BUY
TP: Rs 85 | ⮝ 59%

SPICEJET | Airlines | 15 September 2020

Deep value BUY despite steep discount to market leader

SpiceJet (SJET) ranks second in the domestic aviation industry with ~17% share. Softer yields, rupee depreciation, grounding of its newer Boeing 737 Max, and Covid-19 have weighed heavily on operating metrics and net worth. We believe easing of lockdown norms, benign crude, stable INR and reinstatement of grounded aircraft by Jan'21 will improve profitability. Despite valuing the stock at a steep discount to the industry leader (5.5x vs. 9x Sep'22E EV/EBITDAR for IndiGo), risk-reward looks attractive. Initiate with BUY, Sep'21 TP Rs 85.

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Improved market share but net-worth deficit: Following the Jet fiasco in FY20, SJET ranks second in India's aviation industry with ~17% market share (from ~13%). After staging a significant turnaround since FY16, its marginally negative net worth (–Rs 0.6bn at Mar'18) was battered by the grounding of Boeing Max aircraft and also Covid-19 in FY20. It ended the year with negative net worth of Rs 16bn. We expect profitability to improve as lockdown norms are eased, crude and currency have turned favourable, and grounded aircraft are scheduled to resume by Jan'21.

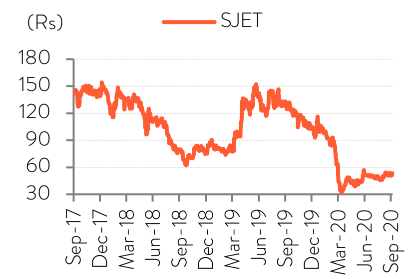
Delay in aircraft acquisition stifling growth: Apart from grounding of the existing fleet, new aircraft deliveries have also been delayed due to the technical issues at Boeing – this has not only derailed SJET's growth in annual available seat kilometres (ASK) to 40% from 80% targeted earlier, but also led to higher fuel and maintenance costs due to lower efficiency of existing aircraft. Management expects deliveries of the new 737 Max to start in Q4FY21.

Initiate with BUY: Despite aircraft utilisation being the highest amongst peers, higher lease rentals, maintenance costs and a heavy interest burden continue to impact SJET's profitability. We factor in a 13%/70% revenue/EBITDA CAGR (IndiGo: 13%/21%) over FY20-FY23, resulting in EPS of Rs 16 by FY23. BUY for a Sep'21 TP of Rs 85, based on 5.5x Sep'22E EV/EBITDAR.

Ticker/Price	SJET IN/Rs 53
Market cap	US$ 435.4mn
Shares o/s	600mn
3M ADV	US$ 3.0mn
52wk high/low	Rs 136/Rs 31
Promoter/FPI/DII	60%/1%/10%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

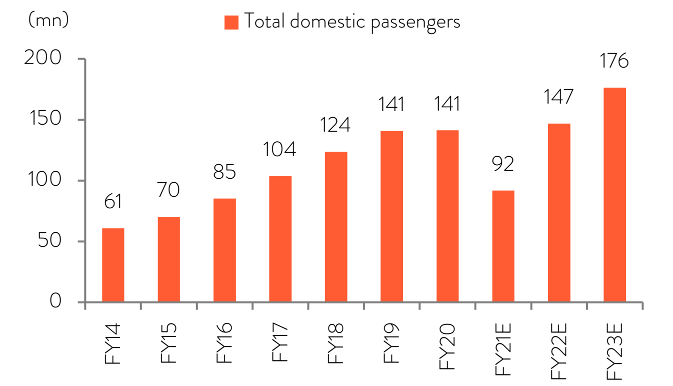
Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	91,215	123,586	98,608	148,004	180,426
EBITDA (Rs mn)	(572)	4,964	(18,733)	19,499	24,289
Adj. net profit (Rs mn)	(3,024)	(9,348)	(34,820)	3,135	9,394
Adj. EPS (Rs)	(5.0)	(15.6)	(58.0)	5.2	15.7
Adj. EPS growth (%)	NA	NA	NA	NA	199.6
Adj. ROAE (%)	86.4	59.2	68.8	(6.6)	(24.7)
Adj. P/E (x)	(10.6)	(3.4)	(0.9)	10.2	3.4
EV/EBITDA (x)	(56.1)	6.7	(2.1)	2.3	2.0

Source: Company, BOBCAPS Research

Contents

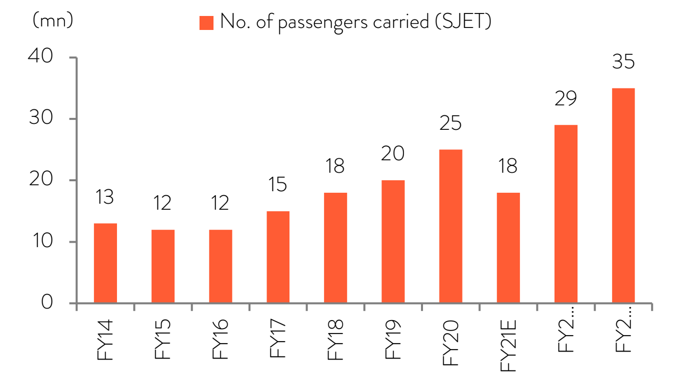
Focus charts

FIG 1 – DOMESTIC PASSENGER GROWTH EXPECTED AT 8% CAGR DURING FY20-FY23



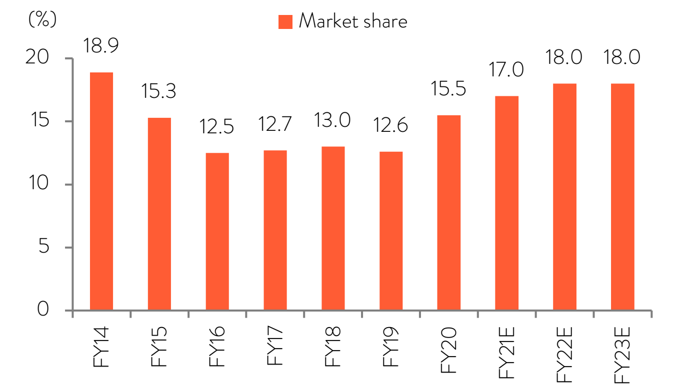
Source: DGCA, BOBCAPS Research

FIG 2 – SJET EXPECTED TO OUTPERFORM INDUSTRY GROWTH AT 13% DURING FY20-FY23



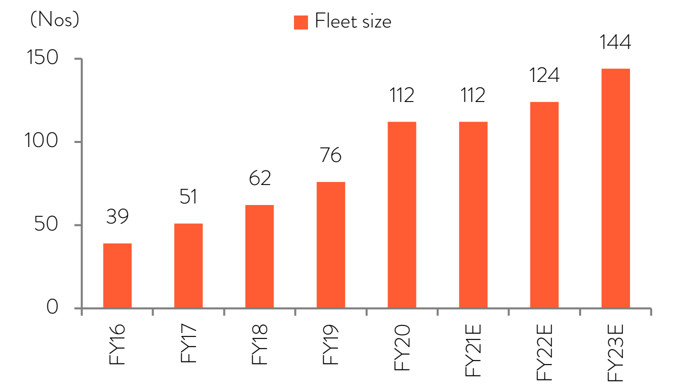
Source: DGCA, BOBCAPS Research

FIG 3 – SJET CONSISTENTLY GAINING MARKET SHARE…



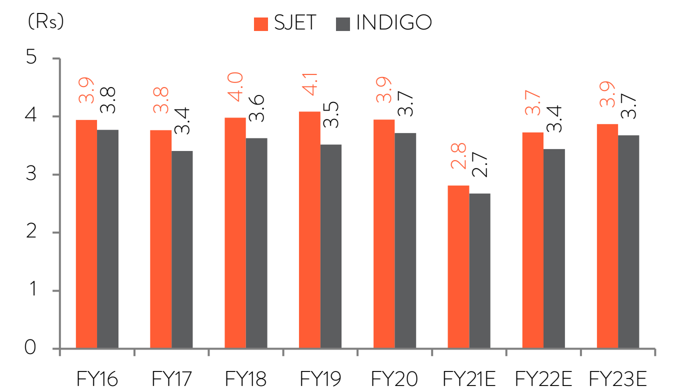
Source: DGCA, BOBCAPS Research

FIG 4 – …AND ADDING FLEET CAPACITY TO CAPTURE GROWTH



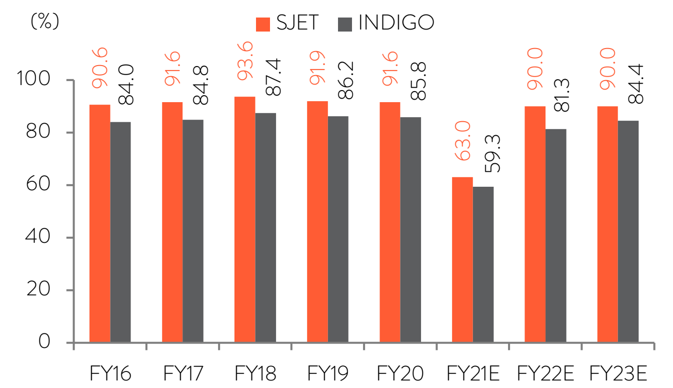
Source: Company, BOBCAPS Research | Note: Fleet size as of year end

FIG 5 – REVENUE PER AVAILABLE SEAT KM (ASK) CONSISTENTLY ABOVE INDIGO



Source: Company, BOBCAPS Research

FIG 6 – CAPACITY UTILISATION ALSO HIGHER THAN INDIGO



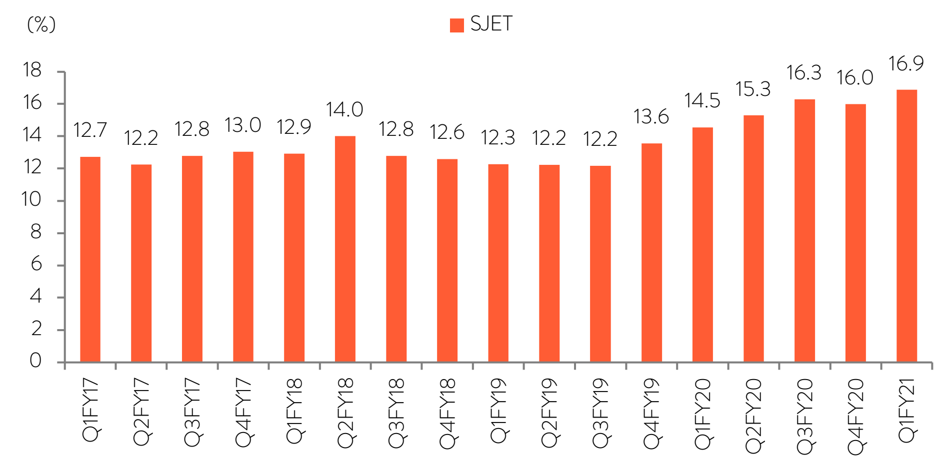
Source: Company, BOBCAPS Research

Investment rationale

Overtaken peers to emerge as No. 2 domestic airlines

Consistent capacity addition over the last four years and the recent collapse of Jet Airways have enabled SJET to step in and expand domestic market share significantly – to ~17% in Jun'20 from 13% in Jun'16 – becoming the second largest player in the domestic aviation industry. With plans for further penetration on regional routes and sustained fleet addition, we expect SJET to outperform the industry, clocking a 13% CAGR in passenger traffic vs. 8% estimated for industry over the next three years.

FIG 7 – MARKET SHARE



Source: DGCA, BOBCAPS Research

Optimising operational gains via fleet addition

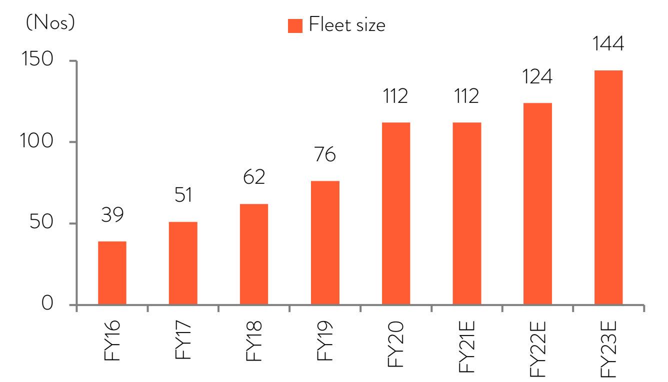
After a series of losses, SJET has successfully turned around operations over FY16-FY18 by efficiency improvement, better revenue management, fleet rationalisation, and optimal aircraft utilisation and deployment in key markets. The company has consistently outperformed market leader IndiGo on both revenue per ASK (Rs 4 vs. Rs 3.6, between FY16-FY20) and aircraft load factors (90% vs. 86%). It now plans to optimise growth potential by acquiring aircraft from Boeing, concentrating on newer, less competitive routes under the government's regional connectivity scheme (UDAN), and exploring new international routes.

Fleet to be expanded at 14% CAGR over FY20-FY23

The airline has a fleet of 67 Boeing 737, 33 Bombardier Q-400, and 12 Boeing 737 Max (currently grounded) aircraft and is the country's largest regional player under UDAN. During the pandemic, it has also emerged as India's largest air cargo operator and recently added its first wide-body AirBus A340 for carrying cargo.

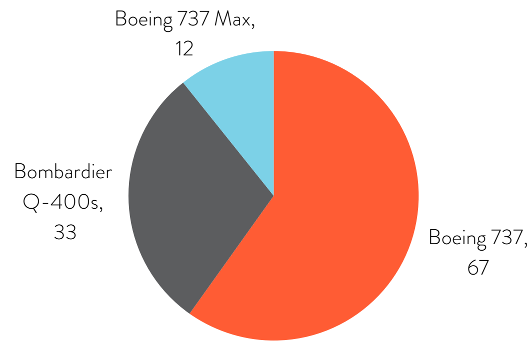
Fleet additions planned over the near term will enable SJET to keep up with demand growth. The company aims to expand to 144 aircraft by FY23-end from 112 as of FY20-end – we estimate this will fuel a 14% CAGR in ASK from ~31,300mn to ~46,600mn over FY20-FY23.

FIG 8 – FLEET SIZE



Source: Company, BOBCAPS Research

FIG 9 – FLEET MIX

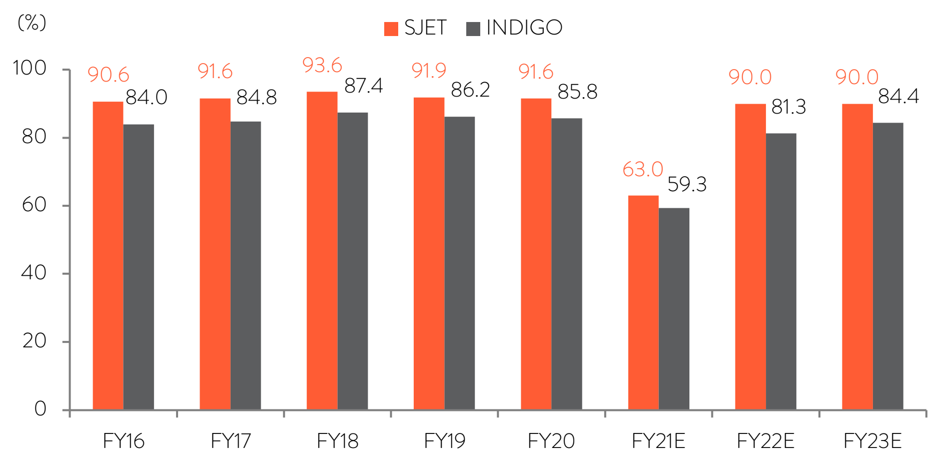


Source: Company, BOBCAPS Research

Best PLF in the industry

Since FY17, SJET has outperformed peers including IndiGo in terms of capacity utilisation (PLF). By keeping its load factor over 90% as a matter of policy, the company has achieved optimum utilisation of available resources and enhanced earnings. The smaller 78-seater Bombardier aircraft in its fleet give it an edge as these are operated on non-metro routes to achieve targeted capacity utilisation.

FIG 10 – LOAD FACTOR



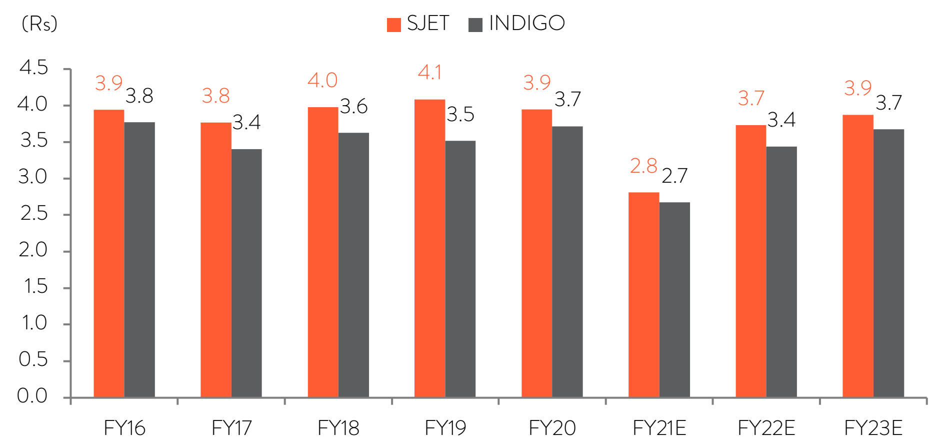
Source: Company, BOBCAPS Research

High RASK depicts calculated strategy execution and strength

Revenue per ASK (RASK) is a measure of an airline's profitability based on its earnings per seat when considering all revenue sources. Key components of such revenue include fleet addition, kilometres travelled per trip, number of trips per aircraft per day and passenger revenue per seat. A higher RASK is an indication that an airline is able to operate its fleet more profitably than other airlines.

Despite IndiGo being the leader in terms of market share, SJET has consistently managed to outperform it in terms of RASK – averaging at Rs 4.0 vs. Rs 3.6 for the leader over FY16-FY20. This clearly indicates that the company has been able to utilise its fleet more efficiently and with greater emphasis on regional routes that have lower competition and much higher RASK.

FIG 11 – REVENUE PER ASK



Source: Company, BOBCAPS Research

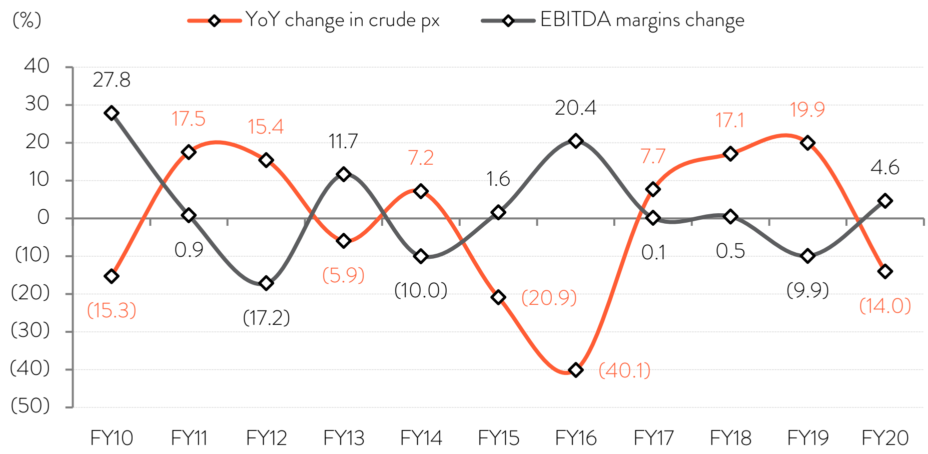
Conducive macroeconomic conditions to fuel growth

We expect SJET to benefit from benign crude prices along with a stable INR, an increased government thrust on the aviation sector and cost-benefit advantage over the railways. The vulnerability of most airline players (except IndiGo) due to massive cash burn and negative net worth makes a strong case for government rescue. We believe aviation turbine fuel (ATF) could come under GST in FY22, providing significant relief to operators.

Benign crude costs offer significant benefits

Fuel costs typically form ~40% of the total cost for domestic airlines. Due to the ongoing pandemic impact on global economies and weak demand but excessive supply situation, crude oil prices are expected to remain range bound between US$ 40 and US$ 50/barrel in the near-to-midterm. The sharp decline in crude prices from highs of US$ 61/bbl in FY20 has been enormously beneficial for aviation industry margins. For every US$ 5 change in crude, EBITDA margins move inversely by ~350bps.

FIG 12 – INVERSE RELATIONSHIP BETWEEN CRUDE PRICES AND SJET'S OPERATING MARGINS



Source: Company, BOBCAPS Research

Increased government focus on aviation

According to data released by the Department for Promotion of Industry and Internal Trade (DPIIT), FDI inflow into India's air transport sector (including air freight) reached US$ 2.75bn between Apr'00 and Mar'20. In 2020, the government allowed 100% FDI under the automatic route in scheduled air transport services, regional air transport services and domestic scheduled passenger airlines. However, FDI over 49% would require approval.

India's aviation industry is expected to witness investments totaling Rs 350bn (~US$ 5bn) in the next four years, as per the Ministry of Civil Aviation (MCA). The Indian government has already announced plans to invest US$ 1.8bn for the development of airport infrastructure along with aviation navigation services by 2026. In Feb'19, the government sanctioned the development of a new greenfield airport in Hirasar, Gujarat, at an estimated investment of Rs 14bn (US$ 194.7mn).

As per Union Budget 2019-20, the government will promote aircraft financing and leasing activities to make India's aviation market self-reliant. Since Jan'19, it has also been working on a blueprint to promote domestic manufacturing of aircraft. At the same time, the National Air Cargo Policy Outline 2019 was released, which envisages making Indian air cargo and logistics the most efficient, seamless and cost and time effective globally by the end of the next decade. This slew of supportive policy measures bodes well for India's airline industry.

Advantages over rail: competitive prices, faster travel, safer amid Covid-19

The railways has lagged the airways in terms of traffic growth in the recent past, primarily due to a gradual shift in consumer preference towards air travel in metros and tier-I cities. The prime reason for this shift has been lower crude prices, enabling competitively priced airfares vis-à-vis rail fares. Another reason for railways' decline is a lack of capacity, even as rising income levels have led to higher preference for air travel.

In addition to competitive pricing, air travel also holds an edge over railways when it comes to travelling during the current Covid-19 crisis. Airlines are able to implement stringent measures with regards to maintaining hygiene and sanitation practices, thus ensuring passenger safety. Also, limited entry-exit points of travelers (lack of various halts as in trains) keeps a check on disease transmission.

FIG 13 – RAIL FARE VS. AIRFARE COMPARISON (FOR DEC'20)

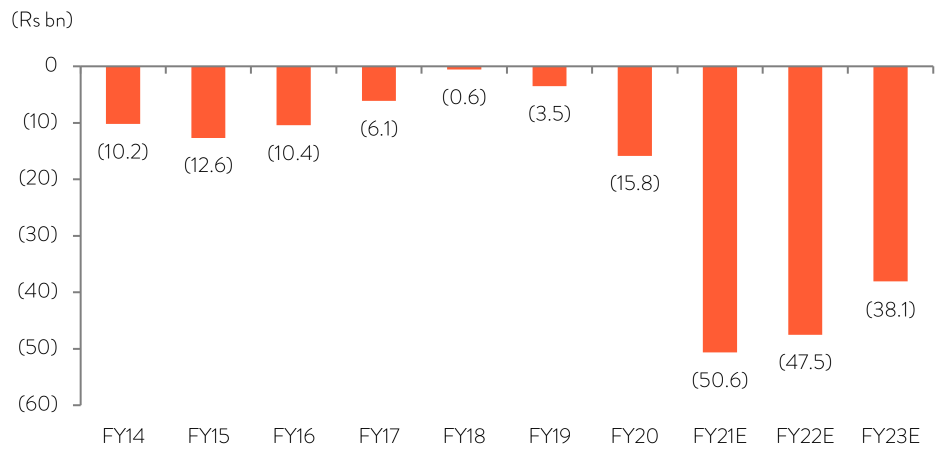
Route	Airfare (Rs)		Rail fare (Rs)				
	Duration (hrs)	Fare	Duration (hrs)	AC 2 Tier	AC 3 Tier	Rajdhani 2 Tier	Rajdhani 3 Tier
Delhi-Mumbai	2.15	2,941	15.40	2,645	1,855	2,790	2,255
Delhi-Bengaluru	2.50	3,279	33.00	3,655	2,535	5,759	3,822
Bengaluru-Mumbai	1.35	2,505	23.45	2,050	1,425	-	-
Delhi-Kolkata	2.20	2,945	17.35	2,700	1,900	4,153	2,778
Mumbai-Goa	1.20	2,200	9.30	1,715	1,225	-	-
Ahmedabad-Mumbai	1.15	2,025	7.40	1,155	825	-	-
Delhi-Hyderabad	2.30	3,000	26.10	2,645	1,840	4,650	3,121
Mumbai-Chennai	2.15	2,359	23.00	2,175	1,505	-	-

Source: BOBCAPS Research, Company, Makemytrip.com

Negative net worth – a grave concern

Following a significant turnaround since FY16, SJET's marginally negative net worth (–Rs 0.6bn as at Mar'18) was severely hit by softer yields, rupee depreciation, grounding of Boeing Max aircraft and Covid-19 in FY20. The company ended the year with negative net worth of Rs 16bn. We believe easing of lockdown norms, benign crude prices, a stable INR and scheduled reinstatement of its grounded aircraft by Jan'21 will improve profitability.

FIG 14 – NEGATIVE NET WORTH



Source: Company, BOBCAPS Research

Grounding of aircraft, acquisition delays impeding growth

Following the worldwide grounding of Boeing 737 Max aircraft in Mar'19 for technical reasons, SJET's fleet of 12 of these airplanes continues to be grounded while delivery of new units has been stalled. Despite its inability to undertake revenue operations, the company continues to incur various costs with respect to the idle aircraft.

SJET has initiated a process of claims on the aircraft manufacturer towards costs and losses. Considering the interim compensation offer received from Boeing, SJET's own assessment and legal advice obtained by the company, management is confident of receiving this income. The auditors have qualified their report on the financial results in this regard.

Apart from grounding of the existing fleet, the delay in new aircraft deliveries has not only halved SJET's annual ASK growth rate (to 40% in FY20 from 80% targeted), but also led to higher fuel and maintenance costs. Management expects deliveries of the new 737 Max to start in the fourth quarter of this fiscal alongside reinstatement of the current fleet.

Fading concerns about equity dilution

In Sep'14, the Board had approved 189mn warrants to the outgoing promoters (then owners the Marans), with the option to apply for an equal number of equity shares of face value Rs 10 at a premium of Rs 6.30. The outgoing promoters paid Rs 3.1bn against the warrants due, which was recorded as 'Advance Money Received Against Securities Account'. Advance money also included Rs 2.7bn received for non-convertible cumulative redeemable preferential shares (CRPS) issued for a period of eight years.

In Mar'16, the Marans filed a case in the High Court for the issue of these warrants to them. They claimed these warrants were due under the Jan'15 sale-purchase agreement which led to the change in SJET ownership.

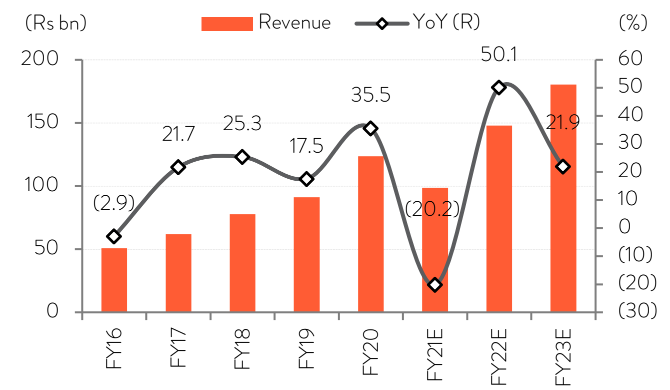
The parties to the aforementioned litigation concurrently initiated arbitration proceedings before a three-member arbitral tribunal which pronounced its award in Jul'18. In terms of the award, SJET was required to (a) refund an amount of ~Rs 3.1bn to the counterparty, (b) explore the possibility of allotting preference shares in respect of Rs 2.7bn, failing which it must refund such amount to the counterparty, and (c) pay interest to the tune of Rs 925mn. The amounts referred to under (a) and (b) above, aggregating Rs 5.8mn continue to be carried as current liabilities.

Financial review

Expect 13% revenue CAGR

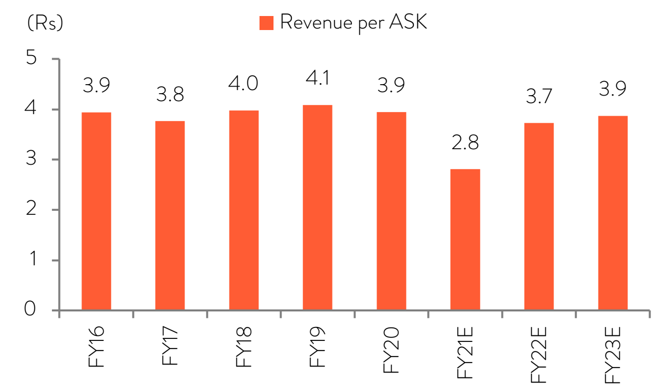
We expect SJET to outperform industry volumes, posting 13% growth in passenger traffic over FY20-FY23 vs. an 8% CAGR for industry, as peers continue to struggle. Average revenue per ASK (RASK) is projected to revive from an estimated Rs 2.8 in FY21 to Rs 3.9 by FY23 (flattish over our forecast period). This should support a 13% revenue CAGR for the company through to FY23.

FIG 15 – REVENUE TO GROW AT 13% CAGR



Source: Company, BOBCAPS Research

FIG 16 – REVENUE PER ASK TO IMPROVE FROM FY22E



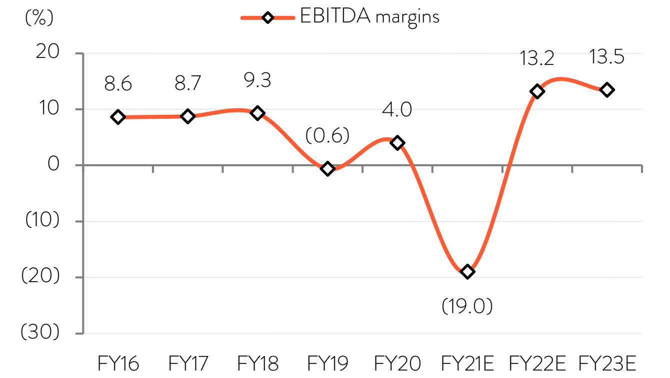
Source: Company, BOBCAPS Research

Operating efficiencies to kick in

We expect improved operating efficiencies on the back of stronger passenger volumes, given anticipated demand buoyancy and market share gains. Benign crude costs will also aid margins. We forecast a 70% EBITDA CAGR over FY20-FY23, backed by a tripling of EBITDA margins from 4% to ~13%.

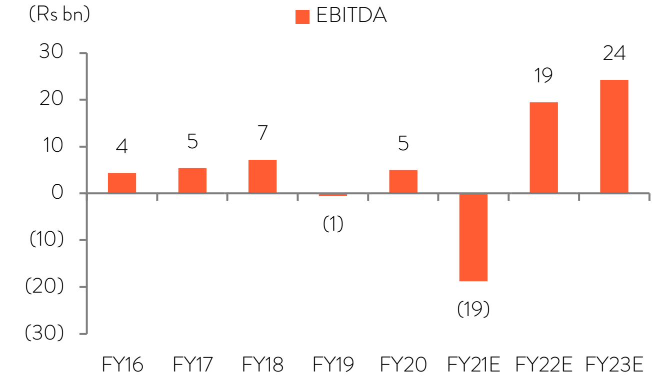
While a combination of high lease rentals, maintenance costs on grounded aircraft and a heavy interest burden is expected to induce a net loss of Rs 35bn in FY21 (Rs 9bn loss in FY20), we expect the company to return to profits in FY22 and thereafter post PAT of Rs 9.4bn in FY23 – this translates to EPS of Rs 15.7.

FIG 17 – EBITDA MARGINS TO EXPAND



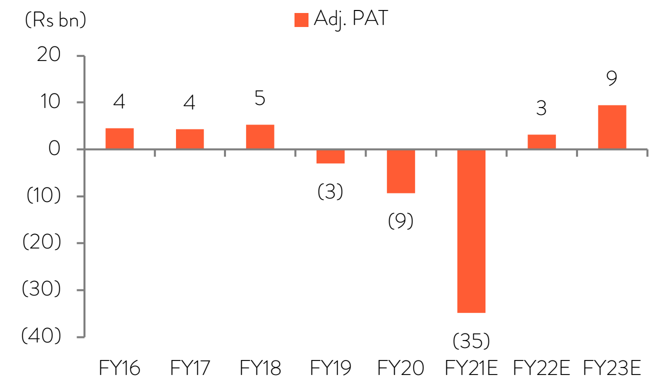
Source: Company, BOBCAPS Research

FIG 18 – EBITDA TO IMPROVE SIGNIFICANTLY



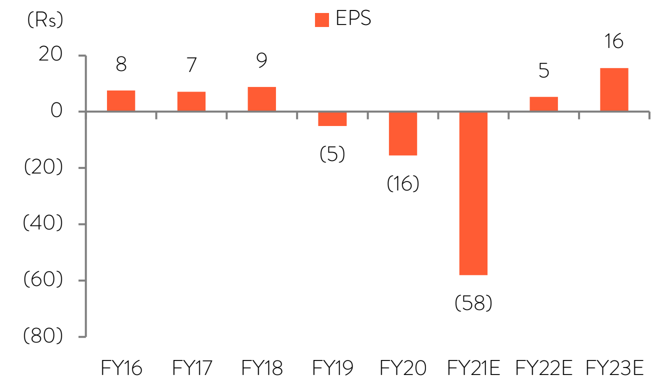
Source: Company, BOBCAPS Research

FIG 19 – ADJ. PAT TO RECOVER AFTER FY21E LOSS...



Source: Company, BOBCAPS Research

FIG 20 – ...LEADING TO FY23E ADJ. EPS OF RS 16



Source: Company, BOBCAPS Research

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Quarterly performance

FIG 21 – QUARTERLY PERFORMANCE

(Rs mn)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Standalone - fleet size (nos)	**58**	**65**	**74**	**75**	**107**	**113**	**119**	**114**
Capacity (ASKM)	**5,208**	**5,120**	**5,758**	**6,231**	**6,822**	**7,731**	**9,155**	**7,616**
YoY (%)	13.7	6.3	16.4	21.2	31.0	51.0	59.0	22.2
Passenger (mn)	4.8	4.7	5.0	5.4	5.7	6.1	7.0	5.9
YoY (%)	15	5	8	12	20	29	41	10
Load Factor (%)	95.4	92.0	89.0	89.0	93.8	92.6	91.9	90.0
Average Realisation (RASK)	**4.29**	**3.67**	**4.32**	**4.06**	**4.40**	**3.68**	**3.98**	**3.76**
YoY (%)	5.2	(2.5)	2.6	2.9	2.5	0.2	(7.8)	(7.4)
Operating Revenues	22,358	18,809	24,868	25,312	30,021	28,453	36,471	28,642
YoY (%)	19.6	3.7	19.4	24.7	34.3	51.3	46.7	13.2
Expenditure								
Aircraft fuel	8,124	8,451	9,683	8,194	10,284	11,621	13,407	10,850
YoY (%)	52.0	55.8	53.5	13.0	26.6	37.5	38.5	32.4
Aircraft lease rentals	2,797	2,777	3,432	4,005	646	633	1,025	1,327
YoY (%)	21.1	14.9	28.9	34.4	(76.9)	(77.2)	(70.1)	(66.9)
Aircraft Maintenance	3,428	3,583	3,850	4,182	4,556	5,184	6,276	5,702
YoY (%)	14.1	17.3	30.5	45.7	32.9	44.7	(73.4)	(68.3)
Staff cost	2,478	2,526	2,706	2,860	3,536	3,962	4,025	3,734
YoY (%)	26.1	18.2	19.5	26.5	42.7	56.8	48.8	30.6
Other expenditure / forex	2,267	2,224	1,382	2,002	1,387	4,115	3,094	6,969
YoY (%)	43.9	60.0	1.7	6.4	(38.8)	85.1	123.9	248.1
Other operating expense	657	674	786	902	991	1,192	1,316	1,346
YoY (%)	7.0	10.5	32.5	58.8	50.9	76.9	67.4	49.3
Airport charges	1,769	1,790	1,898	2,063	2,425	2,924	3,264	2,834
YoY (%)	10.6	15.1	14.1	15.4	37.0	63.4	71.9	37.4
Total expenses	**21,521**	**22,024**	**23,736**	**24,208**	**23,825**	**29,630**	**32,407**	**32,761**
EBITDA	**838**	**(3,215)**	**1,132**	**1,104**	**6,196**	**(1,177)**	**4,064**	**(4,119)**
YoY (%)	(63.3)	NA	(62.5)	58.7	639.8	NA	NA	NA
OPM (%)	**3.7**	**(17.1)**	**4.6**	**4.4**	**20.6**	**(4.1)**	**11.1**	**(14.4)**
EBITDAR	**3,634**	**(438)**	**4,563**	**5,109**	**6,842**	**(545)**	**5,089**	**(2,792)**
YoY (%)	(20.9)	NA	(19.7)	39.0	88.3	NA	11.5	NA)
EBITDAR Margin (%)	16.3	(2.3)	18.3	20.2	22.8	(1.9)	14.0	(9.7)
Other income	350	294	440	406	1,432	2,282	2,702	2,061
Interest	302	325	407	279	1,238	1,368	1,387	1,456
Depreciation	631	648	614	669	3,773	4,363	4,647	4,557
Exceptional items	(635)	-	-	-	-	-	-	-
Profit before tax	(381)	(3,894)	551	562	2,617	(4,626)	732	(8,071)
Provision for taxation	-	-	-	-	-	-	-	-
Adj. PAT	**254**	**(3,894)**	**551**	**562**	**2,617**	**(4,626)**	**732**	**(8,071)**
YoY (%)	(85.5)	NA	(77.1)	21.9	929.8	NA	33.0	NA

Source: Company, BOBCAPS Research

Valuation methodology

Despite aircraft utilisation being the highest amongst peers, expensive lease rentals, heavy maintenance costs and a large interest burden continue to impact SJET's profitability. We model for a revenue and EBITDA CAGR of 13% and 70% respectively for the company over FY20-FY23 (IndiGo: 13% and 21%), resulting in EPS of Rs 16 by FY23. Although we have valued the stock at a steep discount to the industry leader (5.5x vs. 9x Sep'22E EV/EBITDAR for IndiGo), risk-reward still looks attractive. Initiate with BUY and a Sep'21 target price of Rs 85, offering 59% upside.

Sensitivity analysis (FY22)

We examine the sensitivity of key operational metrics with respect to changes in fuel prices and USDINR rates. We find that with every US$ 1/bbl increase in crude price, fuel expense as a percentage of sales rises by ~70bps while EPS is inversely impacted by ~Rs 1.7. Also, with every Re 1 change in USDINR rate, EBITDA margins move inversely by ~70bps.

FIG 22 – FUEL AS A PERCENTAGE OF SALES (%)

Crude (US$/bbl) \ USDINR (Rs)	71.0	73.0	75.0	77.0	79.0
35.0	22.7	23.5	24.4	25.2	26.0
40.0	26.2	27.0	27.8	28.7	29.5
45.0	29.7	30.5	**31.3**	32.2	33.0
50.0	33.1	34.0	34.8	35.6	36.5
55.0	36.6	37.4	38.3	39.1	40.0

Source: Company, BOBCAPS Research

FIG 23 – EBITDA MARGINS (%)

Crude (US$/bbl) \ USDINR (Rs)	71.0	73.0	75.0	77.0	79.0
35.0	22.9	21.5	20.1	18.7	17.3
40.0	19.5	18.1	16.7	15.3	13.9
45.0	16.0	14.6	**13.2**	11.8	10.4
50.0	12.5	11.1	9.7	8.3	6.9
55.0	9.0	7.6	6.2	4.8	3.4

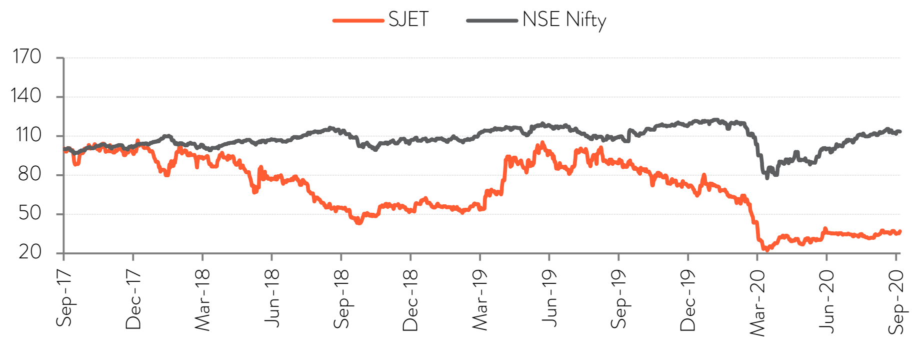
Source: Company, BOBCAPS Research

FIG 24 – EPS (RS)

Crude (US$/bbl) \ USDINR (Rs)	71.0	73.0	75.0	77.0	79.0
35.0	29.3	25.8	22.4	18.9	15.5
40.0	20.7	17.3	13.8	10.4	6.9
45.0	12.1	8.7	**5.2**	1.8	(1.7)
50.0	3.5	0.1	(3.4)	(6.8)	(10.3)
55.0	(5.0)	(8.5)	(11.9)	(15.4)	(18.8)

Source: Company, BOBCAPS Research

FIG 25 – RELATIVE STOCK PERFORMANCE



Source: NSE

Key risks

- Net worth likely to remain negative despite significant profits expected in FY22 and FY23
- Sudden jump in crude prices and rupee depreciation
- Slower-than-expected passenger traffic growth

Annexure A: Company profile

SpiceJet (SJET) is a low-cost Indian airline headquartered in Gurgaon, Haryana. It is the second largest airline in the country by number of domestic passengers carried, with market share of ~17% as of Jun'20. The company operates ~630 daily flights to 64 destinations, including 52 Indian and 12 international destinations, from its hubs at Delhi and Hyderabad.

Established as air taxi provider ModiLuft in 1994, the company was acquired by Indian entrepreneur Ajay Singh in 2004 and rechristened as SpiceJet. The airline operated its first flight in May'05. Indian media baron Kalanithi Maran acquired a controlling stake in SJET in Jun'10 through Sun Group which was sold back to Ajay Singh in Jan'15.

FIG 1 – A BIRD'S EYE VIEW ON CORPORATE GOVERNANCE

Name	Designation	Total Remuneration (Rs mn)	No. of board meetings attended	Attended last AGM	Committees (Y/N)/ No of meetings attended			
					1- Audit	2- Nomination & remuneration	3- Stakeholders relationship	4- CSR
Mr Ajay Singh	Chairman & MD	72.0	5	Y		Y/0	Y/1	Y/1
Mrs Shiwani Singh	Non-Independent	0.4	4	Y	Y/3	Y/0	Y/1	Y/1
Mr Anuraj Bhargawa	Independent	0.5	5	NA	Y/4			
Mr Harsha Vardhana Singh	Independent	0.5	5	Y	Y/4	Y/0	Y/1	Y/1
Mr Ajay Chhotelal Aggarwal	Independent	NA	NA	N		Y/0		
Mr Manoj Kumar	Independent	1.1	NA	NA				

Source: Company, BOBCAPS Research

FIG 2 – AUDITORS, BANKERS, CREDIT RATING AND CSR DETAILS

Auditors	S.R. Batliboi	
Credit Rating		
Details of debt	Rating	Rating agency
Banking facilities	BB-	CRISIL
CSR – For FY19		
Prescribed CSR (Rs mn)	96.5	
CSR expensed (Rs mn)	4.6	

Source: Company, BOBCAPS Research

FINANCIALS

Income Statement

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue	**91,215**	**123,586**	**98,608**	**148,004**	**180,426**
EBITDA	(572)	4,964	(18,733)	19,499	24,289
Depreciation	2,564	17,339	14,157	14,407	14,782
EBIT	(1,687)	(3,898)	(27,343)	11,592	17,007
Net interest income/(expenses)	(1,336)	(5,450)	(7,477)	(8,457)	(7,613)
Other income/(expenses)	1,448	8,478	5,547	6,500	7,500
Exceptional items	602	0	0	0	0
EBT	(2,422)	(9,348)	(34,820)	3,135	9,394
Income taxes	0	0	0	0	0
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
Reported net profit	**(2,422)**	**(9,348)**	**(34,820)**	**3,135**	**9,394**
Adjustments	(602)	0	0	0	0
Adjusted net profit	**(3,024)**	**(9,348)**	**(34,820)**	**3,135**	**9,394**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Accounts payables	10,482	17,371	16,113	14,952	16,103
Other current liabilities	17,395	44,365	44,367	40,599	38,961
Provisions	2,787	4,762	4,762	4,762	4,762
Debt funds	11,098	4,593	16,593	7,093	2,500
Other liabilities	9,666	74,369	91,369	96,369	84,369
Equity capital	5,997	6,001	6,001	6,001	6,001
Reserves & surplus	(9,497)	(21,793)	(56,613)	(53,478)	(44,085)
Shareholders' fund	(3,500)	(15,793)	(50,613)	(47,478)	(38,084)
Total liabilities and equities	**47,928**	**129,668**	**122,592**	**116,298**	**108,611**
Cash and cash eq.	797	402	191	393	228
Accounts receivables	1,353	2,917	1,142	1,537	1,881
Inventories	1,413	1,776	1,142	1,787	2,187
Other current assets	10,128	17,500	26,200	29,073	30,088
Investments	4	5	5	1,005	3,505
Net fixed assets	16,257	86,809	73,652	62,245	50,463
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	17,975	20,259	20,259	20,259	20,259
Total assets	**47,928**	**129,668**	**122,592**	**116,298**	**108,611**

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Net income + Depreciation	(461)	7,992	(20,663)	17,542	24,176
Interest expenses	(1,336)	(5,450)	(7,477)	(8,457)	(7,613)
Non-cash adjustments	(1,448)	(8,478)	(5,547)	(6,500)	(7,500)
Changes in working capital	3,461	88,955	9,452	(3,841)	(14,247)
Other operating cash flows	(617)	(2,886)	0	0	0
Cash flow from operations	**(400)**	**80,133**	**(24,235)**	**(1,256)**	**(5,185)**
Capital expenditures	(2,837)	(87,892)	(1,000)	(3,000)	(3,000)
Change in investments	1,009	(1)	0	(1,000)	(2,500)
Other investing cash flows	1,448	8,478	5,547	6,500	7,500
Cash flow from investing	**(380)**	**(79,415)**	**4,547**	**2,500**	**2,000**
Equities issued/Others	39	4	0	0	0
Debt raised/repaid	(1,929)	(6,505)	12,000	(9,500)	(4,593)
Interest expenses	(1,336)	(5,450)	(7,477)	(8,457)	(7,613)
Dividends paid	0	0	0	0	0
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(3,227)**	**(11,951)**	**4,523**	**(17,957)**	**(12,206)**
Changes in cash and cash eq.	**(4,008)**	**(11,233)**	**(15,164)**	**(16,713)**	**(15,391)**
Closing cash and cash eq.	**797**	**402**	**191**	**393**	**228**

Per Share

Y/E 31 Mar (Rs)	FY19A	FY20A	FY21E	FY22E	FY23E
Reported EPS	(5.0)	(15.6)	(58.0)	5.2	15.7
Adjusted EPS	(5.0)	(15.6)	(58.0)	5.2	15.7
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	(5.8)	(26.3)	(84.3)	(79.1)	(63.5)

Valuations Ratios

Y/E 31 Mar (x)	FY19A	FY20A	FY21E	FY22E	FY23E
EV/Sales	0.4	0.3	0.4	0.3	0.3
EV/EBITDA	(56.1)	6.7	(2.1)	2.3	2.0
Adjusted P/E	(10.6)	(3.4)	(0.9)	10.2	3.4
P/BV	(9.1)	(2.0)	(0.6)	(0.7)	(0.8)

DuPont Analysis

Y/E 31 Mar (%)	FY19A	FY20A	FY21E	FY22E	FY23E
Tax burden (Net profit/PBT)	124.9	100.0	100.0	100.0	100.0
Interest burden (PBT/EBIT)	143.5	239.8	127.3	27.0	55.2
EBIT margin (EBIT/Revenue)	(1.9)	(3.2)	(27.7)	7.8	9.4
Asset turnover (Revenue/Avg TA)	552.9	307.3	163.6	261.2	344.4
Leverage (Avg TA/Avg Equity)	(8.1)	(4.2)	(1.8)	(1.2)	(1.2)
Adjusted ROAE	149.0	96.9	104.9	(6.4)	(22.0)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Ratio Analysis

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
YoY growth (%)					
Revenue	17.5	35.5	(20.2)	50.1	21.9
EBITDA	NA	NA	NA	NA	24.6
Adjusted EPS	NA	NA	NA	NA	199.6
Profitability & Return ratios (%)					
EBITDA margin	(0.6)	4.0	(19.0)	13.2	13.5
EBIT margin	(1.9)	(3.2)	(27.7)	7.8	9.4
Adjusted profit margin	(3.3)	(7.6)	(35.3)	2.1	5.2
Adjusted ROAE	86.4	59.2	68.8	(6.6)	(24.7)
ROCE	(10.2)	(9.7)	(45.4)	20.5	32.5
Working capital days (days)					
Receivables	4	6	8	3	3
Inventory	6	5	5	4	4
Payables	91	110	149	122	94
Ratios (x)					
Gross asset turnover	0.3	0.9	1.2	0.8	0.7
Current ratio	0.4	0.3	0.4	0.5	0.6
Net interest coverage ratio	1.3	0.7	3.7	(1.4)	(2.2)
Adjusted debt/equity	(3.2)	(0.3)	(0.3)	(0.1)	(0.1)

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

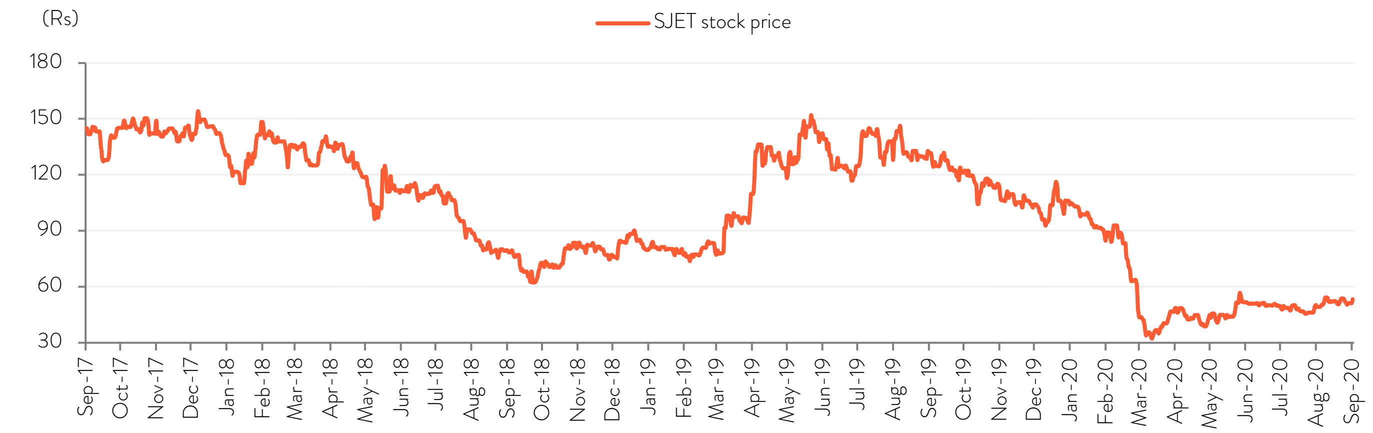
ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

RATINGS AND TARGET PRICE (3-YEAR HISTORY): SPICEJET (SJET IN)



B – Buy, A – Add, R – Reduce, S – Sell

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