

August 3, 2020

## Q4FY20 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	SELL		HOLD	
Target Price	32		48	
Sales (Rs. m)	1,02,682	1,13,053	1,35,260	1,43,620
% Chng.	(24.1)	(21.3)		
EBITDAR (Rs. m)	22,228	25,933	29,630	32,436
% Chng.	(25.0)	(20.0)		
EPS (Rs.)	(0.2)	5.7	4.7	5.9
% Chng.	NM	(4.1)		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	1,23,586	42,096	1,02,682	1,13,053
EBITDAR (Rs. m)	8,594	(120)	22,228	25,933
Margin (%)	7.0	(0.3)	21.6	22.9
PAT (Rs. m)	(16,066)	(24,842)	(107)	3,404
EPS (Rs.)	(26.8)	(41.4)	(0.2)	5.7
Gr. (%)	NM	NM	NM	NM
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	NM	NM	NM	NM
RoCE (%)	NM	NM	NM	NM
EV/Sales (x)	0.3	0.9	0.4	0.3
EV/EBITDAR (x)	23.0	NM	7.9	6.8
PE (x)	NM	NM	NM	8.1
P/BV (x)	NM	NM	NM	NM

### Key Data

SPJT.BO | SJET IN

52-W High / Low	Rs.153 / Rs.31
Sensex / Nifty	36,940 / 10,892
Market Cap	Rs.28bn/ \$ 369m
Shares Outstanding	600m
3M Avg. Daily Value	Rs.385.12m

### Shareholding Pattern (%)

Promoter's	59.93
Foreign	0.85
Domestic Institution	9.61
Public & Others	29.61
Promoter Pledge (Rs bn)	26.37

### Stock Performance (%)

	1M	6M	12M
Absolute	(8.1)	(49.9)	(64.4)
Relative	(10.4)	(45.9)	(64.2)

Paarth Gala

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## Delicately placed

### Quick Pointers:

- Recognized other income of Rs1.3bn/Rs6.7bn in 4Q20/ FY20 as compensation for grounding of Boeing 737 Max.
- Yields decline 10% YoY
- Boeing 737 Max unlikely to return to service before 3QFY21

**We cut FY22 and FY23 EBITDAR estimates by 25% & 20% respectively given 1) sluggish scale up of operations due to localized lockdowns and 2) low consumer confidence due to rising incidence of Covid-19 cases**

**SJET reported weak 4Q20 operational numbers with RASK (excl Boeing compensation) down 7.4% while non-Fuel CASK increased by 33.5% due to Covid-19 led disruption with operations being suspended in late March. While market leader Indigo reported 1% yield growth in the same period, SJET reported 10% decline in yields despite industry leading load factors impacted by 1) increased exposure to intensely competitive metro to metro routes and 2) dual class fleet operations. SJET continues to negotiate with Boeing regarding compensation for the grounded Boeing 737 Max, we shall keep a close eye on payment terms and actual flow of compensation.**

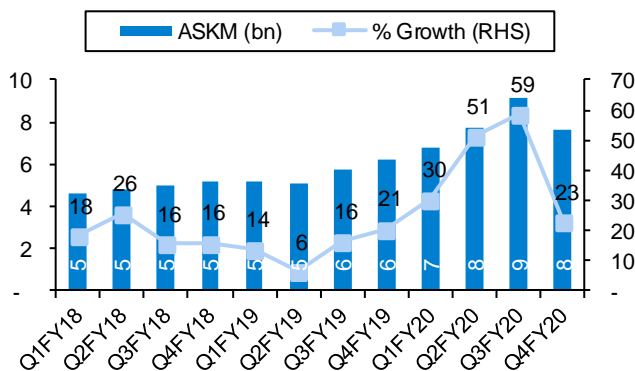
**On account of elevated costs due to 1) grounding of Boeing 737 Max 2) operation of ageing inefficient ex-Jet Boeing 737 aircrafts and 3) a weak yield environment, SJET's finances were already under pressure and the ongoing pandemic is likely to elevate the stress (FY20 - Net Debt of ~Rs8.3bn, Rs17bn in trade payables). SJET has undertaken various measures to better manage cash flows like 1) deferring payments to vendors including lessors 2) renegotiating rentals and maintenance contracts 3) right sizing fleet size 4) reduction in employee bill through pay cuts, leave without pay and 5) cutting down all possible discretionary expenses. Although SJET is generating positive cash flow through its cargo operations (8 dedicated freighters) and with most pax flights currently contributing positively, given the limited scale of operations these remain insufficient to cover all costs. We expect FY21 capacity to decline by 58% YoY while FY22/FY23 capacity is likely to be 86%/91% of FY20 capacity. Given the demand uncertainty and weak balance sheet we value the stock at 7x Sept22 adj. EV/EBITDAR arriving at target price of Rs32. Downgrade to Sell.**

**Sales up by 13% aided by 23% increase in capacity:** Revenues grew by 12% to Rs28.6bn with Passenger revenue/Ancillary revenues growing at 6.3%/41.9% respectively. EBITDAR loss of Rs2.7 impacted by Covid led disruption and Rs5bn MTM forex loss. Adjusting for Rs1.3bn of Boeing 737 Max lease rentals & other costs recognized as other income in lieu of compensation from Boeing, SJET reported a loss of Rs9.4bn.

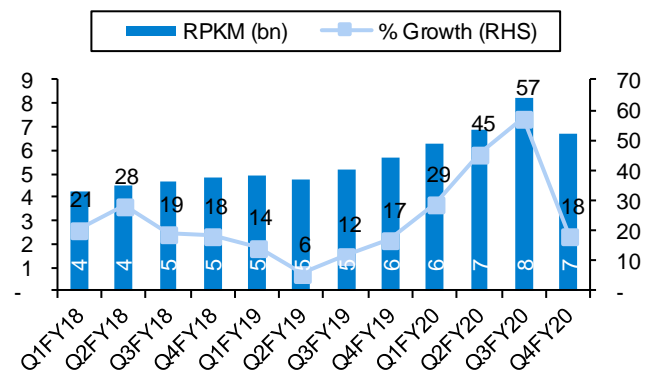
**Exhibit 1: Sales up by 13% led by 23% increase in ASKM**

Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Revenue from Operations (Rs mn)	<b>28,639</b>	<b>25,313</b>	<b>13.1%</b>	<b>36,471</b>	<b>1,23,586</b>	<b>91,133</b>	<b>35.6%</b>
Aircraft fuel expenses	10,850	8,194	32.4%	13,407	46,162	34,453	34.0%
Employee Cost	3,700	2,860	29.4%	4,059	15,258	10,570	44.3%
Other expenses	16,790	9,149	83.5%	14,010	53,573	33,242	61.2%
EBITDAR	<b>-2,702</b>	<b>5,109</b>	<b>-152.9%</b>	<b>4,995</b>	<b>8,594</b>	<b>12,868</b>	<b>-33.2%</b>
EBITDAR margin	<b>-9.4%</b>	<b>20.2%</b>		<b>13.7%</b>	<b>7.0%</b>	<b>14.1%</b>	
Aircraft & engine rentals	1,327	4,005	-66.9%	1,025	3,630	12,967	-72.0%
Other Income	589	406	45.3%	332	1,760	1,448	21.5%
Depreciation & Amortization	4,557	669	581.3%	4,647	17,339	2,562	576.7%
Finance Cost	1,420	279	409.9%	1,387	5,450	1,313	315.1%
PBT	<b>-9,416</b>	<b>563</b>		<b>-1,732</b>	<b>-16,066</b>	<b>-2,526</b>	
Tax Expense	0	0		0	0	0	
Adj PAT	<b>-9,416</b>	<b>563</b>		<b>-1,732</b>	<b>-16,066</b>	<b>-2,526</b>	
PAT margin	<b>-32.9%</b>	<b>2.2%</b>		<b>-4.7%</b>	<b>-13.0%</b>	<b>-2.8%</b>	
Exceptional item	1,345	0		2,464	6,718	-635	
Reported PAT	<b>-8,071</b>	<b>563</b>		<b>732</b>	<b>-9,348</b>	<b>-3,161</b>	
<b>Key Operating Metrics</b>							
ASKM (mn)	7,647	6,230	22.8%	9,133	31,324	22,321	40.3%
RPKM (mn)	6,703	5,674	18.1%	8,194	28,071	20,535	36.7%
Load Factor %	87.7	91.1	-3.4%	1	90	92	-2.4%
Yield (Rs)	3.6	4.0	-10.0%	3.8	3.8	3.9	-3.4%
RASK (Rs)	4.0	4.1	-3.1%	4.3	4.0	4.2	-3.6%
Fuel CASK (Rs)	1.4	1.3	8.0%	1.5	1.5	1.5	-4.3%
Non-Fuel CASK (Rs)	3.6	2.7	33.4%	2.7	3.0	2.7	11.8%
CASK (Rs)	5.1	4.0	25.1%	4.2	4.5	4.3	6.0%
RASK - CASK (Rs)	-1.1	0.1		0.1	-0.5	-0.1	

Source: Company, PL

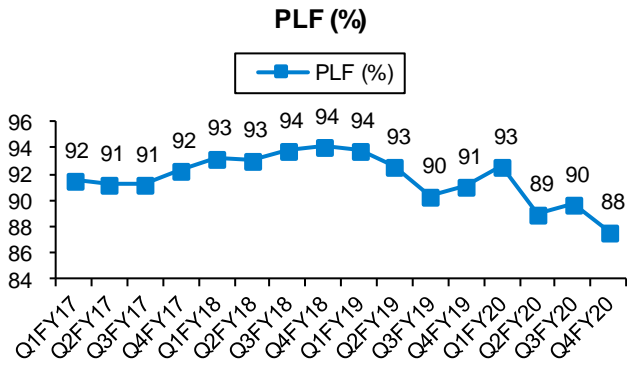
**Exhibit 2: ASKM grew 23% YoY despite B737 max grounding**
**Exhibit 3: RPKM grew by 18% YoY**


Source: Company, PL



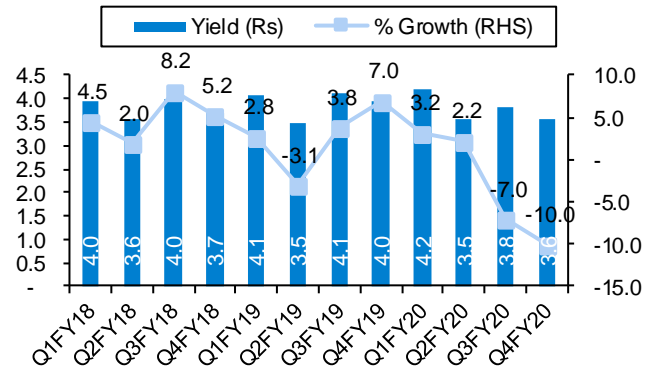
Source: Company, PL

**Exhibit 4: PLFs declined ~340 bps YoY**



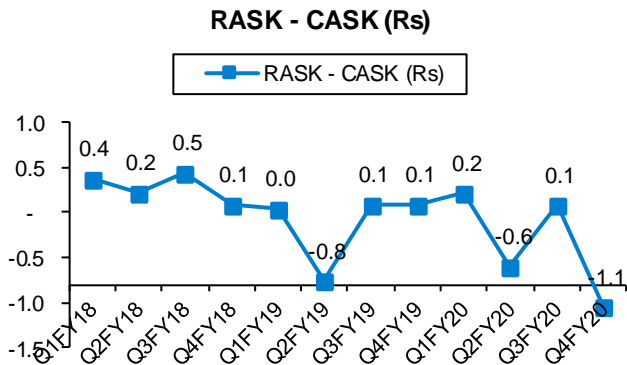
Source: Company, PL

**Exhibit 5: 10% YoY decrease in Yield (Pax rev/RPKM)**



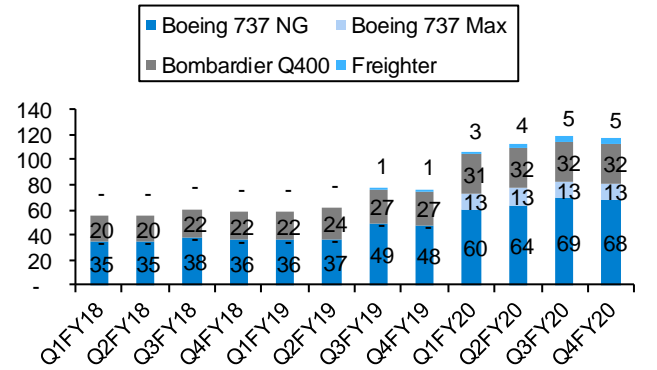
Source: Company, PL

**Exhibit 6: Max grounding, Covid disruption impact spreads**



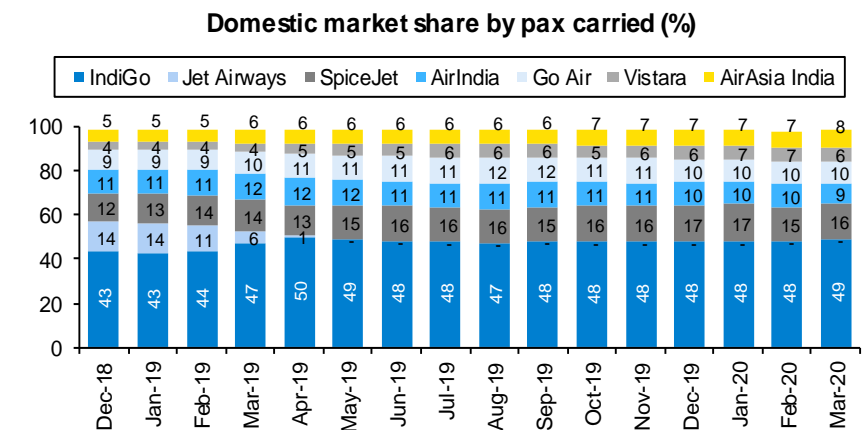
Source: Company, PL

**Exhibit 7: 1 aircraft returned in the quarter**



Source: Company, PL

**Exhibit 8: SJET has gained considerable market share post Jet's grounding**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>1,23,586</b>	<b>42,096</b>	<b>1,02,682</b>	<b>1,13,053</b>
YoY gr. (%)	35.6	(65.9)	143.9	10.1
Aircraft Fuel Expenses	46,162	11,410	29,931	32,956
Employee Cost	15,258	10,127	10,113	10,946
Other Expenses	53,573	20,679	40,411	43,219
<b>EBITDAR</b>	<b>8,594</b>	<b>(120)</b>	<b>22,228</b>	<b>25,933</b>
YoY gr. (%)	(33.2)	NM	NM	16.7
Margin (%)	7.0	NM	21.6	22.9
Aircraft Lease Rentals	3,630	3,535	3,125	3,180
Depreciation and Amortization	17,339	16,921	15,342	15,655
<b>EBIT</b>	<b>(12,375)</b>	<b>(20,576)</b>	<b>3,761</b>	<b>7,097</b>
Margin (%)	(10.0)	(48.9)	3.7	6.3
Net Interest	5,450	5,407	5,085	4,937
Other Income	1,760	1,142	1,217	1,243
<b>Profit Before Tax</b>	<b>(9,348)</b>	<b>(24,842)</b>	<b>(107)</b>	<b>3,404</b>
Margin (%)	NM	NM	NM	3.0
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
<b>Profit after tax</b>	<b>(9,348)</b>	<b>(24,842)</b>	<b>(107)</b>	<b>3,404</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>(16,066)</b>	<b>(24,842)</b>	<b>(107)</b>	<b>3,404</b>
YoY gr. (%)	NM	NM	NM	NM
Margin (%)	(13.0)	(59.0)	(0.1)	3.0
Extra Ord. Income / (Exp)	6,718	-	-	-
<b>Reported PAT</b>	<b>(9,348)</b>	<b>(24,842)</b>	<b>(107)</b>	<b>3,404</b>
YoY gr. (%)	NM	NM	NM	NM
Margin (%)	(7.3)	(59.0)	(0.1)	3.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(9,348)	(24,842)	(107)	3,404
<b>Equity Shares O/s (m)</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>
<b>EPS (Rs)</b>	<b>(26.8)</b>	<b>(41.4)</b>	<b>(0.2)</b>	<b>5.7</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>1,16,738</b>	<b>1,20,420</b>	<b>1,11,261</b>	<b>1,13,749</b>
Tangibles	1,16,200	1,19,782	1,10,523	1,12,911
Intangibles	538	638	738	838
<b>Acc: Dep / Amortization</b>	<b>29,929</b>	<b>32,062</b>	<b>33,043</b>	<b>36,004</b>
Tangibles	29,564	31,650	32,575	35,473
Intangibles	365	413	468	531
<b>Net fixed assets</b>	<b>86,810</b>	<b>88,358</b>	<b>78,218</b>	<b>77,745</b>
Tangibles	86,636	88,132	77,948	77,438
Intangibles	173	225	270	307
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	11,917	5,385	5,468	5,986
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	8,674	2,652	3,389	3,731
<b>Current Assets</b>				
Investments	4	4	10	11
Inventories	1,776	923	1,125	1,239
Trade receivables	15,458	5,767	5,908	6,195
Cash & Bank Balance	402	369	363	537
Other Current Assets	2,236	1,263	2,310	2,544
<b>Total Assets</b>	<b>1,29,668</b>	<b>1,05,141</b>	<b>97,818</b>	<b>99,118</b>
<b>Equity</b>				
Equity Share Capital	6,001	6,001	6,001	6,001
Other Equity	(21,793)	(46,635)	(46,742)	(43,338)
<b>Total Networkth</b>	<b>(15,793)</b>	<b>(40,634)</b>	<b>(40,742)</b>	<b>(37,338)</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	4,593	4,493	4,493	4,493
Provisions	6,285	4,639	4,020	4,700
Other non current liabilities	153	3,157	3,132	3,392
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	4,144	5,394	6,894	4,894
Trade payables	17,371	17,300	18,286	18,274
Other current liabilities	44,983	44,510	43,146	41,074
<b>Total Equity &amp; Liabilities</b>	<b>1,29,668</b>	<b>1,05,141</b>	<b>97,818</b>	<b>99,118</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	(9,348)	(24,842)	(107)	3,404
Add. Depreciation	17,339	16,921	15,342	15,655
Add. Interest	5,450	5,407	5,085	4,937
Less Financial Other Income	1,760	1,142	1,217	1,243
Add. Other	12,731	-	-	-
Op. profit before WC changes	26,173	(2,513)	20,320	23,996
Net Changes-WC	(7,428)	12,451	190	(3,169)
Direct tax	(327)	-	-	-
<b>Net cash from Op. activities</b>	<b>18,418</b>	<b>9,938</b>	<b>20,510</b>	<b>20,827</b>
Capital expenditures	(2,712)	(600)	(1,100)	(1,100)
Interest / Dividend Income	599	-	-	-
Others	326	12,608	(894)	(870)
<b>Net Cash from Inv. activities</b>	<b>(1,787)</b>	<b>12,008</b>	<b>(1,994)</b>	<b>(1,970)</b>
Issue of share cap. / premium	4	-	-	-
Debt changes	(970)	1,150	1,500	(2,000)
Dividend paid	-	-	-	-
Interest paid	(1,012)	(24,432)	(19,446)	(17,631)
Others	(15,064)	1,359	(644)	940
<b>Net cash from Fin. activities</b>	<b>(17,043)</b>	<b>(21,923)</b>	<b>(18,591)</b>	<b>(18,691)</b>
<b>Net change in cash</b>	<b>(368)</b>	<b>22</b>	<b>(75)</b>	<b>165</b>
Free Cash Flow	15,706	9,338	19,410	19,727

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
<b>Net Revenue</b>	<b>30,021</b>	<b>28,456</b>	<b>36,471</b>	<b>28,639</b>
YoY gr. (%)	33.8	49.8	48.3	12.0
Aircraft Fuel Expenses	10,284	11,621	13,407	10,850
Employee Expenses	3,536	3,962	4,059	3,700
Other Expenses	9,358	13,415	14,010	16,790
<b>EBITDAR</b>	<b>6,842</b>	<b>(541)</b>	<b>4,995</b>	<b>(2,702)</b>
Margin (%)	22.8	NM	13.7	(9.4)
Aircraft Lease Rentals	646	633	1,025	1,327
Depreciation / Depletion	3,723	4,363	4,647	4,557
<b>EBIT</b>	<b>2,473</b>	<b>(5,537)</b>	<b>(676)</b>	<b>(8,586)</b>
Margin (%)	8.2	NM	NM	NM
Net Interest	1,274	1,368	1,387	1,420
Other Income	326	512	332	589
<b>Profit before Tax</b>	<b>1,525</b>	<b>(6,393)</b>	<b>(1,732)</b>	<b>(9,416)</b>
Margin (%)	5.1	NM	NM	NM
Total Tax	-	-	-	-
Effective tax rate (%)	0.0	0.0	0.0	0.0
<b>Profit after Tax</b>	<b>1,525</b>	<b>(6,393)</b>	<b>(1,732)</b>	<b>(9,416)</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,525</b>	<b>(6,393)</b>	<b>(1,732)</b>	<b>(9,416)</b>
YoY gr. (%)	500.3	NM	NM	NM
Margin (%)	5.1	NM	NM	NM
Extra Ord. Income / (Exp)	1,141	1,767	2,464	1,345
<b>Reported PAT</b>	<b>2,667</b>	<b>(4,626)</b>	<b>732</b>	<b>(8,071)</b>
YoY gr. (%)	500.3	NM	NM	NM
Margin (%)	8.9	NM	2.0	(28.2)
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>2,667</b>	<b>(4,626)</b>	<b>732</b>	<b>(8,071)</b>
Avg. Shares O/s (m)	600	600	600	600
<b>EPS (Rs)</b>	<b>4.4</b>	<b>-7.7</b>	<b>1.2</b>	<b>-13.4</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	(26.8)	(41.4)	(0.2)	5.7
CEPS	2.1	(13.2)	25.4	31.8
BVPS	(26.3)	(67.7)	(67.9)	(62.2)
FCF	26.2	15.6	32.3	32.9
DPS	-	-	-	-
<b>Return Ratio(%)</b>				
RoCE	NM	NM	NM	NM
ROIC	NM	NM	3.9	7.2
RoE	NM	NM	NM	NM
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.2)	(0.3)	(0.2)
Net Working Capital (Days)	0	(92)	(40)	(35)
<b>Valuation(x)</b>				
PER	NM	NM	NM	8.1
P/B	NM	NM	NM	NM
P/CEPS	21.7	NM	1.8	1.5
EV/EBITDAR (Adj)	23.0	NM	7.9	6.8
EV/Sales	0.3	0.9	0.4	0.3
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

**Key Operating Metrics**

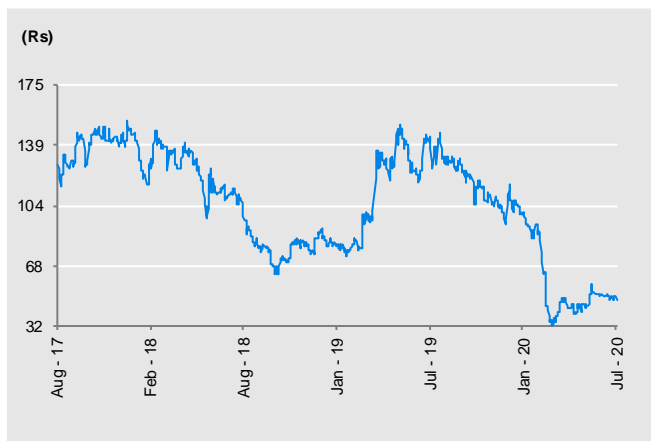
Y/e Mar	FY20	FY21E	FY22E	FY23E
EBITDAR (Rs mn)	8,594	(120)	22,228	25,933
EBITDAR %	7.0	(0.3)	21.6	22.9
ASK (bn)	31.3	13.2	26.9	28.7
RPK (bn)	28.1	8.9	22.2	24.4
PLF %	89.6	68.0	82.5	85.0
RASK (Rs)	4.0	3.3	3.9	4.0
CASK (Rs)	4.5	5.2	3.9	3.9
RASK-CASK (Rs)	(0.5)	(1.9)		0.1
Fleet Size	118.0	90.0	80.0	80.0

Source: Company Data, PL Research



## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	10-Jul-20	Hold	48	51
2	14-Apr-20	Hold	48	49
3	14-Feb-20	BUY	130	88
4	03-Jan-20	BUY	163	106
5	14-Nov-19	BUY	163	114
6	03-Oct-19	BUY	198	124
7	09-Aug-19	BUY	198	138

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	InterGlobe Aviation	Accumulate	965	908
2	SpiceJet	Hold	48	51

## PL's Recommendation Nomenclature (Absolute Performance)

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

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