

July 7, 2021

Q4FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	HOLD		BUY	
Target Price	85		120	
Sales (Rs. m)	67,331	1,27,132	1,11,699	1,30,134
% Chng.	(39.7)	(2.3)		
EBITDA (Rs. m)	4,491	21,948	24,122	28,998
% Chng.	(81.4)	(24.3)		
EPS (Rs.)	(24.5)	4.9	1.9	8.3
% Chng.	NA	(41.1)		

Key Financials - Standalone

Ye Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	1,23,586	52,698	67,331	1,27,132
EBITDAR (Rs. m)	8,594	5,592	4,491	21,948
Margin (%)	7.0	10.6	6.7	17.3
PAT (Rs. m)	(16,066)	(14,223)	(14,718)	2,927
EPS (Rs.)	(26.8)	(23.7)	(24.5)	4.9
Gr. (%)	NA	NA	NA	NA
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	166.5	68.5	44.5	(7.5)
RoCE (%)	3,031.9	97.1	41.5	(20.4)
EV/Sales (x)	0.5	1.0	0.8	0.4
EV/EBITDAR (x)	25.3	34.3	38.1	7.8
PE (x)	NA	NA	NA	16.3
P/BV (x)	NA	NA	NA	NA

Key Data

SPJT.BO | SJET IN

52-W High / Low	Rs.108 / Rs.45
Sensex / Nifty	52,861 / 15,818
Market Cap	Rs.48bn/ \$ 639m
Shares Outstanding	601m
3M Avg. Daily Value	Rs.806.6m

Shareholding Pattern (%)

Promoter's	59.81
Foreign	2.12
Domestic Institution	3.67
Public & Others	34.40
Promoter Pledge (Rs bn)	26.27

Stock Performance (%)

	1M	6M	12M
Absolute	(0.6)	(15.3)	58.8
Relative	(2.0)	(22.8)	9.6

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Recovery marred by second Covid wave

Quick Pointers:

- Cargo revenues grew by 1.4x QoQ to Rs4.2bn, margins at 9.7%
- To raise capital of up to Rs25bn via QIP

We cut SJET's FY22/FY23 EBITDAR estimates by 81.4%/ 24.3% and downgrade the stock to 'Hold' given 1) Covid-19 2nd wave led turbulence delaying recovery by 6-8 months and 2) sharp rise in crude oil prices to negatively impact CASK.

Despite RASK remaining flat, SJET's adjusted losses widened sequentially to Rs3.8bn largely on account of input cost inflation (Fuel CASK grew by 33% QoQ). Cargo continued to shine with revenues increasing by 1.4x QoQ to Rs4.2bn while recording 9.7% margins. In May average daily departures plummeted to 30-35% of pre-covid capacity from a peak of 80% in Feb, on account of 2nd Covid wave. However, with declining Covid-19 cases and rising vaccination counts, operations started to pick up with July witnessing 45% of pre-covid daily departures. SJET continues to focus on managing cash flows by 1) exploring new networks and revenue model 2) deferring payments to vendors including lessors 3) renegotiating rentals/ maintenance costs and 4) capital raise via QIP and hive off of cargo arm. Although we expect recovery to pick up pace by the end of CY2021, rising input cost inflation remains a near term worry. SJET continues to negotiate with Boeing regarding compensation for Boeing 737 Max grounding. Payment terms and flow of compensation remains a key monitorable.

We expect SJET to operate at 51%/ 94% of pre-covid capacity in FY22/FY23. We value the stock at 8x FY23 adj. EV/EBITDAR and arrive at a target price of Rs85. We downgrade the stock to 'Hold' given twin headwinds in the form of delayed recovery in operations and rising crude oil prices.

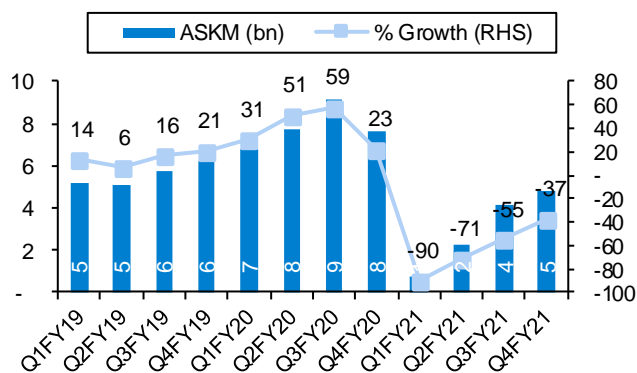
Sales down by 34.5% YoY; Cargo revenues up by 1.4x QoQ: Sales declined by 34.5% to Rs18.8bn. Cargo revenue grew 1.4xQoQ. EBITDAR came in at Rs440mn v/s Loss of Rs2.7bn. Adjusting for Rs1.4bn (Rs12.3bn till date) of Boeing 737 Max related compensation booked as other income, SJET reported loss of Rs3.8bn. Aided by Rs682mn rental concession, other income grew by 3x to Rs1.8bn. Reported loss at Rs2.4bn v/s Rs8bn.

Looking to raise upto Rs25bn via QIP; hive-off cargo arm: In order to improve its liquidity position, SJET is looking to raise fresh capital up to Rs25bn via QIP. Also, with an aim of providing greater focus to cargo business and raise additional capital, SJET is looking to hive off cargo business and operate it as a separate entity. With the 2nd covid wave pegging the industry back by 6-8 months in its recovery flight, successful execution of these initiatives will remain key for long term sustainability of operations.

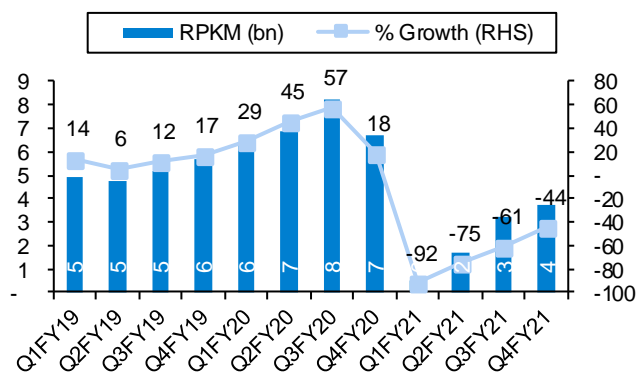
Exhibit 1 : Sales declined by 34.5%; Rs1.4bn recognized as compensation for Boeing 737 Max grounding

Y/e March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Revenue from Operations (Rs mn)	18,771	28,639	(34.5)	16,866	51,334	1,23,586	(58.5)
Aircraft fuel expenses	7,073	10,850	(34.8)	4,539	15,288	46,162	(66.9)
Employee Cost	2,133	3,564	(40.2)	1,871	6,762	14,635	(53.8)
Other expenses	9,125	16,926	(46.1)	7,337	25,055	54,196	(53.8)
EBITDAR	440	(2,702)		3,119	4,228	8,594	(50.8)
<i>EBITDAR margin %</i>	<i>2.3</i>	<i>(9.4)</i>		<i>18.5</i>	<i>8.2</i>	<i>7.0</i>	
Aircraft & engine rentals	1,234	1,327	(7.0)	670	2,485	3,630	(31.5)
Other Income	1,764	589	199.3	797	4,270	1,760	142.6
Depreciation & Amortization	3,138	4,557	(31.1)	3,803	15,580	17,339	(10.1)
Finance Cost	1,597	1,420	12.5	1,416	6,021	5,450	10.5
PBT	(3,765)	(9,416)	NA	(1,973)	(15,588)	(16,066)	NA
Tax Expense	-	-		-	-	-	
AdjPAT	(3,765)	(9,416)	NA	(1,973)	(15,588)	(16,066)	NA
<i>PAT margin %</i>	<i>(20.1)</i>	<i>(32.9)</i>		<i>(11.7)</i>	<i>(30.4)</i>	<i>(13.0)</i>	
Exceptional item	1,412	1,345		1,404	5,604	6,718	
Reported PAT	(2,353)	(8,071)	NA	(570)	(9,983)	(9,348)	NA
Key Operating Metrics							
ASKM (mn)	4,818	7,650	(37.0)	2,243	11,892	31,334	(62.0)
RPKM (mn)	3,731	6,706	(44.4)	1,699	9,131	28,201	(67.6)
Load Factor %	77.4	87.7	(10.2)	75.8	76.8	90.0	(13.2)

Source: Company, PL

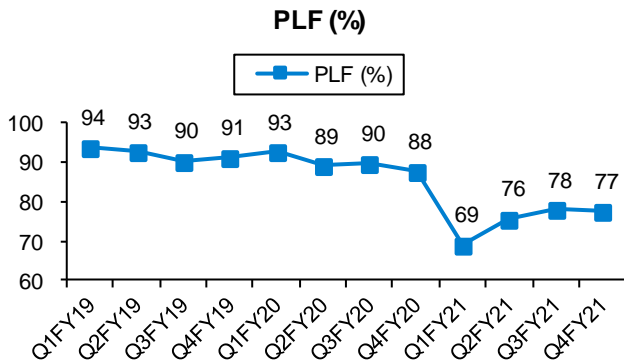
Exhibit 2 : ASKM de- grew by 37% YoY


Source: Company, PL

Exhibit 3 : RPKM de-grew by 44% YoY


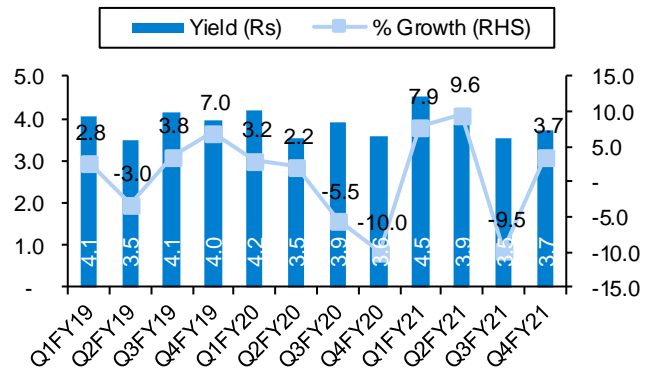
Source: Company, PL

Exhibit 4: PLFs declined marginally QoQ to 77 %



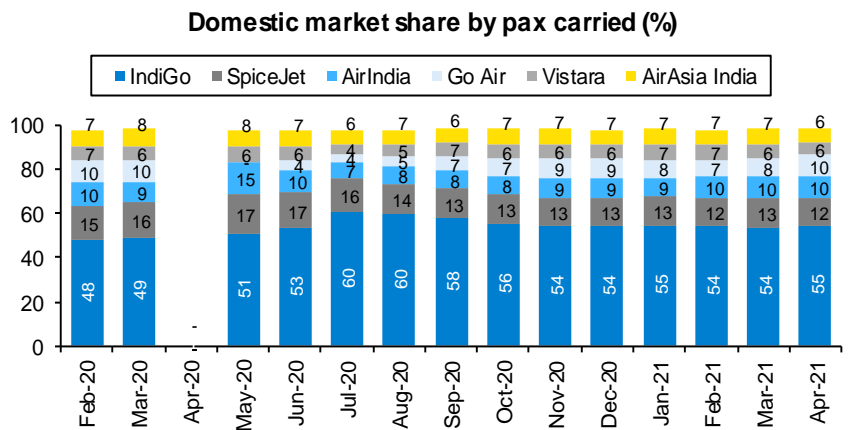
Source: Company, PL

Exhibit 5: Yields estimated to remain stable at Rs3.7



Source: Company, PL

Exhibit 6: SJET's market share steady at 12% post resumption of services



Source: Company, PL *Operations were suspended in April 2020

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	1,23,586	52,698	67,331	1,27,132
YoY gr. (%)	35.6	(57.4)	27.8	88.8
Aircraft Fuel Expenses	46,162	15,288	25,237	48,069
Employee Cost	14,635	6,762	7,635	9,286
Other Expenses	54,196	25,055	29,968	47,829
EBITDAR	8,594	5,592	4,491	21,948
YoY gr. (%)	(33.2)	(34.9)	(19.7)	388.8
Margin (%)	7.0	10.6	6.7	17.3
Aircraft Lease Rentals	3,630	2,485	1,832	1,851
Depreciation and Amortization	17,339	15,580	13,438	13,596
EBIT	(12,375)	(12,473)	(10,778)	6,501
Margin (%)	(10.0)	(23.7)	(16.0)	5.1
Net Interest	5,450	6,021	5,026	5,075
Other Income	1,760	4,270	1,087	1,501
Profit Before Tax	(9,348)	(8,619)	(14,718)	2,927
Margin (%)	(7.6)	(16.4)	(21.9)	2.3
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after tax	(9,348)	(8,619)	(14,718)	2,927
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(16,066)	(14,223)	(14,718)	2,927
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	(13.0)	(27.0)	(21.9)	2.3
Extra Ord. Income / (Exp)	6,718	5,604	-	-
Reported PAT	(9,348)	(8,619)	(14,718)	2,927
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	(7.6)	(16.4)	(21.9)	2.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(9,348)	(8,619)	(14,718)	2,927
Equity Shares O/s (m)	600	601	601	601
EPS (Rs)	(26.8)	(23.7)	(24.5)	4.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	1,16,074	1,14,846	1,20,953	1,32,971
Tangibles	1,15,505	1,14,305	1,20,362	1,32,330
Intangibles	570	541	591	641
Acc: Dep / Amortization	29,265	44,844	58,282	71,878
Tangibles	28,868	44,398	57,791	71,339
Intangibles	396	446	491	539
Net fixed assets	86,810	70,001	62,671	61,094
Tangibles	86,636	69,907	62,571	60,991
Intangibles	173	95	100	102
Capital Work In Progress	-	58	-	-
Goodwill	-	-	-	-
Non-Current Investments	11,917	10,473	10,145	11,789
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	7,724	7,438	4,915	6,102
Current Assets				
Investments	4	4	7	13
Inventories	1,776	1,558	1,107	1,393
Trade receivables	15,458	20,398	8,670	7,384
Cash & Bank Balance	402	320	251	312
Other Current Assets	2,236	1,813	1,178	2,416
Total Assets	1,28,718	1,13,755	89,617	91,773
Equity				
Equity Share Capital	6,001	6,009	6,009	6,009
Other Equity	(21,793)	(31,725)	(46,442)	(43,516)
Total Networkth	(15,793)	(25,715)	(40,433)	(37,506)
Non-Current Liabilities				
Long Term borrowings	4,593	3,027	3,027	3,027
Provisions	6,285	5,050	5,244	5,517
Other non current liabilities	153	136	337	953
Current Liabilities				
ST Debt / Current of LT Debt	4,144	4,045	4,045	4,045
Trade payables	17,371	17,106	17,524	17,067
Other current liabilities	44,033	56,491	53,336	51,640
Total Equity & Liabilities	1,28,718	1,13,755	89,617	91,773

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	(9,348)	(9,983)	(14,718)	2,927
Add. Depreciation	17,339	15,580	13,438	13,596
Add. Interest	5,450	6,021	5,026	5,075
Less Financial Other Income	1,760	4,270	1,087	1,501
Add. Other	6,391	(5,868)	-	-
Op. profit before WC changes	19,833	5,749	3,746	21,598
Net Changes-WC	(1,272)	(2,364)	16,883	(3,256)
Direct tax	(327)	366	-	-
Net cash from Op. activities	18,234	3,750	20,629	18,343
Capital expenditures	(2,528)	(614)	(492)	(550)
Interest / Dividend Income	599	688	-	-
Others	326	2,030	2,841	(2,864)
Net Cash from Inv. activities	(1,603)	2,105	2,349	(3,414)
Issue of share cap. / premium	4	9	-	-
Debt changes	(970)	(75)	-	-
Dividend paid	-	-	-	-
Interest paid	(1,012)	(1,991)	(23,451)	(15,785)
Others	(15,064)	(3,779)	396	890
Net cash from Fin. activities	(17,043)	(5,836)	(23,056)	(14,895)
Net change in cash	(368)	14	(78)	34
Free Cash Flow	15,706	3,137	20,137	17,793

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	5,147	10,550	16,866	18,771
YoY gr. (%)	(83.5)	(63.2)	(53.8)	(34.5)
Aircraft Fuel Expenses	892	2,785	4,539	7,073
Employee Expenses	1,722	1,064	1,871	2,133
Other Expenses	4,242	4,324	7,337	9,125
EBITDAR	(1,709)	2,378	3,119	440
Margin (%)	(33.2)	22.5	18.5	2.3
Aircraft Lease Rentals	245	336	670	1,234
Depreciation / Depletion	4,482	4,156	3,803	3,138
EBIT	(6,436)	(2,114)	(1,354)	(3,932)
Margin (%)	(125.0)	(20.0)	(8.0)	(20.9)
Net Interest	1,493	1,514	1,416	1,597
Other Income	594	1,114	797	1,764
Profit before Tax	(7,335)	(2,515)	(1,973)	(3,765)
Margin (%)	(142.5)	(23.8)	(11.7)	(20.1)
Total Tax	-	-	-	-
Effective tax rate (%)	0.0	0.0	0.0	0.0
Profit after Tax	(7,335)	(2,515)	(1,973)	(3,765)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(7,335)	(2,515)	(1,973)	(3,765)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	(142.5)	(23.8)	(11.7)	(20.1)
Extra Ord. Income / (Exp)	1,400	1,389	1,404	1,412
Reported PAT	(5,934)	(1,126)	(570)	(2,353)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	(115.3)	(10.7)	(3.4)	(12.5)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(5,934)	(1,126)	(570)	(2,353)
Avg. Shares O/s (m)	600	600	600	601
EPS (Rs)	-9.9	-1.9	-0.9	-3.9

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	(26.8)	(23.7)	(24.5)	4.9
CEPS	2.1	2.3	(2.1)	27.5
BVPS	(26.3)	(42.8)	(67.3)	(62.4)
FCF	26.2	5.2	33.5	29.6
DPS	-	-	-	-
Return Ratio(%)				
RoCE	3,031.9	97.1	41.5	(20.4)
ROIC	(9.6)	(11.0)	(12.1)	7.1
RoE	166.5	68.5	44.5	(7.5)
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.3)	(0.2)	(0.2)
Net Working Capital (Days)	0	34	(42)	(24)
Valuation(x)				
PER	NA	NA	NA	16.3
P/B	NA	NA	NA	NA
P/CEPS	37.3	35.1	(37.2)	2.9
EV/EBITDAR (Adj)	25.3	34.3	38.1	7.8
EV/Sales	0.5	1.0	0.8	0.4
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
EBITDAR (Rs mn)	8,594	4,228	4,491	21,948
EBITDAR %	7.0	8.2	6.7	17.3
ASK (bn)	31.3	11.9	16.1	29.5
RPK (bn)	28.1	9.1	12.5	26.0
PLF %	89.6	76.8	78.0	88.0
RASK (Rs)	4.0	4.8	4.3	4.4
CASK (Rs)	4.5	6.0	5.2	4.3
RASK-CASK (Rs)	(0.5)	(1.2)	(0.9)	0.1
Fleet Size	118.0	95.0	90.0	90.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Apr-21	BUY	120	72
2	11-Feb-21	BUY	120	88
3	11-Jan-21	BUY	100	94
4	12-Nov-20	BUY	70	55
5	9-Oct-20	Hold	53	50
6	16-Sep-20	Hold	53	54
7	3-Aug-20	Sell	32	46
8	10-Jul-20	Hold	48	51

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	InterGlobe Aviation	Hold	1,670	1,755
2	KEI Industries	BUY	825	721
3	Polycab India	BUY	1,927	1,980
4	SpiceJet	BUY	120	72

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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