Tax Liability	0.0	0.0	0.0	0.0
Total Liabilities	1,095.8	1,859.6	1,855.5	1,796.6
Assets				
Gross Block	1,018.4	2,371.4	2,571.4	2,821.4
Less: Accumulated Depreciation	364.0	706.5	1,058.2	1,418.6
Net Block	654.4	1,665.0	1,513.2	1,402.8
Capital WIP	90.7	18.0	28.0	38.0
Total Fixed Assets	745.0	1,683.0	1,541.2	1,440.9
Non-current Investments	56.9	59.6	69.6	79.6
Other Non-current assets	109.6	170.7	136.6	109.3
Deferred Tax Asset	36.6	6.1	6.1	6.1
Inventory	26.0	27.0	26.9	26.6
Debtors	491.0	528.2	498.7	531.7
Loans and Advances	0.9	0.8	0.8	0.8
Other Current Assets	76.5	65.3	66.6	67.9
Cash	268.7	100.0	241.9	327.9
Current investments	0.0	0.0	0.0	0.0
Total Current Assets	863.2	721.3	834.9	955.0
Creditors	434.3	401.0	345.3	398.8
Other liab & Provisions	281.2	380.1	387.7	395.5
Total Current Liabilities	715.5	781.2	733.0	794.3
Net Current Assets	147.7	-59.8	101.9	160.7
Application of Funds	1,095.8	1,859.6	1,855.5	1,796.6

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
	₹ crore			
(Year-end March)	FY19	FY20P	FY21E	FY22E
Per share data (₹)				
EPS	37.8	-17.6	-27.3	11.8
Cash EPS	91.6	45.4	41.7	88.4
BV	276.1	312.4	313.5	346.5
DPS	12.5	12.5	12.5	12.5
Cash Per Share	113.1	42.1	101.8	138.0
Operating Ratios (%)				
EBITDA Margin (%)	9.0	14.9	13.4	15.4
PBT / Total Operating Income	4.2	-1.2	-3.1	1.2
PAT Margin	2.8	-1.3	-2.3	0.9
Inventory days	3.0	3.1	3.5	3.0
Debtor days	56.5	60.7	65.0	60.0
Creditor days	49.9	46.1	45.0	45.0
Return Ratios (%)				
RoE	15.5	4.5	-16.7	7.3
RoCE	17.0	35.7	25.2	42.2
RoIC	26.7	49.3	33.6	54.8
Valuation Ratios (x)				
P/E	52.5	-112.7	-72.6	168.5
EV/EBITDA	16.2	9.9	11.6	8.0
EV/Sales	1.5	1.5	1.5	1.2
Market Cap / Sales	1.5	1.5	1.7	1.5
Price to Book Value	8.2	9.6	12.1	12.3
Solvency Ratios				
Debt/EBITDA	1.7	0.9	1.2	0.7
Debt / Equity	0.7	0.8	1.2	0.9
Current Ratio	1.1	0.9	1.1	1.2
Quick Ratio	1.8	2.0	2.4	2.9

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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