

February 12, 2019

Q3FY19 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	BUY		BUY	
Target Price	107		107	
Sales (Rs. m)	1,13,220	1,38,670	1,14,194	1,39,452
% Chng.	(0.9)	(0.6)		
EBITDA (Rs. m)	17,960	24,591	18,022	24,742
% Chng.	(0.3)	(0.6)		
EPS (Rs.)	1.3	7.6	1.4	7.9
% Chng.	(8.3)	(3.3)		

Key Financials

	FY18	FY19E	FY20E	FY21E
Sales (Rs. m)	77,951	91,375	1,13,220	1,38,670
EBITDAR (Rs. m)	17,896	12,473	17,960	24,591
Margin (%)	23.0	13.7	15.9	17.7
PAT (Rs. m)	5,667	(2,426)	760	4,550
EPS (Rs.)	9.5	(4.0)	1.3	7.6
Gr. (%)	31.6	NM	NM	498.7
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	NM	NM	NM	NM
RoCE (%)	75.3	NM	1.7	30.3
EV/Sales (x)	0.7	0.6	0.5	0.4
EV/EBITDAR (x)	7.2	11.7	9.0	7.3
PE (x)	8.5	NM	63.3	10.6
P/BV (x)	NM	NM	NM	19.6

Key Data

SPJT.BO | SJET IN

52-W High / Low	Rs.154 / Rs.61
Sensex / Nifty	36,395 / 10,889
Market Cap	Rs.48bn / \$ 676m
Shares Outstanding	599m
3M Avg. Daily Value	Rs.-2146826190.87m

Shareholding Pattern (%)

Promoter's	60.03
Foreign	3.96
Domestic Institution	6.08
Public & Others	29.93
Promoter Pledge (Rs bn)	39.34

Stock Performance (%)

	1M	6M	12M
Absolute	0.6	(11.5)	(43.3)
Relative	(0.5)	(7.9)	(47.0)

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Well poised to kick start next leg of growth

Key pointers

- Incentives received on induction of Boeing 737Max led to growth in other operating income by ~5x YoY to Rs1bn
- Yields up 4% YoY for the quarter
- Continues to report higher RASK (Revenue per Available Seat Kilometer) than market leader IndiGo (Rs4.4 vs Rs3.7)
- To induct 7 Boeing 737Max and 1 B737 freighter in 4QFY19

SJET continues to benefit from its strong presence in high yielding regional market, as it reported a strong 20% growth in revenue to Rs24.9bn led by 16% growth in Available Seat Kilometers (ASK) and 4% increase in Yields. However, high fuel cost (Fuel CASK up 31%) and depreciating INR (up 11%) dampened profits to Rs551mn. SJET continues to outperform the market leader IndiGo in terms of RASK (Rs4.4 vs Rs3.7)

We continue to remain positive on SJET as we believe it is well placed to benefit from the booming Indian aviation market given its strong presence in regional markets, large order book of fuel efficient aircrafts and long terms maintenance contract in place. We expect a CAGR of 21%/11% in Revenue/EBITDAR respectively over the next three years and value the stock at 8x FY21E adj. EV/EBITDAR. Maintain BUY with a TP of Rs107

Sales up by 20% / Yields up by 4%: Revenues grew by 20% to Rs24.9bn with Passenger revenue/Ancillary revenues growing at 16%/14% respectively. Incentives received on the induction of 9 Boeing 737Max led to ~5-fold growth in other operating income to Rs1bn. EBITDAR came in at Rs4.5bn, down by 20% YoY largely on account of 53%/ 30%/35% increase in fuel cost/maintenance costs and other operating expense respectively. PAT was reported at Rs551mn on the back of 4% increase in yields and 60% increase in other income.

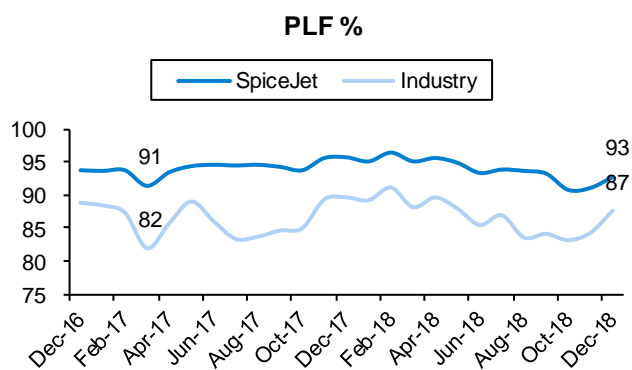
Continues to outperform market leader in terms of RASK: SJET's strategy of pitching for more flights to non-metros and smaller cities is yielding benefits as it continues to report higher RASK than the market leader IndiGo. In 3QFY19, SJET's RASK stood at Rs4.4 vs Rs3.7 of IndiGo's. SJET operated with 90%+ load factors for the 45th consecutive month.

Aggressive fleet/route addition on cards: SJET reported ASK growth of 16% YoY as it inducted 9 Boeing 737 Max and 3 Bombardier Q400s in the quarter. The management is looking to another 7 Boeing 737 Max and 1 Boeing 737 freighter to its fleet by the end of the fiscal. SJET launched 54 new flights (including 10 under UDAN) while opened bookings for its ninth international destination- Jeddah

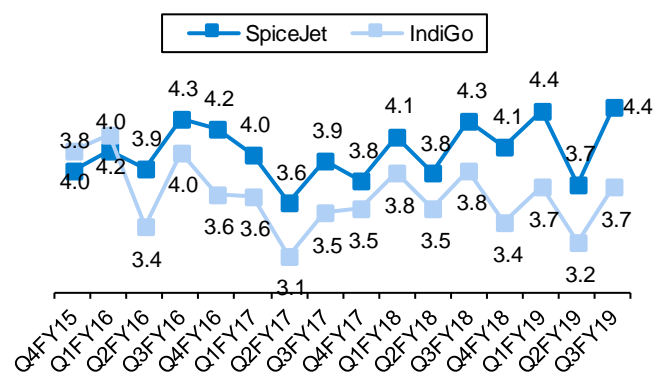
Exhibit 1: Revenues up 20% led by 16% growth in ASK and 4% growth in Yields

Y/e March	Q3FY19	Q3FY18	YoY gr.	Q2FY19	9MFY19	9MFY18	YoY gr.
Revenue from Operations (Rs mn)	24,868	20,688	20.2%	18,748	65,974	57,497	14.7%
Aircraft fuel expenses	9,683	6,310	53.5%	8,451	26,259	17,077	53.8%
Employee Cost	2,706	2,264	19.5%	2,526	7,710	6,365	21.1%
Other expenses	7,916	6,429	23.1%	8,209	24,247	21,966	10.4%
EBITDAR	4,563	5,685	-19.7%	-438	7,759	12,090	-35.8%
<i>EBITDAR margin %</i>	<i>18.4%</i>	<i>27.5%</i>		<i>-2.3%</i>	<i>11.8%</i>	<i>21.0%</i>	
Aircraft & engine rentals	3,432	2,651	29.4%	2,755	8,983	7,377	21.8%
Other Income	440	273	61.2%	273	1,063	747	42.3%
Depreciation & Amortization	614	586	4.8%	648	1,893	1,721	10.0%
Finance Cost	407	322	26.6%	325	1,034	665	55.6%
PBT	551	2,400	-77.1%	-3,894	-3,089	3,074	
Tax Expense	0	0		0	0	0	
Adj PAT	551	2,400	-77.1%	-3,894	-3,089	3,074	
<i>PAT margin %</i>	<i>2.2%</i>	<i>11.6%</i>		<i>-20.8%</i>	<i>-4.7%</i>	<i>5.3%</i>	
Exceptional item	0	0		0	-635	0	
Reported PAT	551	2,400	-77.1%	-3,894	-3,724	3,074	
Key Operating Metrics							
ASK (mn)	5,762	4,948	16.5%	5,121	16,091	14,335	12.3%
RPK (mn)	5,186	4,642	11.7%	4,742	14,812	13,397	10.6%
Load Factor	90	94	-3.8	93	92	93	-1.4
Yield (Rs)	4.1	4.0	4.2%	3.5	3.9	3.8	1.9%
RASK (Rs)	4.4	4.2	3.7%	3.7	4.2	4.1	2.7%
Fuel CASK (Rs)	1.7	1.3	31.3%	1.7	1.6	1.2	37.0%
Non-Fuel CASK (Rs)	2.6	2.5	4.2%	2.8	2.7	2.5	8.8%
CASK (Rs)	4.3	3.8	14.5%	4.5	4.4	3.7	17.9%
RASK - CASK (Rs)	0.1	0.5	-80.3%	-0.8	-0.2	0.4	

Source: Company, PL

Exhibit 2: 90%+ domestic PLFs for 45th consecutive month


Source: Company, PL

Exhibit 3: RASK consistently above IndiGo


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Net Revenues	77,951	91,375	1,13,220	1,38,670
YoY gr. (%)	25.9	17.2	23.9	22.5
Aircraft Fuel Expenses	24,326	34,447	42,463	50,956
Employee Cost	8,626	10,590	12,410	14,892
Other Expenses	27,103	33,866	40,386	48,231
EBITDAR	17,896	12,473	17,960	24,591
YoY gr. (%)	19.0	(30.3)	44.0	36.9
Margin (%)	23.0	13.7	15.9	17.7
Aircraft Lease Rentals	10,369	12,526	15,168	18,201
Depreciation and Amortization	2,312	2,564	2,614	2,764
EBIT	5,215	(2,617)	178	3,625
Margin (%)	6.7	(2.9)	0.2	2.6
Net Interest	922	1,435	1,228	1,128
Other Income	1,373	1,625	1,810	2,053
Profit Before Tax	5,667	(2,426)	760	4,550
Margin (%)	7.3	(2.7)	0.7	3.3
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after tax	5,667	(2,426)	760	4,550
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,667	(2,426)	760	4,550
YoY gr. (%)	31.6	NA	NA	498.7
Margin (%)	7.3	(2.7)	0.7	3.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,667	(2,426)	760	4,550
YoY gr. (%)	31.6	NA	NA	498.7
Margin (%)	7.3	(2.7)	0.7	3.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,667	(2,426)	760	4,550
Equity Shares O/s (m)	599	599	599	599
EPS (Rs)	9.5	(4.0)	1.3	7.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Non-Current Assets				
Gross Block	22,005	25,640	26,140	27,640
Tangibles	21,965	25,575	26,075	27,575
Intangibles	40	65	65	65
Acc: Dep / Amortization	6,028	8,592	11,206	13,970
Tangibles	6,028	8,592	11,206	13,970
Intangibles	-	-	-	-
Net fixed assets	15,977	17,048	14,934	13,670
Tangibles	15,937	16,983	14,869	13,605
Intangibles	40	65	65	65
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	10,220	11,960	12,326	14,998
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	5,799	8,669	8,669	8,669
Current Assets				
Investments	1,013	498	998	1,998
Inventories	1,244	1,709	1,816	2,231
Trade receivables	852	976	1,211	1,487
Cash & Bank Balance	1,458	2,427	3,629	4,295
Other Current Assets	3,072	3,072	3,072	3,072
Total Assets	41,220	48,444	48,740	52,505
Equity				
Equity Share Capital	5,995	5,995	5,995	5,995
Other Equity	(6,424)	(8,850)	(8,090)	(3,540)
Total Networth	(430)	(2,856)	(2,096)	2,455
Non-Current Liabilities				
Long Term borrowings	6,510	8,010	7,010	6,010
Provisions	3,403	3,153	3,153	3,153
Other non current liabilities	768	857	857	857
Current Liabilities				
ST Debt / Current of LT Debt	3,574	5,274	5,274	5,274
Trade payables	6,882	8,544	9,079	9,294
Other current liabilities	20,512	25,462	25,462	25,462
Total Equity & Liabilities	41,220	48,444	48,740	52,505

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
PBT	5,667	(2,426)	760	4,550
Add. Depreciation	2,312	2,564	2,614	2,764
Add. Interest	922	1,435	1,228	1,128
Less Financial Other Income	1,373	1,625	1,810	2,053
Add. Other	662	(10)	-	-
Op. profit before WC changes	9,562	1,563	4,602	8,443
Net Changes-WC	3,888	5,686	(356)	(1,576)
Direct tax	-	-	-	-
Net cash from Op. activities	13,450	7,249	4,247	6,866
Capital expenditures	(2,060)	(3,610)	(500)	(1,500)
Interest / Dividend Income	-	-	-	-
Others	(9,372)	(4,635)	(366)	(2,672)
Net Cash from Inv. activities	(11,432)	(8,245)	(866)	(4,172)
Issue of share cap. / premium	-	-	-	-
Debt changes	(198)	3,200	(1,000)	(1,000)
Dividend paid	-	-	-	-
Interest paid	(922)	(1,435)	(1,228)	(1,128)
Others	-	-	-	-
Net cash from Fin. activities	(1,120)	1,765	(2,228)	(2,128)
Net change in cash	897	769	1,152	566
Free Cash Flow	11,390	3,639	3,747	5,366

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Net Revenue	20,293	22,358	18,748	24,868
YoY gr. (%)	24.8	19.6	3.5	20.2
Aircraft Fuel Expenses	7,249	8,124	8,451	9,683
Employee Expenses	2,260	2,478	2,526	2,706
Other Expenses	7,108	8,121	8,209	7,916
EBITDAR	3,676	3,634	(438)	4,563
Margin (%)	18.1	16.3	(2.3)	18.4
Aircraft Lease Rentals	2,981	2,797	2,755	3,432
Depreciation / Depletion	591	631	648	614
EBIT	105	207	(3,842)	517
Margin (%)	0.5	0.9	(20.5)	2.1
Net Interest	257	302	325	407
Other Income	614	350	273	440
Profit before Tax	462	254	(3,894)	551
Margin (%)	2.3	1.1	(20.8)	2.2
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	0.0
Profit after Tax	462	254	(3,894)	551
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	462	254	(3,894)	551
YoY gr. (%)	10.8	(85.5)	NA	NA
Margin (%)	2.3	1.1	(20.8)	2.2
Extra Ord. Income / (Exp)	-	-635	-	-
Reported PAT	462	(381)	(3,894)	551
YoY gr. (%)	10.8	NA	NA	NA
Margin (%)	0.1	(0.5)	(2.5)	(0.3)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	462	(381)	(3,894)	551
Avg. Shares O/s (m)	599	599	599	599
EPS (Rs)	0.8	-0.6	-6.5	0.9

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY18	FY19E	FY20E	FY21E
Per Share(Rs)				
EPS	9.5	(4.0)	1.3	7.6
CEPS	13.3	0.2	5.6	12.2
BVPS	(0.7)	(4.8)	(3.5)	4.1
FCF	19.0	6.1	6.3	9.0
DPS	-	-	-	-
Return Ratio(%)				
RoCE	75.3	NM	1.7	30.3
ROIC	117.1	NM	3.1	63.9
RoE	NM	NM	NM	NM
Balance Sheet				
Net Debt : Equity (x)	(17.7)	(3.6)	(3.7)	2.0
Net Working Capital (Days)	(22)	(23)	(20)	(15)
Valuation(x)				
PER	8.5	NM	63.3	10.6
P/B	NM	NM	NM	19.6
P/CEPS	6.0	348.8	14.3	6.6
EV/EBITDAR (Adj)	7.2	11.7	9.0	7.3
EV/Sales	0.7	0.6	0.5	0.4
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY18	FY19E	FY20E	FY21E
EBITDAR (Rs mn)	17,896	12,473	17,960	24,591
EBITDAR %	23.0	13.7	15.9	17.7
ASK (mn)	19,498	22,774	27,578	33,094
RPK (mn)	18,328	20,952	25,372	30,446
PLF %	94	92	92	92
RASK (Rs)	4.1	4.1	4.2	4.3
CASK (Rs)	3.8	4.2	4.1	4.1
RASK-CASK (Rs)	0.3	(0.1)	0.0	0.1
Fleet Size	58.0	80.0	95.0	110.0

Source: Company Data, PL Research

**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	29-Jan-19	BUY	107	80

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	InterGlobe Aviation	BUY	1,420	1,171
2	SpiceJet	BUY	107	80

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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
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