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Q1FY22 result review  
and earnings revision

## Aviation

Target price: Rs71

### Earnings revision

(%)	FY22E	FY23E
Revenue	↑ 0.7	↑ 2.8
PAT	NM	↓ 18.8

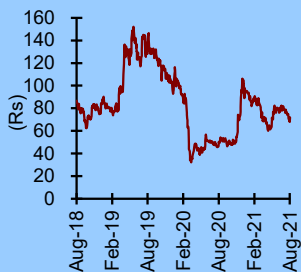
### Target price revision

Rs71 from Rs85

### Shareholding pattern

	Dec '20	Mar '21	Jun '21
Promoters	59.9	59.8	59.5
Institutional investors	8.6	5.8	3.3
MFs and others	6.3	3.6	2.1
FIs/Banks	0.0	0.0	0.0
FII	2.3	2.2	1.2
Others	31.5	34.4	37.2

### Price chart



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INDIA



## SpiceJet

**HOLD**  
Maintained

Recapitalisation remains key; 'logistics platform' to monetization

**Rs72**

SpiceJet (SJ) continues to maintain momentum in the cargo business with Q1FY22 net profit of Rs300mn for the 'logistics platform' (this semantic is being used by the company for the first time). Recapitalisation remains the key trigger for the business. As per a press release by the company, it is in the process of hiving off the logistics platform, SpiceXpress, which is aimed to unlock significant value for SJ and its shareholders. This will also allow SpiceXpress to raise capital to fuel its rapid growth. The expected compensation from Boeing continues to be added every quarter at a run-rate of Rs1.4bn; however, with more delay, the chances of realisation of the cumulative amount (approximately Rs14bn till date and it changes with forex fluctuation) becomes doubtful. Maintain HOLD with a revised target price of Rs71 (earlier: Rs85) based on 15x FY23E earnings of Rs6.3 adjusted for 25% tax rate since it does not pay any tax, which translates to a multiple of 11.25x).

Expectations of a new airline coming up in India ([Link](#)), continued impact of covid in international sectors ([Link](#)), and rising fuel prices (average domestic aviation prices are up ~49% in CY21) remain overhangs in the near term. SJ had a negative net worth of Rs33bn as at Q1FY22 (Rs26bn in Mar'21). If compensation from Boeing is unrealised, this will be lower.

- **SpiceXpress (SpiceJet's logistics platform)** reported a net profit of Rs300mn and revenues of Rs4.7bn in Q1FY22. SJ's cargo revenues were Rs11.175bn in FY21 and Rs4.17bn in Q4FY21. Cargo net profit was Rs1.3bn for FY21 against loss of Rs1.34bn in FY20. Company was operating a fleet of 20 cargo planes including 8 wide-bodied as per FY21 disclosure (no further update). Two consecutive quarters with more than Rs4bn revenues is a noteworthy achievement.
- **Lease rentals in operating cost for Q4FY21/Q1FY22 have averaged Rs1.45bn vs average of Rs450mn in Q1/Q2/Q3FY21.** The jump could be due to wet lease arrangements.
- **There was overall reduction in liabilities in FY21 over FY20, which was surprising (refer Table 5 below).** During Q1FY22, SJ was able to raise Rs1.27bn from banks under Emergency Credit Line Guarantee Scheme (ECLGS).
- **Expected compensation from Boeing: SJ has factored-in Rs6.7bn/Rs5.6bn as expected compensation from Boeing related to Max groundings in FY20/FY21 in other income.** The auditors have qualified their audit report in this regard. Q1FY22 amount was also Rs1.4bn. Further, SJ has recognised the related foreign exchange gain on restatement of these balances of Rs195mn for Q1FY22.

Market Cap	Rs43.2bn/US\$581mn	Year to March	FY20	FY21	FY22E	FY23E
Reuters/Bloomberg	SPJT.BO/SJET IN	Revenue (Rs mn)	1,23,746	51,714	74,161	1,40,366
Shares Outstanding (mn)	559.7	Adj. Net Income (Rs mn)	(2,071)	(12,536)	(9,223)	3,796
52-week Range (Rs)	106/46	EPS (Rs)	(3.5)	(20.9)	(15.4)	6.3
Free Float (%)	40.2	% Chg YoY	NM	NM	NM	NM
FII (%)	1.2	P/E (x)	NM	NM	NM	11.4
Daily Volume (US\$/'000)	5,518	CEPS (Rs)	25.5	5.1	8.3	34.8
Absolute Return 3m (%)	0.3	EV/E (x)	5.7	NM	17.3	2.8
Absolute Return 12m (%)	43.1	Dividend Yield (%)	-	-	-	-
Sensex Return 3m (%)	14.6	RoCE (%)	3.5	(8.1)	(3.9)	11.3
Sensex Return 12m (%)	46.2	RoE (%)	NM	NM	NM	NM

Please refer to important disclosures at the end of this report

**Table 1: Quarterly expected walk of SpiceJet***(Rs mn)*

	Q1FY22	Q2FY22E	Q3FY22E	Q4FY22E	FY22E
Net Sales from operations	10,832	19,375	19,922	23,600	
Other operating income	418	-	418	-	
<b>Total Income from operations</b>	<b>11,250</b>	<b>19,375</b>	<b>20,340</b>	<b>23,600</b>	<b>74,161</b>
Fuel	4,851	6,385	6,314	7,425	24,975
Lease rentals	1,586	1,600	1,600	1,600	6,386
Airport Charges	1,426	2,000	2,000	2,000	8,300
Maintenance	2,063	3,500	3,500	3,500	13,906
Redelivery		200			200
Other operating expense	1,280	1,400	1,400	1,400	3,949
Employee	1,715	1,800	1,800	2,000	7,200
Other expense	1,242	1,650	1,650	1,650	5,191
Foreign exchange	1,237	(1,237)	-	-	-
<b>Total operating expense</b>	<b>15,399</b>	<b>17,298</b>	<b>18,264</b>	<b>19,575</b>	<b>70,107</b>
<b>EBITDA</b>	<b>(4,149)</b>	<b>2,077</b>	<b>2,076</b>	<b>4,025</b>	<b>4,054</b>
(Margin%)	(36.9)	10.7	10.2	17.1	5.5
<b>EBITDAR</b>	<b>(2,563)</b>	<b>3,677</b>	<b>3,676</b>	<b>5,625</b>	<b>10,440</b>
(Margin%)	(22.8)	19.0	18.1	23.8	14.1
EBIT					
Depreciation	3,488	3,500	3,500	3,500	14,203
Other Income	1,700	1,700	1,700	1,700	6,800
Finance Costs	1,374	1,500	1,500	1,500	5,874
Extraordinary					-
<b>PBT</b>	<b>(7,311)</b>	<b>(1,223)</b>	<b>(1,225)</b>	<b>725</b>	<b>(9,223)</b>
Tax		-	-	-	
<b>PAT</b>	<b>(7,311)</b>	<b>(1,223)</b>	<b>(1,225)</b>	<b>725</b>	<b>(9,223)</b>

Source: Company data, I-Sec research

## Annual expected walk of SpiceJet

Table 2: Annual expected walk of SpiceJet

Assumptions	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
US\$	68.0	64.4	72.0	72.0	75.0	75.0	75.0
Brent	47.5	60.5	71.0	64.0	50.0	60.0	60.0
Fare Growth	-8.6%	5.2%	5.0%	10.5%	-1.3%	4.4%	1.1%
Average Ticket (Rs)	3,656	3,846	4,040	4,462	4,404	4,600	4,650
Scheduled Passengers (mn)	14.9	18.1	19.9	24.8	8.0	10.6	25.5
RPK(mn)	15,056	18,254	20,504	28,618	9,131	11,815	30,041
ASK(mn)	16,438	19,510	22,317	31,622	11,892	15,753	31,622
PLF(%)	91.6	93.6	91.9	90.5	76.8	75.0	95.0
Ancillary Revenue (Rs mn)	7,380	8,021	10,843	13,088	19,627	25,611	21,586
Total Revenue(Rs mn)	61,914	77,601	91,215	1,23,746	54,715	74,161	1,40,366
EBITDA (Rs mn)	5,405	7,516	786	12,433	(377)	4,054	25,542
Recurring PAT (Rs mn) (w/o forex impact)	3,887	5,572	(1,643)	(2,071)	(12,536)	(9,223)	3,796
Reported PAT (Rs mn)	3,887	5,572	(3,024)	(9,367)	(10,299)	(9,223)	3,796
Pax growth(%)	25.2%	21.3%	10.0%	24.7%	-67.9%	32.5%	142.0%
ASK Growth(%)	27.3%	18.7%	14.4%	41.7%	-62.4%	32.5%	100.7%
Ancillary as % of total revenue	11.9%	10.3%	11.9%	10.6%	35.9%	34.5%	15.4%
ASK/Pax	1,102	1,078	1,122	1,275	1,493	1,493	1,238
EPS	6	9	(3)	(3)	(21)	(15)	6
Fuel / ASK	1.13	1.25	1.54	1.46	1.29	1.59	1.59
RASK	3.77	3.98	4.09	3.91	4.60	4.71	4.44
CASK	3.60	3.76	4.23	4.24	6.20	5.72	4.38
CASK ex fuel	2.47	2.51	2.68	2.78	4.91	4.14	2.79
RASK-CASK	0.17	0.22	(0.14)	(0.33)	(1.60)	(1.02)	0.06
Net Debt including trade payables	15,558	20,762	23,095	28,314	28,027	27,110	28,499

Source: I-Sec research

Table 3: Q1FY22 result review

(Rs mn)	Q1FY22	Q1FY21	Y-Y (%)	Q4FY21	Q-Q (%)
Net Sales from operations	10,832	4,896		18,298	
Other operating income	418	314		584	
<b>Total Income from operations</b>	<b>11,250</b>	<b>5,210</b>	<b>115.9</b>	<b>18,882</b>	<b>(40.4)</b>
Fuel	4,851	892	443.8	7,073	(31.4)
Lease rentals	1,586	260	510.7	1,315	20.6
Airport Charges	1,426	732	94.8	2,330	(38.8)
Maintenance	2,063	1,664	24.0	3,760	(45.1)
Redelivery	-	-		-	
Other operating expense	1,280	815	57.1	1,390	(7.9)
Employee	1,715	1,726	(0.6)	2,189	(21.7)
Other expense	1,242	810	53.3	1,836	(32.3)
Foreign exchange	1,237	286		(239)	
<b>Total operating expense</b>	<b>15,399</b>	<b>7,184</b>	<b>114.3</b>	<b>19,654</b>	<b>(21.7)</b>
<b>EBITDA</b>	<b>(4,149)</b>	<b>(1,974)</b>	<b>110.2</b>	<b>(772)</b>	
(Margin%)	(36.9)	(37.9)		(4.1)	
<b>EBITDAR</b>	<b>(2,563)</b>	<b>(1,714)</b>	<b>49.5</b>	<b>543</b>	
(Margin%)	(22.8)	(32.9)		2.9	
Depreciation	3,488	4,483	(22.2)	3,148	10.8
Other Income	1,700	1,944	(12.5)	2,976	(42.9)
Finance Costs	1,374	1,493	(7.9)	1,624	(15.4)
Extraordinary	-	-		-	
PBT	(7,311)	(6,005)		(2,570)	
Tax	-	-		-	
<b>PAT</b>	<b>(7,311)</b>	<b>(6,005)</b>		<b>(2,570)</b>	
<b>PAT adjusted for forex MTM</b>	<b>(6,075)</b>	<b>(5,719)</b>		<b>(2,809)</b>	

Source: Company data, I-Sec research

**Table 4: Q1FY22 operational details**

Operating parameters	Q1FY22	Q1FY21	Y-Y (%)	Q4FY21	Q-Q (%)
ASK-Total (000)	23,16,160	7,04,000	229.0	48,18,790	(51.9)
PLF (%)	69.5	67.0		79.8	
PAX Revenue (Rs mn)	6,230	2,207	182.3	14,946	(58.3)
Ancillary revenue (Rs mn)	5,020	3,003	67.1	3,936	27.5
PAX RASK	2.7	3.1	(14.2)	3.1	(13.3)
Fare (Rs)	4,450	5,773	(22.9)	4,000	11.3
Passengers(mn)-Company	1.40	0.38	266.2	3.40	(58.8)

\*Passenger revenue, ancillary revenue, fares and passengers are all estimates in the absence of data shared by company. However, the estimates have been taken to match headline numbers. Previously company used to share a presentation which is not available since Q4FY21

Source: Company data, I-Sec research

**Table 5: Movement in liabilities**

(Rs mn)	FY20	FY21
Borrowing	8,739	7,072
Trade Payables	17,197	17,286
Lease Liabilities	89,590	84,498
Other Financial Liabilities	2,801	4,030
Other Current and Non-current liabilities	16,401	15,986
<b>Total Liabilities</b>	<b>1,34,728</b>	<b>1,28,872</b>
<b>Networth</b>	<b>(15,804)</b>	<b>(26,051)</b>

Source: Company data, I-Sec research

## Key considerations in notes to the financial statements:

- **Pending payment including principal and interest in the litigation with ex-promoters.** The auditors have included an 'emphasis of matter' paragraph in their audit report, in respect of this.
- *During this quarter, the Group has able to raise funds from banks for an amount of Rs1.27bn under Emergency Credit Line Guarantee Scheme (ECLGS) scheme.*
- **Expected compensation from Boeing: SJet has factored-in Rs6.7bn / Rs5.6bn as expected compensation from Boeing related to Max groundings in FY20/21 in other income.** The auditors have qualified their audit report in this regard. *Q1FY22 amount too was Rs1.4bn. Further, SJet has recognised the related foreign exchange gain on restatement of these balances of Rs195mn for Q1FY22.*
- **Possible impact of covid:** The auditors have drawn an emphasis of matter in their audit report in this regard.
- **Pursuant to the renegotiations with lessors, the Group has recognised other income of Rs682mn and Rs1.2bn for Q4/FY21,** arising from rental concessions (none in Q1FY22).
- **Regarding non-payment of operational dues:** On account of its operational and financial position, and the impact of the ongoing covid pandemic, the Group has deferred payments to various parties, including lessors and other vendors and its dues to statutory authorities. Where determinable, the Group has accrued for additional liabilities, if any, on such delays in accordance with contractual terms / applicable laws and regulations, and based on necessary estimates and assumptions. However, it is not practically possible to determine the amount of all such costs or any penalties or other similar consequences resulting from contractual or regulatory non-compliances. The management is confident that they will be able to negotiate settlements in order to minimise / avoid any or further

penalties. In view of the foregoing, no amounts of such penalties have been recorded in these consolidated financial results.

- **The auditors have included 'Material Uncertainty Related to Going Concern' paragraph in their audit report.**
- **The manufacturer of Q400 aircrafts initiated a claim against the holding company amounting to ~Rs3.2bn** for declarations, liquidated damages, interest and costs relating to the holding company's alleged breaches of, and the manufacturer's purported termination of the purchase agreement for certain undelivered aircrafts. While there has been a summary judgement decided in favour of the aircraft manufacturer, the holding company has been permitted to assail the said judgement relating to termination of certain aircraft and the same is presently pending for adjudication before the Court of Appeal. In view of the foregoing and pending outcome of the aforesaid challenge before the Court of Appeal, the management is of the view that it is not possible to determine the effects of any such obligations and rights (including any additional / consequential obligations and rights) and accordingly, no further adjustments have been made in this regard, to the consolidated financial results.

## Financial summary

Table 6: Profit &amp; Loss statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Operating Income</b>	<b>1,23,746</b>	<b>51,714</b>	<b>74,161</b>	<b>1,40,366</b>
<b>Operating Expenses</b>	<b>1,11,313</b>	<b>52,091</b>	<b>70,107</b>	<b>1,14,824</b>
<b>EBITDA</b>	<b>12,433</b>	<b>(377)</b>	<b>4,054</b>	<b>25,542</b>
% margins	10.0	(0.7)	5.5	18.2
<b>EBITDAR</b>	<b>16,063</b>	<b>2,286</b>	<b>10,440</b>	<b>27,672</b>
% margins	13.0	4.4	14.1	19.7
Depreciation & Amortization	17,354	15,612	14,203	17,046
Gross Interest	5,455	6,027	5,874	6,500
Other Income	8,305	9,479	6,800	1,800
<b>Recurring PBT</b>	<b>(2,071)</b>	<b>(12,536)</b>	<b>(9,223)</b>	<b>3,796</b>
Add: Extra ordinaries	7,296	(2,238)	-	-
Less: Taxes	-	-	-	-
Less: Minority	-	-	-	-
Reported Net Income	(9,367)	(14,774)	(9,223)	3,796
<b>Recurring Net Income</b>	<b>(2,071)</b>	<b>(12,536)</b>	<b>(9,223)</b>	<b>3,796</b>

Source: Company data, I-Sec research

\*Note: Numbers does not include MTM impact of lease liability

Table 7: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Assets</b>				
Total Current Assets	22,138	26,022	10,540	19,741
Cash	418	355	1,286	3,552
Total Current Liabilities	33,030	33,559	12,677	18,246
<b>Net Current Assets</b>	<b>(10,892)</b>	<b>(7,537)</b>	<b>(2,137)</b>	<b>1,495</b>
Loans and advances	11,591	9,829	9,829	9,829
Other LT assets	8,689	7,439	7,439	7,439
<b>Net Fixed Assets with CWIP</b>	<b>87,138</b>	<b>70,386</b>	<b>70,794</b>	<b>72,293</b>
<b>Total Assets</b>	<b>96,526</b>	<b>80,117</b>	<b>85,925</b>	<b>91,057</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>1,01,129</b>	<b>95,599</b>	<b>1,03,970</b>	<b>98,645</b>
Provisions and Incentives	11,201	10,569	17,229	23,889
Equity Share Capital	6,001	6,001	6,001	6,001
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus*	(21,805)	(32,052)	(41,275)	(37,478)
<b>Net Worth</b>	<b>(15,804)</b>	<b>(26,051)</b>	<b>(35,274)</b>	<b>(31,478)</b>
<b>Total Liabilities</b>	<b>96,526</b>	<b>80,117</b>	<b>85,925</b>	<b>91,057</b>

Source: Company data, I-Sec research

Table 8: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Operating Cashflow ex WC</b>	<b>25,844</b>	<b>6,078</b>	<b>(3,900)</b>	<b>5,332</b>
Working Capital Changes	(7,367)	(2,304)	(4,469)	(1,366)
Capital Commitments	(2,804)	(639)	(1,500)	(1,500)
<b>Free Cashflow</b>	<b>15,673</b>	<b>3,135</b>	<b>(9,869)</b>	<b>2,466</b>
<b>Cashflow from Investing</b>	<b>(1,839)</b>	<b>2,122</b>	<b>(700)</b>	<b>(700)</b>
Issue of Share	-	-	-	-
Capital/warrants	4	9	-	-
Inc. (Dec) in Borrowings	(970)	(75)	10,000	(1,000)
Dividend paid	-	-	-	-
Cash flow from financing	(17,052)	(5,859)	10,000	(1,000)
<b>Chg. in Cash</b>	<b>(370)</b>	<b>32</b>	<b>956</b>	<b>2,266</b>

Source: Company data, I-Sec research

Table 9: Key ratios

(Year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Per Share Data (in Rs)</b>				
EPS (Basic Recurring)	(3.5)	(20.9)	(15.4)	6.3
Diluted Recurring EPS	(3.5)	(20.9)	(15.4)	6.3
Recurring Cash EPS	25.5	5.1	8.3	34.8
Dividend per share (DPS)	-	-	-	-
Book Value per share	NM	NM	NM	NM
<b>Growth Ratios (%)</b>				
EBITDA	NM	NM	NM	530.1
EBITDAR	16.8	(85.8)	356.7	165.1
Recurring Net Income	NM	NM	NM	NM
<b>Valuation Ratios (x)</b>				
P/E	NM	NM	NM	11.4
P/CEPS	2.8	14.0	8.7	2.1
P/BV	NM	NM	NM	NM
EV / EBITDA	5.7	NM	17.3	2.8
EV / EBITDAR	4.4	31.1	6.7	2.6
EV / FCF	4.6	22.7	NM	29.0
<b>Operating Ratios (%)</b>				
Fuel/Sales	37.3	29.6	33.7	35.7
Net Rentals/Sales	25.8	44.9	44.0	29.9
Other Income / PBT	NM	NM	NM	47.4
Effective Tax Rate	-	-	-	-
NWC / Total Assets	NM	NM	NM	1.6
Inventory Days	6.0	11.7	5.0	5.0
Receivables (days)	45.7	142.2	20.0	20.0
Payables (days)	56.4	110.0	38.0	38.0
Net D/E Ratio (x)	NM	NM	NM	NM
<b>Return/Profitability Ratios (%)</b>				
Recurring Net Income Margins	(1.7)	(24.2)	(12.4)	2.7
RoCE	3.5	(8.1)	(3.9)	11.3
RoNW	NM	NM	NM	NM
Dividend Payout Ratio	-	-	-	-
EBITDA Margins	10.0	(0.7)	5.5	18.2

Source: Company data, I-Sec research

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BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

#### ANALYST CERTIFICATION

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