

## Business restructuring to aid margin improvement

BlueDart reported its Q4FY20 results, which reflected the changing business environment. Consolidated revenues fell 7% YoY to ₹ 726 crore (mainly due to the weak business sentiments from mid-March onwards). Further, while utilisation remained weak in April (only essential supplies via air freight), May has started showing certain green shoots for the economy per se. EBITDA margins (adjusted for Ind-AS 116 effect) declined 210 bps to 5.5%, in spite of the cost optimisation and employee rationalisation steps taken by the management in Q3FY20 (impact negated by the weak operating leverage). Further, higher depreciation expense led to a loss at the PAT level.

## Air cargo segment beneficiary of evolving business climate

During April, May, BlueDart cargo aircraft flew across domestic, international locations to carry essential supplies (supported by DGCA and Government of India). Also, owing to continued challenges being faced by surface and shipping players in timely delivery of cargo, air cargo is expected to be a beneficiary of the situation in the near to medium term, as the industry opens up in a phase-wise manner and manufacturers rush to transport shipments. For BlueDart, changes in product mix (2x realisation to surface) would largely negate the slashing of courier prices by the company across segments (the measure is expected to be temporary in nature).

## Focus on automation, digitisation to drive growth ahead

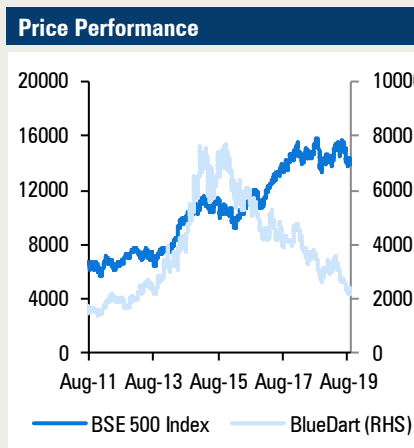
The management expects the situation to normalise from H2 onwards. It is expected to tide over the current crisis by continued automation, enhancing technological capabilities and enhance service capabilities. We expect the company to report a revival in revenue growth from FY22 driven by new client acquisitions and a general rebound in the economy. On EBITDA margin front, we largely expect it to stay rangebound at 9-10% in FY22.

## Valuation & Outlook

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. Hence, we maintain our **BUY** rating on the stock with a revised target price of ₹ 2250/share.



Particulars	
Particular	Amount
Market Capitalization (₹cr)	4,650
Total Debt (FY 20) (₹cr)	-
Cash (FY 19) (₹cr)	100.0
EV (₹cr)	4,550.0
52 week H/L	3450/1822
Equity Capital (₹cr)	23.7
Face Value (₹)	10.0



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## Key Financial Summary (Ex-IND AS assumptions)

₹ crore	FY18	FY19	FY20	FY21E	FY22E	CAGR (%)
Net Sales	2799.2	3174.4	3175.1	3109.7	3591.7	6.4
EBITDA	351.3	285.5	274.9	222.1	347.7	-0.3
EBITDA margins (%)	12.5	9.0	8.7	7.1	9.7	
PAT	144.7	89.8	23.3	23.6	113.6	-5.9
P/E (x)	32.0	51.6	198.4	196.3	40.8	
P/B (x)	8.7	8.0	9.0	8.8	8.1	
RoCE (%)	29.3	17.0	13.9	7.2	18.8	
RoE (%)	27.2	15.5	17.0	4.5	19.9	

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 1: Profit and loss statement (Ex IND AS) ₹ crore				
(Year-end March)	FY19	FY20	FY21E	FY22E
Total operating Income	3,174.4	3,175.1	3,109.7	3,591.7
Growth (%)	13.4	0.0	-2.1	15.5
Operating and handling	1,321.0	1,212.2	1,183.5	1,376.3
Other Aircraft Expenses	155.0	190.5	186.6	215.5
Fuel Charges	238.5	254.0	248.8	287.3
Other Operating Expenses	51.7	63.5	62.2	71.8
Employee Cost	698.4	741.9	777.4	826.1
Other Expenses	424.4	438.1	429.1	466.9
Total Expenditure	2,889.0	2,900.2	2,887.6	3,244.0
EBITDA	285.5	274.9	222.1	347.7
Growth (%)	-18.7	-3.7	-19.2	56.6
Depreciation	127.9	154.6	166.7	184.8
Interest	42.7	45.6	42.5	32.6
Other Income	19.2	15.5	18.7	21.5
Extraordinary Expenses	0.0	64.1	0.0	0.0
PBT	134.1	26.1	31.5	151.8
Tax	44.4	2.7	7.9	38.2
PAT	89.8	23.3	23.6	113.6
Growth (%)	-38.0	-74.0	1.1	381.3
EPS	37.8	9.8	9.9	47.8

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore				
(Year-end March)	FY19	FY20P	FY21E	FY22E
Profit after Tax	89.8	23.3	23.6	113.6
Add: Depreciation	127.9	154.6	166.7	184.8
Add: Interest	42.7	45.6	42.5	32.6
Increase in Current Liabilities	171.5	43.2	-10.5	66.7
Increase in Current Assets	-83.3	-26.9	-25.4	-41.9
Others	-105.2	124.2	0.0	0.0
CF from operating activities	243.3	364.1	196.8	355.8
(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	-24.7	34.1	27.3
CF from investing activities	-282.5	-224.9	-85.9	-142.7
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	90.1	-63.7	40.0	-110.0
Less: Interest	-42.7	-45.6	-42.5	-32.6
Others	31.8	-198.7	-14.2	-68.5
CF from financing activities	79.2	-308.0	-16.8	-211.1
Net Cash flow	40.0	-168.7	94.2	2.0
Opening Cash	228.7	268.7	100.0	194.2
Closing Cash	268.7	100.0	194.2	196.2

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore				
(Year-end March)	FY19	FY20P	FY21E	FY22E
<b>Liabilities</b>				
Equity Capital	23.8	23.8	23.8	23.8
Reserve and Surplus	554.0	491.6	500.9	546.1
Total Shareholders funds	577.7	515.3	524.7	569.8
Total Debt	496.2	432.5	472.5	362.5
Long term Provisions	3.6	5.0	5.0	5.0
Other Long term liabilities	18.3	22.9	22.9	22.9
Deferred Tax Liability	0.0	0.0	0.0	0.0
Total Liabilities	1,095.8	975.7	1,025.1	960.2
<b>Assets</b>				
Gross Block	1,018.4	1,277.3	1,377.3	1,527.3
Less: Accumulated Depreciation	364.0	518.7	685.3	870.1
Net Block	654.4	758.6	692.0	657.2
Capital WIP	90.7	18.0	28.0	38.0
Total Fixed Assets	745.0	776.7	720.0	695.2
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	25.6	29.5
Debtors	491.0	528.2	553.8	590.4
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	194.2	196.2
Current investments	0.0	0.0	0.0	0.0
Total Current Assets	863.2	721.3	841.0	884.9
Creditors	434.3	401.0	383.4	442.8
Other liabilities & Provisions	281.2	357.6	364.8	372.1
Total Current Liabilities	715.5	758.7	748.2	814.9
Net Current Assets	147.7	-37.4	92.8	70.0
Application of Funds	1,095.8	975.8	1,025.1	960.3

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios ₹ crore				
(Year-end March)	FY19	FY20P	FY21E	FY22E
<b>Per share data (₹)</b>				
EPS	37.8	9.8	9.9	47.8
Cash EPS	91.6	74.9	80.1	125.6
BV	276.1	313.4	319.8	359.2
DPS	12.5	4.9	5.0	23.9
Cash Per Share	113.1	42.1	81.7	82.6
<b>Operating Ratios (%)</b>				
EBITDA Margin (%)	9.0	8.7	7.1	9.7
PBT / Total Operating Income	4.2	0.8	1.0	4.2
PAT Margin	2.8	0.7	0.8	3.2
Inventory days	3.0	3.1	3.0	3.0
Debtor days	56.5	60.7	65.0	60.0
Creditor days	49.9	46.1	45.0	45.0
<b>Return Ratios (%)</b>				
RoE	15.5	17.0	4.5	19.9
RoCE	17.0	13.9	7.2	18.8
RoIC	26.7	17.7	8.4	26.7
<b>Valuation Ratios (x)</b>				
P/E	51.6	198.4	196.3	40.8
EV/EBITDA	15.9	16.8	19.0	11.0
EV/Sales	1.4	1.5	1.4	1.1
Market Cap / Sales	1.5	1.4	1.5	1.3
Price to Book Value	8.0	9.0	8.8	8.1
<b>Solvency Ratios</b>				
Debt/EBITDA	1.7	1.6	2.1	1.0
Debt / Equity	0.7	0.8	0.9	0.6
Current Ratio	1.1	0.9	1.1	1.1

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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