

August 02, 2022

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort
Mumbai – 400 001
Scrip Code - 526612

To,
National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block G
Bandra Kurla Complex, Bandra East,
Mumbai – 400 051
NSE Symbol - BLUEDART

Sub: Transcript of analyst/ investors conference call - Disclosure under Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015

Dear Sir/ Madam,

We refer to our intimation dated July 25, 2022, notifying on the schedule of 'Investors Call' organised through M/s. Elara Securities (India) Pvt. Ltd. on Thursday, July 28, 2022, to discuss the corporate performance for the quarter ended June 30, 2022 and audio recording of the same submitted on July 28, 2022.

Pursuant to requirements of law, please find enclosed herewith, transcript of the Investors call which is also made available on the Company's website viz; www.bluedart.com.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For **Blue Dart Express Ltd.**


Tushar Gunderia
Head (Legal & Compliance) &
Company Secretary



“Blue Dart Express Limited
Q1 FY2023 Earnings Conference Call”

July 28, 2022



ANALYST: MS. ANKITA SHAH – ELARA SECURITIES PRIVATE LIMITED

MANAGEMENT: MR. ANEEL GAMBHIR – CHIEF FINANCIAL OFFICER – BLUE DART EXPRESS LIMITED



Moderator: Ladies and gentlemen, good day and welcome to Blue Dart Express Limited Q1 FY2023 Earnings Conference Call hosted by Elara Securities Private Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Ankita Shah from Elara Securities Private Limited. Thank you and over to you, Madam!

Ankita Shah: Thank you. A very good morning to everyone who has joined to this call. We welcome you to this 1Q FY2023 earnings conference call of Blue Dart Express. We have with us the management represented by Mr. Aneel Gambhir, the CFO of the company and firstly congratulations Sir on a very good performance and we would like to start with opening remarks about the quarter’s performances and the outlook going forward and post that we can open the floor for question-and-answer session. Thank you and over to you Sir.

Aneel Gambhir: Thank you Ankita and good evening all the investors and analyst community. It is a pleasure to interact with you. As you have seen of late we made this practice more or less to interact and to have a discussion and clarity, so happy to be here to discuss about results of the last quarter where we had a board meeting yesterday that is Q1 of FY2022-FY2023. Before we begin question and answer session as Ankita mentioned, I will just give you a brief from the last quarter ending of financial year to now how the situation is and what are the highlights of the period and also how has been the performance and thereafter we will spend most of the time in question and answer.

Let me begin with the last year’s performance. I am sure all of you would have seen after a stellar performance in the FY2021-FY2022, which was a record performance so far in the industry of the company. The situation on the economy side we all know how the geopolitical situation is getting impacted, which is having impact on crude, which has impact on foreign exchange. We all know how dollar has been moving from Rs.75 to Rs.76 to current year close to Rs.80 range. We have seen crude moving from Rs.100 range to Rs.125 or so and then slightly off late pulling down. Then we also saw part of the world getting impacted to pandemic. Somebody called wave four. Somebody says it is just off wave, but in the middle of this, we are seeing the recent quarter for which performance was declared yesterday after the board meeting. There is a good growth on the topline, which is essentially the run which we had in the last quarter that is Q4 of last year almost similar kind of run has been continuing in the current quarter on topline, however, let me also tell you that the current quarter the growth also had some impact of base because last year in the same quarter we had wave two of pandemic whereby because of sporadic lockdown by various state governments had impacted our revenues last year, so there is some impact of



that. Having said that why I have spoken about the crude and geopolitical situation because we are directly impacted because of crude behavior as we have airline where crude translates into ATF price and the way the crude behaves ATF rates change accordingly and similarly because of the forex, since most of the crude is imported by country so that also plays a role in the ATF price; that is where an impact of high crude prices in this period, which generally we know that when fuel prices go up not only ATF but also diesel and petrol that impacts inflation in the country and inflation has an impact on economy as well as on consumption and also leads to various other issues related to things, which are directly connected with the petrol prices. In light of that, the topline growth has been close to 50%, which is quite healthy very strong growth, but if you discount it for the impact due to base and also due to crude prices, it is still a very healthy growth we have seen in the period. Similarly if one looks on the bottom-line side, bottom line also has shown a healthy growth. If you compare quarter-on-quarter the PBT level is almost three times increase and even similar trend is seen on the profit after tax. Our earnings per share is close to 50 which is 49.38. I am talking standalone numbers which also in recent past has been one of the good growths. While there could be some argument that on quarter-on-quarter if you see performance then probably it may not look similar way, but the fact remains is that ours is a seasonal business, so seasonal business generally should be compared quarter-on-quarter and that is where you will get a better comparison rather than sequential quarters. If you move ahead I think the economic indicators are still pointing towards positive arena and we expect the current scenario would continue unless there is an increase in pandemic situation or rather worsening situation due to pandemic or there is a major impact coming from geopolitical situation, which could be that crude continues to be at high level or further goes up then that could have an impact on the run otherwise from all policy front from the government side or be it Make in India or GDP projection side all of this indicates that for at least foreseeable future subject to his risk, which I spoke about seems to be positive and that is where we have reviewed the situation looking at the current growth and moving forward also taking into account the expected growth a calculated kind of a decision that we are adding capacity not only on ground but also air, I am sure you would have seen the announcement which is there, wherein we have indicated about addition of two 737-800 aircraft, which will add roughly about depending on sectors between 15% to 20% of the capacity expansion on the current level, so currently as you know we have a fleet of six aircrafts 757-200 which gives us a capacity of about 500 tons per night depending on the sectors when we get the aircraft and the demand persisting at that point of time our expectation is that 15% to 20% increase in the capacity would be there, which in a reasonable timeframe we should be able to fill up. With the practice in the past, we built up some load so same thing is here. We have built up almost about 50% of the capacity of the load for the new aircrafts and we are confident that given the positive economy scenario, we should be able to break even once we got this aircraft may be around two to three quarters or so. With that, I will not take much of time it will be better that we spend more of time



one question and answer and understanding of the numbers, so will hand it over to Ankita, so that we take question and answer. Over to you Ankita thanks.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora: Congratulations on the good numbers, especially on the topline front. Just wanted to understand on the demand scenario now what we understand is that April and May were very good months and then we saw some bit of slowdown in June and July, so just wanted to understand how are things shaping up on the demand side of it?

Aneel Gambhir: As far as demand is concerned, so far there has been a very good demand, which is continuing as I mentioned in the beginning that our expectation is that yes there could be in between small intervals of some softening trend, but going by the broader economic indicators, we feel that the current level of demand could continue and more so because we are heading for festive season, generally we have seen demand during festive season is strong so we believe there is no reason at this point of time for demand to go down unless some disruption comes in the economy.

Alok Deora: Sure. Could you just provide some insights on how the e-commerce segment has performed for us in this quarter and what has been the broad mix between ground and Air Express as well?

Aneel Gambhir: One of the major verticals is ecommerce and that has been growing in a very healthy phase and we have been having good growth high double digit growth kind of a scenario and as I just mentioned that generally during festive period, the people tend to order more online and shopping and historically if you see the trend of shopping is high especially on the online during this period so we expect that scenario would continue. Having said that, the second part was related to.

Alok Deora: Ground and aircraft?

Aneel Gambhir: Ground also has been growing strongly which I would say roughly about one third kind of a scenario not actually one third around one third kind of scenario, we are having for ground contribution in the overall pie.

Alok Deora: Sure. On this fuel price, so ATF price we saw sharp increase in the recent few months especially in June as well and also in July the recent cut has been very marginal so just wanted to understand like how the margins would look like now going ahead because ATF



price continues to be near all time high, so how are we placed in terms of passing on the increased cost?

Aneel Gambhir: A very good question Alok. As you know that we have a fuel surcharge mechanism, which is in place since more than 20 years now and it has withstood many phased off fluctuations and high fluctuation in fuel prices and we have been successful in passing all these fluctuations to the customers. When you come to the current fuel prices, this is very high. If this continues in the longer run, it could create a problem for economy and a high inflation scenario that is where we expect that the scenario of high crude prices should cool down and should come to reasonable level, which could be around 80 to 85 or so. If it does not come to that level, we would see major impact of inflation hitting Indian economy and which in turn could impact demand.

Alok Deora: We see these margins sustaining going ahead or could it improve any color on the margins?

Aneel Gambhir: Margins generally we have been trying to look at cost efficiencies wherever possible and that is what has helped us in the last two years or so in improving our margin, so we feel that current level of margin may be plus or minus 100 to 150 basis points, our efforts will be to maintain that kind of margin as we move ahead, but this is not a guidance. This is just sort of a feeling I can share with you.

Alok Deora: Sure. I have some more questions. I will come back in the queue. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from L&T Mutual Fund. Please go ahead.

Rahul Agarwal: Thanks for the opportunity. Congratulations on a good set of numbers. I just wanted to understand within your air segment, what would be the mix of traffic between your own planes and may be from the passenger belly cargo?

Aneel Gambhir: As I mentioned in the beginning that we have six aircraft 757, which we fly with the capacity of 500 tons overnight and we have capacity utilization of about 90%, which takes care of roughly about two third of the traffic, which we can carry. Almost one third of the traffic we currently move through multi model. Multi model has various options, most of it could be belly space through which we could move and also one of the reasons is that when we built up this capacity as I mentioned that almost 50% of the capacity is already built up for the new aircraft, so that also features part of this one third of the belly space. I hope that answers your question.



- Rahul Agarwal:** Yes it does, and the capacity addition will be in the second half is that a fair assumption the new aircraft that you will add?
- Aneel Gambhir:** Sorry can you repeat the question capacity addition.
- Rahul Agarwal:** The new aircrafts that you will add freighters that will be more like the second half?
- Aneel Gambhir:** That is expected towards the latter part of the year.
- Rahul Agarwal:** Can you just mention, which are the sectors where you are seeing a decent pickup and going ahead also which are the major sectors that you are expecting to gain traction from?
- Aneel Gambhir:** When you say sector meaning geographical sector.
- Rahul Agarwal:** No. Your end consumers may be ecommerce, Pharma, auto?
- Aneel Gambhir:** This industry verticals basically you are referring to, right?
- Rahul Agarwal:** Correct.
- Aneel Gambhir:** Yes, industry verticals as you mentioned we have e-commerce, electrical, auto spare parts, be it SI, computer and IT items. Then we have done some Pharma and medical equipments. These are the sectors which are seeing major up take currently.
- Rahul Agarwal:** How much would be e-commerce right now?
- Aneel Gambhir:** Ecommerce close to one fourth kind of.
- Rahul Agarwal:** Would that be one of the fastest growing in our mix right?
- Aneel Gambhir:** Yes, currently these are ground and ecommerce verticals have been growing faster. Absolutely right.
- Rahul Agarwal:** Great Sir thanks a lot and all the best.
- Moderator:** Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Thank you for taking my questions. Directly adding two planes why not go one by one? Are we that optimistic about volumes, just wanted to get your sense how come you are directly two planes right now and then I will follow up with more questions?



- Aneel Gambhir:** Sure Pulkit. The idea here is these two planes are relatively with the lower capacity as compared to our current fleet, so current fleet each aircraft has a capacity of roughly about 30 tons and proposed aircraft which is 737-800 would have capacity of about 18 tonnes and this will help us in moving into tier two and tier three cities and since we have many upcoming cities that is why we thought probably one aircraft would not be able to cover the geographical reach we want to have and that is why we chose to go for two aircrafts at this point of time.
- Pulkit Patni:** Fair point. Could you also quantify what should be the amount that will get capitalized on our books and impacts on depreciation finance any rough cut numbers you can give us which we can build into start off this?
- Aneel Gambhir:** Roughly for these two aircraft purchase anywhere between Rs.300 Crores to Rs.350 Crores kind of investment would be there.
- Pulkit Patni:** Investment okay, and these are new planes, slightly old fleet any sense on that?
- Aneel Gambhir:** For cargo business generally it is old fleet, which will be anywhere between 15 to 20 years kind of an old fleet, which is generally used for cargo.
- Pulkit Patni:** Understood and one last question. Any comments on competition and I am not talking about the e-commerce players only. We heard there are a few other players who are looking at pure cargo operations. Any sense on where we are versus where we were three years back in terms of broader air express completion that would be it from my side?
- Aneel Gambhir:** Thanks Pulkit. There are two different things, which you mentioned. When you talk about Blue Dart we are more into express business and not in cargo while many of the players are in cargo so cargo may not be time definite express products and that is why many of the people when they compare with belly space not the entire belly space is express cargo. Belly space is available throughout the day where cargo can be moved while express business can only use early morning flight, which could be just a window of two hours between 6 to 8 kind of a window through, which one can use the belly space full moving express products, so there is a big difference when you compare with the cargo players versus express players. While we are in express business and if one is to compare with express, not much of additional players have come in the last two years or so barring may be one of the e-commerce players who is trying to enter into express, but not any kind of a material impact on our business from that perspective.
- Pulkit Patni:** I am trying to understand what IndiGo is trying to do and this new airline called Pahalwan, which inducted one plane; are these not competition to you?



- Aneel Gambhir:** Pradhaan Air, if you look at their announcements they are planning to use this aircraft for cargo charter operations, which is not express business. At the same time when you talk about IndiGo Endeavour that has always been there with UPS, so earlier that arrangement was through UPS Jetair, which in between was with SpiceJet and now it has moved to IndiGo. It is not that IndiGo Airline which is going to carry this thing. This is UPS International Cargo, which is moving within the country and which earlier was moving through UPS Jetair arrangement will move now through IndiGo arrangement, so this is not a new one. It is only the partner probably they have changed.
- Pulkit Patni:** Understood. I will take the liberty of one more since I am not being restricted. How should we look at employee cost from these levels, any guidance would be pretty helpful?
- Aneel Gambhir:** Very valid question Pulkit. Currently, there is some situation and also the wage code, which government has been talking about getting differed continuously while wage code will impact every single industry if the way currently we know and the same format comes unless there are changes in that, but otherwise also there is a high demand for talent from junior to mid level and that is where some kind of challenge we are also facing and that is where we had to revise some minimum wages, which we will pay and that is what is reflecting in this quarter if you compare versus previous year in this quarter, there is some increase in the wage cost. Somewhere around this so maybe slightly higher amount than this could be way forward quarterly cost for us.
- Pulkit Patni:** Got it. Very useful and good luck.
- Moderator:** Thank you. The next question is from the line of Nilesh Dhamnaskar from Invesco mutual fund. Please go ahead.
- Nilesh Dhamnaskar:** Thanks for taking my question. I just have one question related to your cost. On employee cost, you elaborated that there was an increase in the minimum wages, but on the other two cost items just out of curiosity has there been any regrouping because I could see that on a Q-o-Q basis the operating expense are up 17%, but the other expense is down quite sharply 15% Q-o-Quarter? Is there any regrouping first of all?
- Aneel Gambhir:** There is no grouping. I would invite you to look at Q-o-Q number. There is a pattern which you see that generally this course built up over a period of time so Q1 would have a relatively lower cost. The Q3 would have the highest cost; the similar pattern you could see if I am to just give you the number even in the previous year the similar trend was there. Q1 had Rs.58 Crores, Q2 had Rs.76 Crores, Q3 had Rs.94 Crores and Q4 had Rs.82 Crores so now this time it is Rs.69 Crores which needs to be compared with Rs.58 Crores.



- Nilesh Dhamnaskar:** Got it. There is no regrouping but there is some element of these costs which get incurred during certain quarters, but just coming to, you talked about initially that we all know that ATF prices have gone up quite sharply, so which is a pass through at the end of the day from your customer perspective right, is there been a lag because when I see the margin profile, the margin profile looks much lower than what you have been reporting in last few quarters, so just want to know is there a lag in terms of the pass through of the ATF prices during this quarter?
- Aneel Gambhir:** There is a lag of about a month, which generally comes in a cycle so June cost of fuel will get passed on in July so there is about one month lag. Having said that, the margin wise also as I mentioned initially that we have a fuel surcharge mechanism, which is a pass-through mechanism right so when the fuel such as becomes relatively higher so that would optically will reflect in the mathematical formula of dropping the margin. That is one of the reasons, otherwise if you neutralize that impact you will see margins are almost in the similar range.
- Nilesh Dhamnaskar:** Maybe the only thing is the absolute profitability also since the Y-o-Y quarter is not a representative quarter; the only next best alternative was Q-o-Quarter. I now understand the seasonality, but when I saw that then in the Q-o-Q there is a drop in the EBITDA, so maybe one is explained by the employee cost, but I was wondering that the operating expense has gone up then quite sharply during this quarter, so maybe to some extent the pass through is of the latest month ATF prices probably; does that explain?
- Aneel Gambhir:** Yes partially that explains and second because of high fuel prices obviously when you compare as a percentage to revenue you will find that the percent is going up.
- Nilesh Dhamnaskar:** Right correct got it and is there a seasonality to your overall business profile during this quarter wherein generally the margin profile during this quarter wherein generally the margin profile during this quarter is say may be lower than what you generally do from a fully year basis or something like that?
- Aneel Gambhir:** Traditionally, if you look at it this used to be the weakest quarter. Generally, the better margins would be in the festive season quarter, so that is how we have seen in the past, but things are changing, so you never know how the situation turns out on the geopolitical side probably that is where some risk could be there.
- Nilesh Dhamnaskar:** Got it and there is no one off in any of the expense during this quarter?
- Aneel Gambhir:** No.
- Nilesh Dhamnaskar:** Okay great. I think that is all for mine. Thanks and all the best. I will back in the queue.



- Moderator:** Thank you. The next question is from the line of Krishnendu Saha from Quantum AMC. Please go ahead.
- Krishnendu Saha:** Thanks for taking my question. Most of the questions have been answered. There has not been any normal price increase either because when I am looking at your revenue per tons it is flat on a Q-o-Q basis so even that has not increased. Are we planned to take a normal hike besides the ATF prices also and on the second thing when I am looking at the parcel load is increased again from 3.41 to 3.61 kgs per parcel, so are we doing a lot of road traffic right now because I was under the impression that some amounts of what you call cargo, which is light will come back like papers and all new and exam papers would come back so that does not seem to be there and the 360 will need to come in depreciation or in the ROU so I just want to know that these three questions? Thank you?
- Aneel Gambhir:** What was the last question?
- Krishnendu Saha:** Rs.360 Crores which we are planning for the two aircraft will it come on ROU or it will come as a gross block?
- Aneel Gambhir:** Let me try and give you answer to each one of your questions. The first question was on revenue that you said that you compared per kg or pattern realization which is not attractive so is there any rate hike. There is a rate hike and there is GPI which has been implemented but it is because of product mix because we have different services and different products like you have a courier business, you have air packages, you have ground packages and also international, so as a result because of product mix change when you look at overall basis you are not able to see that impact and that is where you will see that the volume increase is also 50% and revenue increase is also 50%, so there is no impact of fuel as well as of the GPI. While in reality, it is there both of them had impact, but because of your product mix this is not visible when you look at a macro level.
- Krishnendu Saha:** Which product would have been most growing right now for this quarter?
- Aneel Gambhir:** Sorry.
- Krishnendu Saha:** Which product would have been?
- Aneel Gambhir:** Liked I mentioned that ecommerce and ground has been growing much faster products.
- Krishnendu Saha:** That explains the increase in your payload per parcel so 3.6 opposed to 3.41 last quarter is that because the ground has increased?



- Aneel Gambhir:** When you look at a macro level, you may not get a very clear number. Yes you may get a macro feeling but clear number you will not get because of the mix which is dynamic because of various offerings which we have, so if we focus more on high-dense cargo or high weight shipment then you will find that growth and tonnage will be high and even realization will drop because if it is moving on ground, ground versus air the ratio is one is to four so when you move more of a ground then you will see that per tonne or per kg realization will drop while that may not be the case. It is because of the product mix you may get a macro picture that way and similarly if we go more of air and less of ground then you will see that very high improvement in the realization pattern or per kg because air is costlier as compared to ground, so these are the dynamics of the macro picture because of which sometimes it may not give you right visibility.
- Krishnendu Saha:** Right and this Rs.360 Crores investment, will it be shown as a gross block or it will be spent as ROU?
- Aneel Gambhir:** Mostly as of now plan is to have this in asset base, let us see by the time we can always take a decision to change it if required to borrowing and show as ROU, but at this point of time we are going ahead with more of this asset sitting in books.
- Krishnendu Saha:** Okay and this will be after 180 days?
- Aneel Gambhir:** Sorry.
- Krishnendu Saha:** It will be after 180 days so we get half appreciation or it can be just on that part so depreciation for the full year or half year?
- Aneel Gambhir:** Half year.
- Krishnendu Saha:** Thanks.
- Moderator:** Thank you. The next question is from the line of Krupashankar Nj from Spark Capital. Please go ahead.
- Krupashankar Nj:** Good evening and thank you for the opportunity, so first of all ground express side just wanted to understand the sequential growth in the ground express how high would have been vis-à-vis Air Express?
- Aneel Gambhir:** Product wise growth is not in public domain, but I can only give you indication that it has been growing at a high double digits. Sequentially also it has been in double digit growth.



- Krupashankar Nj:** Got it and looking at the average growth, it has been double growth on a sequential basis; ground should have been much higher at upwards of in fact (inaudible) 36.23 for the realization to?
- Aneel Gambhir:** I am not able to hear you Krupa clearly because of variation in audio.
- Krupashankar Nj:** I was just ask asking that when looking at the sequential tonnage growth at about 11% then ground should have been much, much higher than that number for the realization to be flat on Q-o-Q basis? Is my understanding correct Sir?
- Aneel Gambhir:** I will not be able to comment because we are not giving product wise numbers but yes, but logically it should have.
- Moderator:** Thank you. We will move on to the next question that is from the line of Sandip Bansal from ASK Investment Managers. Please go ahead.
- Sandip Bansal:** Good afternoon thank you for opportunity. I had two questions firstly if one third of our belly cargo will move to these new aircrafts, then is it fair to say that the 15% to 20% capacity increase will not lead to a commensurate increase in volumes for us?
- Aneel Gambhir:** You are right because I have mentioned volume is already moving almost half of the capacity utilization volume is already sitting in the base. As I mentioned that we are currently moving from the module through belly space, which will move from commercial or the belly space into our aircraft.
- Sandip Bansal:** Then this should basically have a larger impact on our margins, which is factored in the broad indication that you are giving that the margins could go up from current levels by 100 to 150 basis points?
- Aneel Gambhir:** No I said plus or minus.
- Sandip Bansal:** Yes plus or minus right?
- Aneel Gambhir:** It could be other side also. Another thing is for long term, this could and as and when we inducted new capacity it had some impact for a quarter or two because you do not start as I mentioned that it takes two to three quarters to break even, so the extra cost definitely has an impact on the margin but when you talk about longer term maybe year or two that is where I mentioned that this could be the stable kind of margin with plus or minus 150 basis points.



- Sandip Bansal:** Right. I just wanted to understand that this 100 to 150 basis points if it is on the positive side, it factors in the fact that the volumes would move from belly cargo to our own planes because if we move from our planes it should be a higher margin right?
- Aneel Gambhir:** Sorry.
- Sandip Bansal:** If we move volumes in our own aircraft then it should be margin accretive compared to movement by belly cargo?
- Aneel Gambhir:** Why would it be?
- Sandip Bansal:** Because we would have to pay margins to the aircraft carriers also whose belly space we are using?
- Aneel Gambhir:** Okay you are saying from that logic.
- Sandip Bansal:** Yes.
- Aneel Gambhir:** Then it will not be true. It may not be true because when you fly aircraft there are certain costs which you incur and that is why we generally do not use cargo of the belly space much because it does not suit our timing requirement. A small weight category or low capacity requirement can be made through belly space, but larger requirement cannot be met and when you need to do the entire economics through cargo aircraft then relatively it will be costlier as compared to belly space because belly space generally covers their commercials through passenger aircraft and the belly space is generally is icing on cake for them barring the early morning flights, rest of the flights you get very, very cheap in terms of belly space per kg rate.
- Sandip Bansal:** Got it okay thank you so much sir and all the best.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** On your comment that 50% of capacity is pre-loaded on the new aircraft so at 50% capacity utilization what is the opex loss that you would have on running these cargos and my second question is on the GM reduction side on your standalone operations we saw that the gross margin is reduced from 37 to 33. We usually take a price hike once a year so does it mean that if the fuel prices stay what they are when we take the next price hike is where the GM start improving or I have to look at it any other way?
- Aneel Gambhir:** What was your first question?



- Pritesh Chheda:** My first question is at 50% operating utilization of two aircraft what is the opex loss?
- Aneel Gambhir:** Generally at around 70% of the capacity utilization we break even; 70% to 75% depending on the sector how you fly right so that is the kind of gap which you have if you are talking about 50% to 55% getting covered so to the extent of around 15% to 20% of the capacity utilization would be the opex loss. Now I am not able to put value to you currently because that is not in public domain and it will be difficult for me to give information which is not the public information. Having said that on the second part so gross margins per se optically as I mentioned because of pass through fuel surcharge mechanism you may have seen drop, but the moment the fuel prices come to normal levels you will see the margin going back to the same level.
- Pritesh Chheda:** Is it to do anything with volume also or it is just to do with pricing and raw material?
- Aneel Gambhir:** Both play a role in that ultimately because we are a high piece cost model so obviously that gives a leverage when capacity utilization improves more especially of the facilities and the vehicles so volume also plays a role and at the same time pricing also plays a role.
- Pritesh Chheda:** Because you any case have a higher Q2 and Q3 normally as your business, GM expansion will be natural any case without a price increase right?
- Aneel Gambhir:** I will not comment much on that. Actually, it will be like a kind of a giving guidance but the fact remains is that unless and until fuel prices do not cool down you may see a similar situation or rather if it goes up further you may see further optically margin getting skewed towards lower side because the fuel such as component keeps increasing obviously optically it will show the lower margin.
- Pritesh Chheda:** But how about a volume increase and a flat fuel price there?
- Aneel Gambhir:** Yes flat fuel and volume increase definitely gives a number for better gross margin.
- Pritesh Chheda:** Understood. Thank you very much Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Abhishek Ghosh from DSP. Please go ahead.
- Abhishek Ghosh:** Thanks for the opportunity. Just a couple of things you mentioned the new freighters will typically cater to the new smaller cities, so today given that you have to depend on belly cargo, is your growth or presence in these smaller cities constrained so what you are talking about is 50% incremental cargo that can look even much higher if the two freighters kind of come in because you will be able to provide your own service how should one look at that?



- Aneel Gambhir:** You are absolutely right. In fact, this is one of the aim that we are seeing that beyond the seven cities when we expand the market will also expand with a better service quality and that is why we thought rather than going for one big aircraft which may cater to fewer locations we go for two smaller aircrafts covering more cities, so that we are able to offer better service quality and develop newer market and as we know that with metro getting saturated the growth will come from tier one and tier two cities and that is why we are focusing on those areas.
- Abhishek Ghosh:** Okay and just one last thing, any sense on the market share gains as far as the third-party e-commerce logistics is concerned? Do you track any matrix where is it kind of indicating that you have gained maintain market share in any sense on that?
- Aneel Gambhir:** Yes, so on air side in fact recent studies showed that we have gained market share, which currently towards the end of 2021 was roughly about 54% market share in air side, which was two years back around 49% so almost 3% market share is gained during the pandemic and maybe till 2021 end. Similarly, we had a good growth but right now study on the ground side has not been conducted. We have gained market share but how much is that gain I am not able to tell you at this point of time because the study probably is underway at this point of time.
- Abhishek Ghosh:** Okay great. Thank you so much and wish you all the best. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Poonam Joshi from Nirmal Bang. Please go ahead.
- Poonam Joshi:** Thank you for taking my question. I have two questions. The first one how are we targeting to grow revenue share from e-commerce segment say over the next two years and also could you please give some color on the biggest e-commerce players such as Amazon and Flipkart, which owns their own logistics or they have their own internal capabilities to deliver their products end to end so, how are we seeing the demand coming from such big players? My second question is related to the net debt number so what would be the net debt number as on date and any guidance from net debt to equity once we complete the acquisition of two flights? Those are my two questions.
- Aneel Gambhir:** Can you repeat the second question. It was slightly away from mike.
- Poonam Joshi:** Okay I want the net debt number as on date and any guidance for net debt to equity number once we complete the acquisitions of those two aircraft?
- Aneel Gambhir:** Net debt, I was not able to hear you properly okay. Let me first give you the second question and then come to the first one. As far as net debt is concerned, now if you look at



from banks borrowing point of view, there is no borrowing for the entire group be it Blue Dart Express or Blue Dart Aviation. We have paid off all the borrowings from bank. We do have Rs.200 Crores borrowing from a group company in Blue Dart Aviation while Blue Dart Express continues to be debt free, but Blue Dart Aviation has a Rs.200 Crores from one of the group companies, which is due towards the year end and that will also be paid off. We are confident that we will pay off that amount towards the end of the year so we should continue to remain debt free. That is what at this point of time the plan is. On the first question on the e-commerce side there is a lot more headroom is available. The reason being if you compare our country's spend on ecommerce versus the developed countries where it is about 17% to 18% of the retail being spent on the online e-commerce shipments. We are currently at about 4% so there is a very big headroom available for this expense to increase and when you say that if this much catch up has to happen that means lot more of shipment more have to move through express system and we being part of the express, we feel that since there is a lot of growth opportunities available there will be at least three to four years we could see very high growth. Now in that when you talk about Amazon and the Flipkart, they have their own in-house logistic companies which is Ekart and Amazon Transport, as and when volumes reach to a particular level they take that for in-house servicing of those locations and we believe that could continue so maybe this bigger player would have a lesser opportunity for third-party logistic players but there are many more players who are coming up, which could offer opportunity for growth and that is what currently we are seeing many omni channel players are coming, many new players are coming likes of Tata, Reliance and many others are getting into this business so the five would expand and the opportunity for us to also grow this particular offering would be much higher. That is what we currently believe.

Poonam Joshi: One follow-up question here so what percentage of volume do we carry for this big player if you help us quantify it?

Aneel Gambhir: When you say percentage volume meaning.

Poonam Joshi: Let us say the big players have their own in-house capabilities, which help them to deliver the cargo so we are not doing well over here in terms of delivering and we can expand the demand from such players, but as I said so, I just need to know what percentage of let us say if they have 100% of their products which has to be delivered, what percentage are we delivering on their behalf just wanted to know that number?

Aneel Gambhir: Okay roughly about 85% to 90% of the volume they do on their own, which is essentially in metro and tier one cities and some of the tier three cities so around 10% to 15% currently these both big players outsource to the third-party players and we get share more especially high-ticket items which generally move through air are moved through Blue Dart.



- Poonam Joshi:** Okay Sir one last question basically you have given guidance not the guidance, but you spoke about the 100 and 150 basis points EBITDA margin and PAT growth expansion we can see, so wanted your understanding and FY2023, what sort of sales turnover one can expect or you can get the sales number from the last year that would be helpful.
- Aneel Gambhir:** Poonam just to clarify I did not provide any guidance. I said long term perspective what could be a feeling right. This is not a guidance. Again I am repeating it is not a guidance point number one. Point number two having said that generally we have not been giving any guidance be it on topline growth or the bottom-line growth. It was just in the context of the question I mean it could be around that range. Having said that for FY2023 years again I will maintain that company is not in the practice of providing guidance, so I will not be able to tell you that what growth we are looking at but yes definitely I can tell you for your understanding that we should see a high-double digit kind of top line growth.
- Poonam Joshi:** Okay understood that would be helpful. Thank you.
- Moderator:** Thank you. We have the next question from the line of Ash Shah from Elara Capital. Please go ahead.
- Ash Shah:** Good evening. Thank you for the opportunity so for the ground segment particularly apart from the Rs.300 Crores to Rs.350 Crores of capex that we are planning to do, are we doing any particular capex in the ground segment for this year and if yes then what are the initiatives that we are going to take for it?
- Aneel Gambhir:** Thanks for your Ash, so ground side also we will be expanding. Obviously ground becomes complementary to air as well as also offers opportunity for us to expand our services, so we would be also investing on though generally we operate on a asset-right model, so all our facilities are on lease basis, be it vehicles or be it our warehouses or hubs, so we would continue the same way so to that extent our investment requirement on ground will be lower because all of this will be more on operating these kind of a scenario, but then there would be good amount of capacity would get added both on the network side as well as on the hub expansion side.
- Ash Shah:** Okay and one more question just last one last year you had done a drone testing for the Telangana Government and I had recently read that Swiggy is also planning for drone delivery throughout NCR and Mumbai; are we like seeing that as a next opportunity for Blue Dart Forces like we could expand more into it not right now in the near term but over the next medium like three to five years?
- Aneel Gambhir:** You are absolutely right, probably drone could be one of the avenues for deliveries in future. At this point of time, a number of people are doing experiment by using drone and



also developing commercial models based on that and also watching this space but how it gets evolved over a period of time, so like we did our pilot last year number of times and we would continue to do some more pilots so that we get continue to get insights to see how we can improve our customer experience and yes who knows that maybe in three, four, and five years' time, it could become viable commercially and one could be delivering a shipment through drone. Definitely when it comes to emergency situation drone does come handy and it has a capability to deliver shipment, but then currently from cost point of view probably it is quite cost prohibitive unless until the evolution happens from this front, it will be a little bit difficult at this point but yes going forward there could be an opportunity on this side.

Ash Shah: Okay thank you Sir.

Moderator: Thank you. We have the last question from the line of Krupashankar Nj from Spark Capital. Please go ahead.

Krupashankar Nj: Thank you for the opportunity. Just one question that what is your view on ONDC, which was launched today and looking at the growth prospects what you have talked about in the Air Express business?

Aneel Gambhir: Krupa your voice is not clear. Can you repeat.

Krupashankar Nj: What will be your view on ONDC and also what we are seeing is that are you resetting your opinion that Air Express is going to grow much faster or similar to ground express going ahead?

Aneel Gambhir: Okay you are talking about growth on the air versus ground right.

Krupashankar Nj: Yes we are adding two aircrafts so just wanted to see that are you seeing that prospects as much as of remedy growth is much faster than air express now?

Aneel Gambhir: Yes, as I have been mentioning earlier there will be growth on both the offerings be it air or ground. Yes relatively if you want to understand we expect that growth to be high on ground and maybe high single digit or close to double digit kind of growth on air, but then ground definitely would be high double digits kind of a growth as we move ahead.

Krupashankar Nj: All right Sir. Thank you. Thanks a lot Sir.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would like to hand the floor back to Ms. Ankita Shah for closing comments. Please go ahead.





*Blue Dart Express Limited
July 28, 2022*

- Ankita Shah:** Thank you. We would really like to thank the management for giving us the opportunity to host their call and wishing them all the best for the company quarter. Aneel Sir would like to add any closing comments.
- Aneel Gambhir:** Thank you all for your active participation and good questions. I really enjoyed interacting with you and maybe soon look forward to having another interaction and of course the next quarter result and thank you Elara for hosting us. Really enjoyed that.
- Moderator:** Thank you Sir. Ladies and gentlemen, on behalf of Elara Securities Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.

