

November 12, 2020

Q2FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		HOLD	
Target Price	70		53	
Sales (Rs. m)	1,06,201	1,16,145	1,04,590	1,14,331
% Chng.	1.5	1.6		
EBITDAR (Rs. m)	21,636	25,750	21,438	25,562
% Chng.	0.9	0.7		
EPS (Rs.)	(1.0)	5.8	(1.2)	5.4
% Chng.	NA	7.9		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	1,23,586	60,782	1,06,201	1,16,145
EBITDAR (Rs. m)	8,594	8,812	21,636	25,750
Margin (%)	7.0	14.5	20.4	22.2
PAT (Rs. m)	(16,066)	(11,387)	(593)	3,473
EPS (Rs.)	(26.8)	(19.0)	(1.0)	5.8
Gr. (%)	NA	NA	NA	NA
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	166.5	53.0	2.2	NA
RoCE (%)	NA	70.8	(17.4)	NA
EV/Sales (x)	0.3	0.7	0.4	0.3
EV/EBITDAR (x)	23.6	20.8	8.3	7.0
PE (x)	NA	NA	NA	9.5
P/BV (x)	NA	NA	NA	NA

Key Data

SPJT.BO | SJET IN

52-W High / Low	Rs.120 / Rs.31
Sensex / Nifty	43,357 / 12,691
Market Cap	Rs.33bn/ \$ 442m
Shares Outstanding	600m
3M Avg. Daily Value	Rs.455.27m

Shareholding Pattern (%)

Promoter's	59.91
Foreign	0.98
Domestic Institution	8.19
Public & Others	30.92
Promoter Pledge (Rs bn)	26.30

Stock Performance (%)

	1M	6M	12M
Absolute	13.7	28.4	(52.3)
Relative	6.4	(7.1)	(55.6)

Paarth Gala

paarthgala@plindia.com | 91-22-66322242

To fly past turbulent times; Upgrade to BUY

Quick Pointers:

- Cargo revenues grew by 2.6x YoY/39% QoQ; Yields up by 13.6% YoY
- Charter revenues contribute 32% of passenger revenues
- Booked Boeing Max compensation of Rs1.4bn; return to service by 4QFY21

We increase our FY21/FY22/FY23 EBITDAR estimates by 23.1%/ 0.9%/ 0.7% respectively and upgrade to Buy (earlier Hold) given 1) resilient scale up of operations helped by charter demand 2) sustained increase in load factors on the back of easing lockdown restrictions and rising consumer confidence.

With scheduled passenger operations capped due to Covid, SJET continues to reap benefits from its cargo segment which grew by 2.6x YoY/ 39% QoQ thereby reducing cash burn. With dedicated fleet of 14 aircrafts, SJET has emerged as the largest air cargo operator in the country. In addition to this, SJET continues to focus on managing cash flows by 1) exploring new networks and revenue model (charter, cargo) 2) deferring payments to vendors including lessors 3) reducing unit costs by renegotiating rentals/maintenance contracts, cutting down discretionary /employee costs. Likely return to service of Boeing 737 Max (more fuel and cost efficient) by 4QFY21 will further aide operations. Also, 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.

We expect FY21 capacity to decline by 53% YoY while FY22/FY23 capacity will likely be 86%/91% of FY20 capacity. We value the stock at 7.3x FY23 adj. EV/EBITDAR and arrive at a target price of Rs70. Upgrade to Buy from Hold. Implementation of lockdown due to rising Covid cases, volatility in key commodity costs (Crude, INR) and delay in Boeing Max recertification & compensation remain key risk to our call.

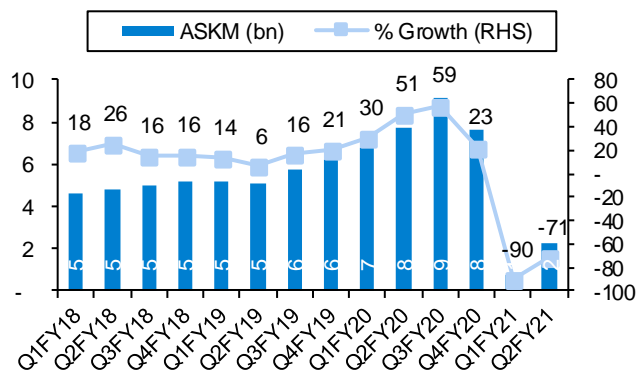
Sales down by 62.9%; Cargo revenues up by 39% QoQ: Revenues declined by 62.9% to Rs10.6bn with Pax revenue down by 72.9% while cargo revenue grew 2.6x YoY/39% QoQ to Rs3.3bn. EBITDAR came in at Rs2.4bn vs Rs-541mn aided by Rs1.7bn forex gain (vs loss of Rs1.9bn) and 70%/53% decline in employee /maintenance costs. Adjusting for Rs1.4bn (Rs9.5bn till date) of Boeing 737 Max related compensation booked as other income, SJET reported a loss of Rs2.5bn. Reported loss was Rs1.1bn vs profit of Rs732mn.

Operating RASK up by 0.5%; Yields up by 13.6%: Operating RASK grew by 39% YoY to Rs5.2 with Pax RASK declining by 6.5% to Rs2.9 (IndiGo: Rs2.5) while other operating RASK grew 3.2x to Rs1.7 aided by strong growth cargo revenues. Excluding freighter revenues Operating RASK grew by 0.5% to Rs3.7. Yields improved by 13.6% YoY on the back of strong charter demand while PLFs were down by 16.6% to 73.1%. The 34.7% decline in Fuel CASK was offset by 43.5% increase in non-Fuel CASK leading to 17.8% increase in CASK. Excluding Boeing compensation, unit spread loss narrowed down to Rs-0.56.

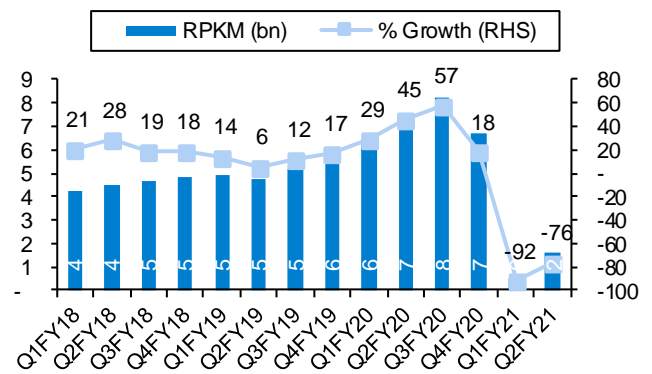
Exhibit 1: Sales declined by 62.9%; Rs1.4bn recognized as compensation for Boeing 737 Max grounding

Y/e March	Q2FY21	Q2FY20	YoY gr. (%)	Q1FY21	H1FY21	H1FY20	YoY gr. (%)
Revenue from Operations (Rs mn)	10,550	28,456	(62.9)	5,147	15,697	58,477	(73.2)
Aircraft fuel expenses	2,785	11,621	(76.0)	892	3,677	21,905	(83.2)
Employee Cost	1,185	3,962	(70.1)	1,722	2,907	7,498	(61.2)
Other expenses	4,203	13,415	(68.7)	4,242	8,444	22,773	(62.9)
EBITDAR	2,378	(541)	(539.2)	(1,709)	669	6,300	(89.4)
<i>EBITDAR margin %</i>	<i>22.5</i>	<i>(1.9)</i>		<i>(33.2)</i>	<i>4.3</i>	<i>10.8</i>	
Aircraft & engine rentals	336	633	(46.9)	245	581	1,278	(54.6)
Other Income	1,114	512	117.6	594	1,708	838	103.7
Depreciation & Amortization	4,156	4,363	(4.7)	4,482	8,638	8,135	6.2
Finance Cost	1,514	1,368	10.7	1,493	3,007	2,643	13.8
PBT	(2,515)	(6,393)	NA	(7,335)	(9,849)	(4,918)	NA
Tax Expense	-	-		-	-	-	
Adj PAT	(2,515)	(6,393)	NA	(7,335)	(9,849)	(4,918)	NA
<i>PAT margin %</i>	<i>(23.8)</i>	<i>(22.5)</i>		<i>(142.5)</i>	<i>(62.7)</i>	<i>(8.4)</i>	
Exceptional item	1,389	1,767		1,400	2,789	2,909	
Reported PAT	(1,126)	(4,626)	NA	(5,934)	(7,060)	(2,009)	NA
Key Operating Metrics							
ASKM (mn)	2,243	7,748	(71.0)	705	2,948	14,544	(79.7)
RPKM (mn)	1,640	6,898	(76.2)	487	2,127	13,190	(83.9)
Load Factor %	73.1	89.0	(15.9)	69.1	72.2	90.7	(18.5)
Yield (Rs)	4.0	3.5	13.6	4.5	4.2	3.9	7.7
RASK (Rs)	4.8	4.0	21.2	10.1	5.5	4.3	29.0
Fuel CASK (Rs)	1.0	1.5	(34.7)	1.3	1.0	1.5	(37.1)
Non-Fuel CASK (Rs)	4.4	3.1	43.5	17.3	7.2	2.9	146.9
CASK (Rs)	5.4	4.6	17.8	18.5	8.1	4.4	83.9
RASK - CASK (Rs)	(0.6)	(0.6)	NA	(8.4)	(2.6)	(0.1)	NA

Source: Company, PL

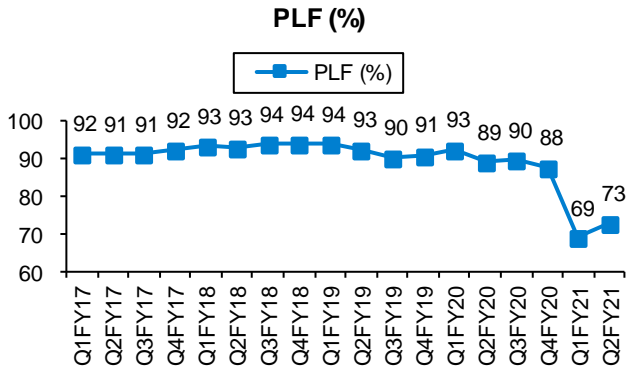
Exhibit 2: ASKM de-grew by 71% YoY


Source: Company, PL

Exhibit 3: RPKM de-grew by 76% YoY


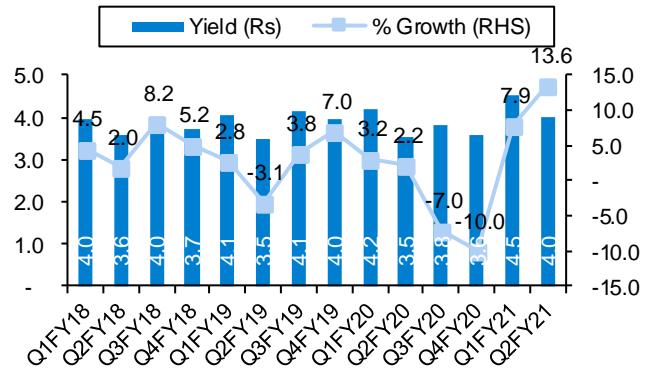
Source: Company, PL

Exhibit 4: PLFs at 73%



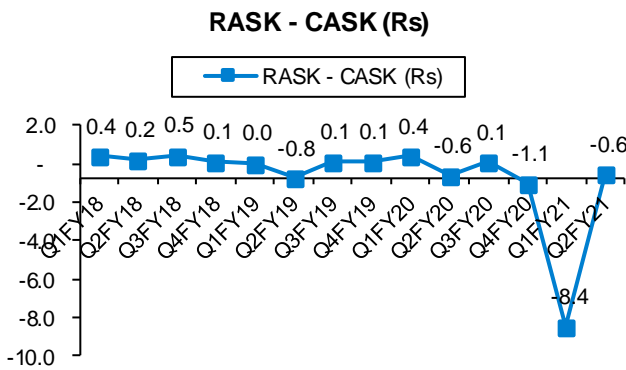
Source: Company, PL

Exhibit 5: 13.6% YoY increase in Yield (Pax rev/RPKM)



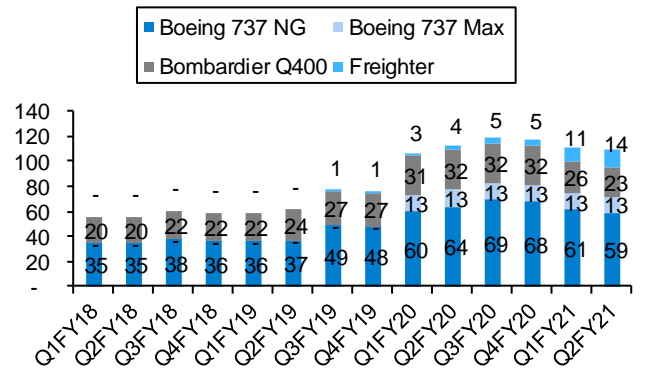
Source: Company, PL

Exhibit 6: Unit spreads improve QoQ



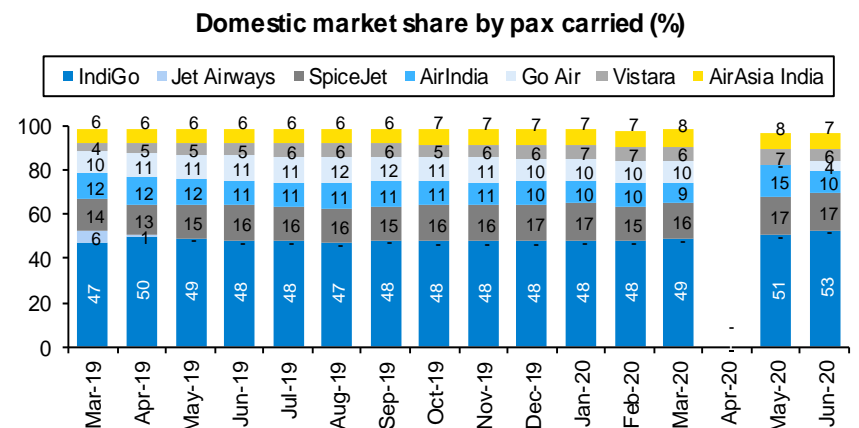
Source: Company, PL

Exhibit 7: 2 aircraft returned in the quarter



Source: Company, PL

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



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

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	1,23,586	60,782	1,06,201	1,16,145
YoY gr. (%)	35.6	(50.8)	74.7	9.4
Aircraft Fuel Expenses	46,162	18,306	31,175	33,617
Employee Cost	15,258	6,641	10,001	10,825
Other Expenses	53,573	27,023	43,389	45,954
EBITDAR	8,594	8,812	21,636	25,750
YoY gr. (%)	(33.2)	2.5	145.5	19.0
Margin (%)	7.0	14.5	20.4	22.2
Aircraft Lease Rentals	3,630	1,216	1,963	1,982
Depreciation and Amortization	17,339	16,651	16,387	16,613
EBIT	(12,375)	(9,056)	3,286	7,155
Margin (%)	NA	NA	3.1	6.2
Net Interest	5,450	6,011	4,990	5,004
Other Income	1,760	3,681	1,111	1,322
Profit Before Tax	(9,348)	(5,597)	(593)	3,473
Margin (%)	NA	NA	(0.6)	3.0
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after tax	(9,348)	(5,597)	(593)	3,473
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(16,066)	(11,387)	(593)	3,473
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	3.0
Extra Ord. Income / (Exp)	6,718	5,789	-	-
Reported PAT	(9,348)	(5,597)	(593)	3,473
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	3.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(9,348)	(5,597)	(593)	3,473
Equity Shares O/s (m)	600	600	600	600
EPS (Rs)	(26.8)	(19.0)	(1.0)	5.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	1,16,738	1,08,073	1,06,748	1,08,588
Tangibles	1,16,200	1,07,435	1,06,010	1,07,749
Intangibles	538	638	738	838
Acc: Dep / Amortization	29,929	31,792	34,089	36,962
Tangibles	29,564	31,379	33,620	36,431
Intangibles	365	413	468	531
Net fixed assets	86,810	76,281	72,659	71,626
Tangibles	86,636	76,056	72,390	71,319
Intangibles	173	225	270	307
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	11,917	9,751	11,254	11,087
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	8,674	6,261	3,505	3,833
Current Assets				
Investments	4	6	11	12
Inventories	1,776	1,332	1,164	1,273
Trade receivables	15,458	14,155	7,274	7,955
Cash & Bank Balance	402	365	437	1,146
Other Current Assets	2,236	1,823	2,336	2,555
Total Assets	1,29,668	1,11,190	99,702	1,00,648
Equity				
Equity Share Capital	6,001	6,001	6,001	6,001
Other Equity	(21,793)	(33,180)	(33,773)	(30,300)
Total Networth	(15,793)	(27,179)	(27,772)	(24,299)
Non-Current Liabilities				
Long Term borrowings	4,593	4,493	4,493	4,493
Provisions	6,285	4,070	4,559	4,127
Other non current liabilities	153	182	797	871
Current Liabilities				
ST Debt / Current of LT Debt	4,144	4,144	4,144	4,144
Trade payables	17,371	23,314	14,548	14,319
Other current liabilities	44,983	45,144	43,730	41,234
Total Equity & Liabilities	1,29,668	1,11,190	99,702	1,00,648

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	(9,348)	(5,597)	(593)	3,473
Add. Depreciation	17,339	16,651	16,387	16,613
Add. Interest	5,450	6,011	4,990	5,004
Less Financial Other Income	1,760	3,681	1,111	1,322
Add. Other	12,731	(5,789)	-	-
Op. profit before WC changes	26,173	11,276	20,784	25,090
Net Changes-WC	(7,428)	12,032	(2,883)	(4,018)
Direct tax	(327)	-	-	-
Net cash from Op. activities	18,418	23,308	17,901	21,072
Capital expenditures	(2,712)	(600)	(1,100)	(1,100)
Interest / Dividend Income	599	-	-	-
Others	326	4,668	1,224	(252)
Net Cash from Inv. activities	(1,787)	4,068	124	(1,352)
Issue of share cap. / premium	4	-	-	-
Debt changes	(970)	(100)	-	-
Dividend paid	-	-	-	-
Interest paid	(1,012)	(25,036)	(19,080)	(18,743)
Others	(15,064)	(2,185)	1,103	(358)
Net cash from Fin. activities	(17,043)	(27,322)	(17,977)	(19,101)
Net change in cash	(368)	54	48	620
Free Cash Flow	15,706	22,708	16,801	19,972

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	36,471	28,639	5,147	10,550
YoY gr. (%)	48.3	12.0	(83.5)	(63.2)
Aircraft Fuel Expenses	13,407	10,850	892	2,785
Employee Expenses	4,059	3,700	1,722	1,185
Other Expenses	14,010	16,790	4,242	4,203
EBITDAR	4,995	(2,702)	(1,709)	2,378
Margin (%)	13.7	(9.4)	(33.2)	22.5
Aircraft Lease Rentals	1,025	1,327	245	336
Depreciation / Depletion	4,647	4,557	4,482	4,156
EBIT	(676)	(8,586)	(6,436)	(2,114)
Margin (%)	(1.9)	(30.0)	(125.0)	(20.0)
Net Interest	1,387	1,420	1,493	1,514
Other Income	332	589	594	1,114
Profit before Tax	(1,732)	(9,416)	(7,335)	(2,515)
Margin (%)	(4.7)	(32.9)	(142.5)	(23.8)
Total Tax	-	-	-	-
Effective tax rate (%)	0.0	0.0	0.0	0.0
Profit after Tax	(1,732)	(9,416)	(7,335)	(2,515)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(1,732)	(9,416)	(7,335)	(2,515)
YoY gr. (%)	(414.4)	(1772.8)	(597.2)	(60.7)
Margin (%)	(4.7)	(32.9)	(142.5)	(23.8)
Extra Ord. Income / (Exp)	2,464	1,345	1,400	1,389
Reported PAT	732	(8,071)	(5,934)	(1,126)
YoY gr. (%)	(414.4)	(1772.8)	(597.2)	(60.7)
Margin (%)	2.0	(28.2)	(115.3)	(10.7)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	732	(8,071)	(5,934)	(1,126)
Avg. Shares O/s (m)	600	600	600	600
EPS (Rs)	1.2	-13.4	-9.9	-1.9

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	(26.8)	(19.0)	(1.0)	5.8
CEPS	2.1	8.8	26.3	33.5
BVPS	(26.3)	(45.3)	(46.3)	(40.5)
FCF	26.2	37.8	28.0	33.3
DPS	-	-	-	-
Return Ratio(%)				
RoCE	NA	70.8	NA	NA
ROIC	NA	NA	3.3	7.2
RoE	NA	53.0	2.2	NA
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	0	(47)	(21)	(16)
Valuation(x)				
PER	NA	NA	NA	9.5
P/B	NA	NA	NA	NA
P/CEPS	25.9	6.3	2.1	1.6
EV/EBITDAR (Adj)	23.6	20.8	8.3	7.0
EV/Sales	0.3	0.7	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	8,812	21,636	25,750
EBITDAR %	7.0	14.5	20.4	22.2
ASK (bn)	31.3	14.8	26.9	28.7
RPK (bn)	28.1	11.4	22.2	24.6
PLF %	89.6	76.7	82.5	86.0
RASK (Rs)	4.0	4.3	4.0	4.1
CASK (Rs)	4.5	5.1	4.0	4.0
RASK-CASK (Rs)	(0.5)	(0.8)	0.0	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	09-Oct-20	Hold	53	50
2	16-Sep-20	Hold	53	54
3	03-Aug-20	Sell	32	46
4	10-Jul-20	Hold	48	51
5	14-Apr-20	Hold	48	49
6	14-Feb-20	BUY	130	88
7	03-Jan-20	BUY	163	106
8	14-Nov-19	BUY	163	114

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	InterGlobe Aviation	Accumulate	1,450	1,331
2	SpiceJet	Hold	53	50

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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