

SpiceJet (SJET IN)

Rating: HOLD | CMP: Rs72 | TP: Rs70

August 18, 2021

Q1FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

Rating	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Target Price	HOLD	70	HOLD	85
Sales (Rs. m)	66,216	129,981	67,331	127,132
% Chng.	(1.7)	2.2		
EBITDA (Rs. m)	3,143	23,968	4,491	21,948
% Chng.	(30.0)	9.2		
EPS (Rs.)	(31.1)	4.9	(24.5)	4.9
% Chng.	27.1	0.4		

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	123,586	52,698	66,216	129,981
EBITDAR (Rs. m)	8,594	5,592	3,143	23,968
Margin (%)	7.0	10.6	4.7	18.4
PAT (Rs. m)	(16,066)	(14,223)	(18,712)	2,940
EPS (Rs.)	(26.8)	(23.7)	(31.1)	4.9
Gr. (%)	NA	NA	NA	NA
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	166.5	68.5	55.6	(7.3)
RoCE (%)	3,031.9	97.1	56.0	(20.0)
EV/Sales (x)	0.4	0.9	0.8	0.4
EV/EBITDAR (x)	24.8	33.5	58.9	7.5
PE (x)	NA	NA	NA	14.7
P/BV (x)	NA	NA	NA	NA

Key Data	SPJT.BO SJET IN
52-W High / Low	Rs.108 / Rs.46
Sensex / Nifty	55,792 / 16,615
Market Cap	Rs.43bn/ \$ 581m
Shares Outstanding	600m
3M Avg. Daily Value	Rs.864.17m

Shareholding Pattern (%)

Promoter's	59.54
Foreign	1.12
Domestic Institution	2.12
Public & Others	37.22
Promoter Pledge (Rs bn)	44.31

Stock Performance (%)

	1M	6M	12M
Absolute	(8.5)	(18.5)	45.7
Relative	(12.9)	(24.5)	(0.6)

Paarth Gala

paarthgala@plindia.com | 91-22-66322242

Recapitalization key to exiting air pocket

Quick Pointers:

- Cargo revenues grew by 13.5% QoQ; margins at 6.4%
- Booked Boeing Max compensation of Rs1.4bn
- To hive off cargo arm for Rs25.5bn on slump sale basis

We change our FY22/FY23 EBITDAR estimates by -30% / 9.2%, given 1Q being severely impacted by 2nd Covid wave. However, with lockdown restrictions easing and rising vaccination count, we expect industry to pick up pace by the end of CY2021.

Aided by 13.5% sequential improvement in Cargo revenues, SJET's RASK improved sequentially despite Pax services being impacted by 2nd Covid wave. However, SJET's adjusted losses widened YoY/QoQ to Rs8.7bn largely, on account of lower scale of operations and input cost inflation. SJET continues to focus on managing cash flows through 1) renegotiating rentals/ maintenance costs 2) deferring payments to vendors 3) capital raise via QIP & hiving off cargo arm and 4) Rs1.3bn raised via ECLGS scheme. SJET is looking to hive off its cargo arm for a consideration of Rs25.5bn on slump sale basis which shall enable greater focus on cargo business and raise additional capital to fuel growth. SJET continues to negotiate with Boeing regarding compensation for Boeing 737 Max grounding. Payment terms and flow of money remain key monitorables.

We expect SJET to operate at 49% / 97% of pre-covid capacity in FY22/FY23. Given delay in Boeing compensation and stretched balance sheet we cut our target multiple from 8x to 7.5x (17% discount to IndiGo) and arrive at a target price of Rs70 based on FY23 adj. EV/EBITDAR. Maintain 'HOLD'. Swift execution of capital raise (QIP as well as cargo unit) and Boeing compensation shall go a long way in alleviating liquidity constraints.

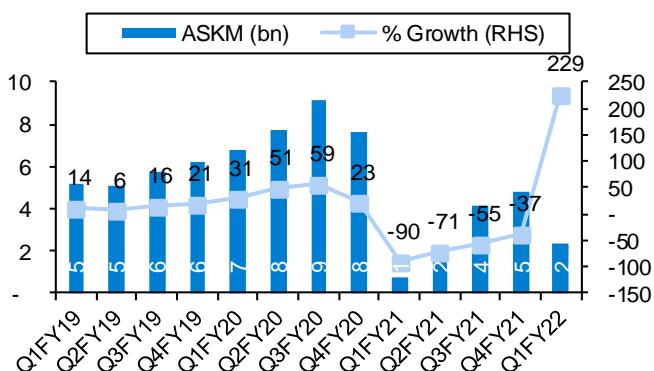
Sales up by 2.1x on lower base; Cargo revenues up by 13.5% QoQ: Revenues grew by 2.1x YoY to Rs10.9bn on a lower base. Cargo revenues grew by 13.5% QoQ. SJET's EBITDAR loss widened YoY to Rs2.6bn, down 37.6% YoY impacted by higher fuel costs, lower scale of operations and forex loss (Rs1.2bn). Adjusting for Rs1.4bn (Rs13.8bn till date) of Boeing 737 Max related compensation booked as other income, SJET's losses widened YoY/QoQ to Rs8.7bn. Reported loss was Rs7.3bn vs loss of Rs5.9bn.

SJET to hive off cargo arm: With the aim of providing greater focus to cargo business and raising additional capital to fuel growth, SJET is looking to hive off cargo business and operate as a separate entity for a consideration of Rs25.5bn (2.3x FY21 revenues) on slump sale basis. Consideration is to be discharged by way of Rs5bn unsecured loans and/or issue of shares. Post transfer, SJET shall continue to provide various services basis business requirement.

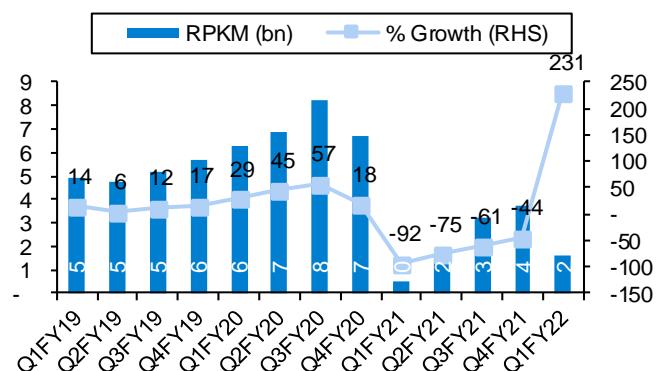
Exhibit 1: Sales up by 111.7% YoY; Rs1.4bn recognized as compensation for Boeing 737 Max grounding

Y/e March (Rs mn)	Q1FY22	Q1FY21	YoY gr. (%)	Q4FY21	FY21	FY20	YoY gr. (%)
Revenue from Operations	10,897	5,147	111.7	18,771	51,334	1,23,586	(58.5)
Aircraft fuel expenses	4,851	892	443.8	7,073	15,288	46,162	(66.9)
Employee Cost	1,653	1,695	(2.5)	2,133	6,762	14,635	(53.8)
Other expenses	7,031	4,269	64.7	9,125	25,055	54,196	(53.8)
EBITDAR	(2,638)	(1,709)	NA	440	4,228	8,594	(50.8)
<i>EBITDAR margin %</i>	<i>(24.2)</i>	<i>(33.2)</i>		<i>2.3</i>	<i>8.2</i>	<i>7.0</i>	
Aircraft & engine rentals	1,562	245	538.4	1,234	2,485	3,630	(31.5)
Other Income	326	498	(34.6)	1,082	3,059	1,760	73.8
Depreciation & Amortization	3,479	4,482	(22.4)	3,138	15,580	17,339	(10.1)
Finance Cost	1,373	1,397	(1.7)	915	4,810	5,450	(11.7)
PBT	(8,726)	(7,335)	NA	(3,765)	(15,588)	(16,066)	NA
Tax Expense	-	-		-	-	-	
Adj PAT	(8,726)	(7,335)	NA	(3,765)	(15,588)	(16,066)	NA
<i>PAT margin %</i>	<i>(80.1)</i>	<i>(142.5)</i>		<i>(20.1)</i>	<i>(30.4)</i>	<i>(13.0)</i>	
Exceptional item	1,436	1,401		1,412	5,604	6,718	
Reported PAT	(7,291)	(5,934)	NA	(2,353)	(9,983)	(9,348)	NA
Key Operating Metrics							
ASKM (mn)	2,319	705	229.0	4,818	11,892	31,334	(62.0)
RPKM (mn)	1,611	487	230.7	3,731	9,131	28,201	(67.6)
Load Factor %	69.5	69.1	0.4	77.4	76.8	90.0	(13.2)

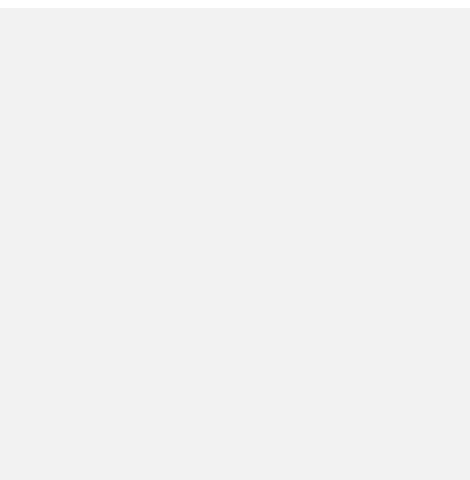
Source: Company, PL

Exhibit 2: ASKM grew by 229% YoY on a lower base


Source: Company, PL

Exhibit 3: While RPKM grew by 231% YoY


Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	123,586	52,698	66,216	129,981
YoY gr. (%)	35.6	(57.4)	25.7	96.3
Aircraft Fuel Expenses	46,162	15,288	25,212	48,091
Employee Cost	14,635	6,762	6,872	9,026
Other Expenses	54,196	25,055	30,989	48,895
EBITDAR	8,594	5,592	3,143	23,968
YoY gr. (%)	(33.2)	(34.9)	(43.8)	662.6
Margin (%)	7.0	10.6	4.7	18.4
Aircraft Lease Rentals	3,630	2,485	4,021	3,930
Depreciation and Amortization	17,339	15,580	13,721	13,513
EBIT	(12,375)	(12,473)	(14,599)	6,525
Margin (%)	(10.0)	(23.7)	(22.0)	5.0
Net Interest	5,450	4,810	5,848	5,624
Other Income	1,760	3,059	1,734	2,039
Profit Before Tax	(9,348)	(8,619)	(15,876)	2,940
Margin (%)	(7.6)	(16.4)	(24.0)	2.3
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after tax	(9,348)	(8,619)	(15,876)	2,940
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(16,066)	(14,223)	(18,712)	2,940
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	(13.0)	(27.0)	(28.3)	2.3
Extra Ord. Income / (Exp)	6,718	5,604	2,836	-
Reported PAT	(9,348)	(8,619)	(15,876)	2,940
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	(7.6)	(16.4)	(24.0)	2.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(9,348)	(8,619)	(15,876)	2,940
Equity Shares O/s (m)	600	601	601	601
EPS (Rs)	(26.8)	(23.7)	(31.1)	4.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	116,074	114,846	128,754	138,854
Tangibles	115,505	114,305	128,163	138,213
Intangibles	570	541	591	641
Acc: Dep / Amortization	29,265	44,844	58,565	72,078
Tangibles	28,868	44,398	58,074	71,539
Intangibles	396	446	491	539
Net fixed assets	86,810	70,001	70,189	66,776
Tangibles	86,636	69,907	70,089	66,674
Intangibles	173	95	100	102
Capital Work In Progress	-	58	-	-
Goodwill	-	-	-	-
Non-Current Investments	11,917	10,473	10,067	11,931
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	7,724	7,438	4,834	6,239
Current Assets				
Investments	4	4	7	13
Inventories	1,776	1,558	1,088	1,424
Trade receivables	15,458	20,398	8,526	7,834
Cash & Bank Balance	402	320	265	494
Other Current Assets	2,236	1,813	1,159	1,300
Total Assets	128,718	113,755	96,798	96,662
Equity				
Equity Share Capital	6,001	6,009	6,009	6,009
Other Equity	(21,793)	(31,725)	(47,600)	(44,661)
Total Networth	(15,793)	(25,715)	(41,591)	(38,652)
Non-Current Liabilities				
Long Term borrowings	4,593	3,027	3,027	3,027
Provisions	6,285	5,050	5,139	5,100
Other non current liabilities	153	136	331	975
Current Liabilities				
ST Debt / Current of LT Debt	4,144	4,045	5,045	4,045
Trade payables	17,371	17,106	17,053	16,025
Other current liabilities	44,033	56,491	54,276	53,836
Total Equity & Liabilities	128,718	113,755	96,798	96,662

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	(9,348)	(9,983)	(15,876)	2,940
Add. Depreciation	17,339	15,580	13,721	13,513
Add. Interest	5,450	4,810	5,848	5,624
Less Financial Other Income	1,760	3,059	1,734	2,039
Add. Other	6,391	(4,658)	-	-
Op. profit before WC changes	19,833	5,749	3,692	22,077
Net Changes-WC	(1,272)	(2,364)	13,786	(589)
Direct tax	(327)	366	-	-
Net cash from Op. activities	18,234	3,750	17,477	21,488
Capital expenditures	(2,528)	(614)	(492)	(550)
Interest / Dividend Income	599	688	-	-
Others	326	2,030	3,001	(3,306)
Net Cash from Inv. activities	(1,603)	2,105	2,510	(3,856)
Issue of share cap. / premium	4	9	-	-
Debt changes	(970)	(75)	1,000	(1,000)
Dividend paid	-	-	-	-
Interest paid	(1,012)	(1,991)	(21,334)	(17,038)
Others	(15,064)	(3,779)	285	604
Net cash from Fin. activities	(17,043)	(5,836)	(20,049)	(17,434)
Net change in cash	(368)	14	(62)	198
Free Cash Flow	15,706	3,137	16,986	20,938

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	(26.8)	(23.7)	(31.1)	4.9
CEPS	2.1	2.3	(8.3)	27.4
BVPS	(26.3)	(42.8)	(69.2)	(64.3)
FCF	26.2	5.2	28.3	34.8
DPS	-	-	-	-
Return Ratio(%)				
RoCE	3,031.9	97.1	56.0	(20.0)
ROIC	(9.6)	(11.0)	(15.1)	6.8
RoE	166.5	68.5	55.6	(7.3)
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.3)	(0.2)	(0.2)
Net Working Capital (Days)	0	34	(41)	(19)
Valuation(x)				
PER	NA	NA	NA	14.7
P/B	NA	NA	NA	NA
P/CEPS	33.9	31.9	(8.7)	2.6
EV/EBITDAR (Adj)	24.8	33.5	58.9	7.5
EV/Sales	0.4	0.9	0.8	0.4
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Revenue	10,550	16,866	18,771	10,897
YoY gr. (%)	(63.2)	(53.8)	(34.5)	116.9
Aircraft Fuel Expenses	2,785	4,539	7,073	4,851
Employee Expenses	1,064	1,871	2,133	1,653
Other Expenses	4,324	7,337	9,125	7,031
EBITDAR	2,378	3,119	440	(2,638)
Margin (%)	22.5	18.5	2.3	(24.2)
Aircraft Lease Rentals	336	670	1,234	1,562
Depreciation / Depletion	4,156	3,803	3,138	3,479
EBIT	(2,114)	(1,354)	(3,932)	(7,679)
Margin (%)	(20.0)	(8.0)	(20.9)	(70.5)
Net Interest	1,514	1,416	915	1,373
Other Income	1,114	797	1,082	326
Profit before Tax	(2,515)	(1,973)	(3,765)	(8,726)
Margin (%)	(23.8)	(11.7)	(20.1)	(80.1)
Total Tax	-	-	-	-
Effective tax rate (%)	0.0	0.0	0.0	0.0
Profit after Tax	(2,515)	(1,973)	(3,765)	(8,726)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(2,515)	(1,973)	(3,765)	(8,726)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	(23.8)	(11.7)	(20.1)	(80.1)
Extra Ord. Income / (Exp)	1,389	1,404	1,412	1,436
Reported PAT	(1,126)	(570)	(2,353)	(7,291)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	(10.7)	(3.4)	(12.5)	(66.9)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(1,126)	(570)	(2,353)	(7,291)
Avg. Shares O/s (m)	600	600	601	601
EPS (Rs)	-1.9	-0.9	-3.9	-12.1

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
EBITDAR (Rs mn)	8,594	4,228	3,143	23,968
EBITDAR %	7.0	8.2	4.7	18.4
ASK (bn)	31.3	11.9	15.4	30.5
RPK (bn)	28.1	9.1	12.1	27.4
PLF %	89.6	76.8	78.5	90.0
RASK (Rs)	4.0	4.7	4.4	4.3
CASK (Rs)	4.5	5.9	5.6	4.2
RASK-CASK (Rs)	(0.5)	(1.2)	(1.2)	0.1
Fleet Size	118.0	95.0	90.0	90.0
Rental Capitalised	161,696	137,158	134,033	131,000

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Jul-21	Hold	85	79
2	7-Apr-21	BUY	120	72
3	11-Feb-21	BUY	120	88
4	11-Jan-21	BUY	100	94
5	12-Nov-20	BUY	70	55
6	9-Oct-20	Hold	53	50
7	16-Sep-20	Hold	53	54

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	InterGlobe Aviation	Hold	1,630	1,705
2	KEI Industries	BUY	854	749
3	Polycab India	Hold	1,977	1,912
4	SpiceJet	Hold	85	79

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209
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