

India

**HOLD** (no change)

Consensus ratings*: Buy 2 Hold 1 Sell 2	
Current price:	Rs40
Target price:	Rs42
Previous target:	Rs60
Up/downside:	5.0%
InCred Research / Consensus:	-3.4%
Reuters:	
Bloomberg:	SJET IN
Market cap:	US\$331m
	Rs24,014m
Average daily turnover:	US\$1.7m
	Rs120.5m
Current shares o/s:	600.1m
Free float:	40.5%
*Source: Bloomberg	

**Key changes in this note**

- Introduce FY25F estimates.
- Roll forward target price to Mar 2024F.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	12.2	4.3	(33.8)
Relative (%)	12.7	11.0	(37.2)

<b>Major shareholders</b>	% held
Promoter and Promoter Group	59.5

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**MARCH 2023**  
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# SpiceJet Ltd

## Dismal 3Q freight revenue is key concern

- Despite strong passenger tariff in 3QFY23, SpiceJet reported muted results for the quarter due to weak cargo revenue (80%/ 42% dip yoy/qoq, respectively).
- Retain HOLD rating on it with a lower target price of Rs42 (from Rs60 earlier).

### Muted results in a seasonally strong quarter

SpiceJet's 3QFY23 PBT before exceptional items posted a loss of Rs0.9bn vs. an average profit of Rs0.7bn over 3Q of FY18-20. Gross profit margin (51%) was significantly lower than the average of 3Q over FY18-20 (65%). Sales (Rs23.1bn) grew 19% qoq, despite 42% qoq/ 80% yoy dip in freight revenue (Rs1.2bn), due to a 16% rise in revenue passenger km (RPK) and a 9% rise in tariff (revenue/ RPK). PLF rose qoq (88.7% vs. 84% qoq). Reported PAT (Rs1.1bn) was boosted by the waiver of past lease rent of Rs3bn. After the Rs42bn loss over FY21-3QFY23, net worth stands at a negative Rs58bn.

### Strong passenger volume and tariff but operating result lags IndiGo

SpiceJet's RPK rose 16% qoq, while IndiGo's RPK rose 12% qoq. Its passenger load factor (PLF) was 88.7% vs. 85.1% for IndiGo. Revenue/ pax km rose 9% qoq, while for IndiGo it increased by 5% qoq. Despite strong volume and tariff growth vs. IndiGo, SpiceJet posted a Rs0.9bn loss in 3QFY23 while IndiGo reported a profit of Rs17.5bn. This was mainly due to 42% qoq and 80% yoy dip in freight revenue. Fuel and other expenses (53% of overall cost in FY20) dipped 4% qoq due to a 15% qoq dip in fuel prices. Ownership cost (36% of overall cost in FY20) fell by 2% qoq, despite a 10% qoq rise in ASK, due to renegotiation with lessors.

### Planned divestment of cargo business and raising of equity

SpiceJet has passed a board resolution to: (a) Transfer its cargo business to its subsidiary SpiceXpress and Logistics (SXPL). Further, it plans to divest the same to Carlyle Aviation Partners and others for Rs25.5bn. (b) Swap the lease liability of Rs7.6bn into equity. (c) Raise Rs25bn equity. The progress in fund-raising and conversion of liabilities into equity/ compulsorily convertible debentures is a key development to watch out for in the near term.

### Roll forward valuation to Mar 2024F; retain HOLD rating

We factor in a yearly growth of 15% in ASK and RPK over FY23F-25F. We consider a decline in tariff in FY24F due to a 10% reduction in fuel prices and higher tariff in 3QFY23 due to industry capacity constraints (unlikely to sustain). We have reduced our FY24F EBITDAR by 68% due to weak results in 9MFY23 and introduce FY25F estimates. We roll forward our target price for SpiceJet to Mar 2024F, reducing it to Rs42 (Rs60 earlier) and retain our HOLD rating on it. We value the business at 9.5x FY25F EV/EBITDAR, in line with our target multiple for IndiGo. Raising of equity and divestment of cargo business at an attractive valuation are upside risks. Slow growth in passenger traffic is a downside risk.

Financial Summary	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	51,334	65,573	88,282	96,904	117,942
Operating EBITDA (Rsm)	(311)	(6,648)	(4,697)	644	7,993
Net Profit (Rsm)	(9,983)	(17,152)	(18,972)	(10,793)	(7,143)
Core EPS (Rs)	(29.4)	(27.3)	(31.5)	(17.9)	(11.9)
Core EPS Growth	110.6%	(6.9%)	15.3%	(43.1%)	(33.8%)
FD Core P/E (x)	(1.36)	(1.46)	(1.27)	(2.22)	(3.36)
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	(365.61)	(15.85)	(21.67)	169.08	13.87
P/FCFE (x)	(8.57)	6.19	6.92	(4.15)	2.46
Net Gearing	(349.4%)	(189.8%)	(125.8%)	(116.9%)	(108.9%)
P/BV (x)	(0.93)	(0.56)	(0.39)	(0.33)	(0.30)
ROE	85.0%	47.9%	36.2%	16.0%	9.4%
% Change In Core EPS Estimates			107.86%	100.35%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Dismal 3Q freight revenue is key concern

Figure 1: Key financials of 3Q over FY18-20 and 3QFY23

	3QFY18	3QFY19	3QFY20	3QFY23
Sales (Rs bn)	20.7	24.9	36.5	23.1
Gross Profit %	69	61	63	51
PBT before exceptional item (Rs bn)	2.4	0.6	(0.9)	(0.9)
As % of Sales	11.6	2.2	(2.5)	(3.8)
ASK (bn)	4.9	5.8	9.1	4.6
Gross Profit/ ASK (Rs)	2.9	2.6	2.5	2.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Quarterly financials

(Rs bn)	3QFY23	3QFY22	% yoy chg	2QFY23	% qoq chg
Net Sales	23.1	22.6	2	19.5	19
Fuel expense	(11.4)	(9.7)	18	(12.3)	-7
Gross margin %	50.8	57.3		37.2	
<b>EBITDAR</b>	<b>1.9</b>	<b>2.2</b>	<b>-14</b>	<b>(2.8)</b>	<b>-168</b>
<b>EBITDAR margin %</b>	<b>8.2</b>	<b>9.8</b>		<b>(14.3)</b>	
EBITDA	0.5	0.9	-37	(3.1)	
EBITDA margin %	2.4	3.8		(15.6)	
Other income	2.1	0.5	314	1.5	36
Depreciation	(2.3)	(3.2)	-28	(2.8)	-17
Interest	(1.1)	(0.9)	31	(1.4)	-20
<b>Adjusted PAT</b>	<b>(0.9)</b>	<b>(2.7)</b>		<b>(5.8)</b>	
Extra ordinary income	1.9	3.0		(2.6)	
Reported PAT	1.1	0.2		(8.4)	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Operating metrics

	3QFY23	3QFY22	% yoy chg	2QFY23	% qoq chg
ASK (bn)	4.6	4.4	5	4.2	10
PLF %	88.7	84.5		84.0	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Cost metrics

(Rs bn)	3QFY23	3QFY22	% yoy chg	2QFY23	% qoq chg
Sales	23.1	22.6	2.4	19.5	18.5
Fuel cost	(11.4)	(9.7)	17.9	(12.3)	(7.2)
Employee cost	(2.2)	(2.1)	8.5	(2.1)	6.5
Ownership cost	(7.5)	(9.0)	(17.1)	(7.7)	(2.3)
Other Expenses	(5.0)	(5.1)	(2.0)	(4.8)	3.9
Other Income	2.1	0.5	313.6	1.5	36.0
Exceptional items	1.9	3.0		(2.6)	
PBT	1.1	0.2		(8.4)	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Financial metrics

(Rs)	3QFY23	3QFY22	% yoy chg	2QFY23	% qoq chg
Revenue/ pax km	5.3	4.5	18	4.9	9
RASK Operating	4.7	3.8	24	4.1	15

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Our revised estimates

(Rs bn)	FY23F		FY24F		FY25F
	Old	New	Old	New	
Sales	95.3	88.3	129.1	96.9	117.9
% change		(7.4)		(24.9)	
EBITDAR	19.4	3.5	30.2	9.6	18.9
% change		(82.1)		(68.2)	
Adj. PAT	(9.1)	(19.0)	(5.4)	(10.8)	(7.1)
% change		na		na	

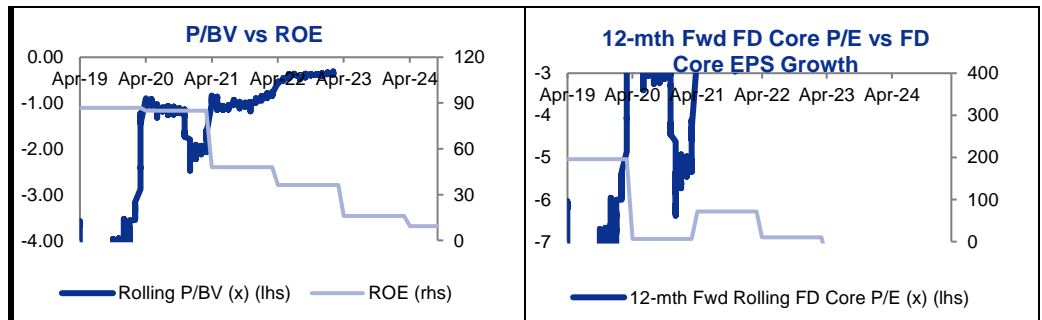
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Target price valuation

	(Rs bn)	(Rs/ share)	Comments
EBITDAR FY25F	18.9		
Target EV	179	298	Target EV/EBITDAR of 9.5x, similar to our target multiple for IndiGo
Less Net Debt (FY24F)	(85)	(141)	
Add: estimated receipt from Boeing	19	32	Estimated entire booked amount
Less Capitalised operating Lease	(87)	(146)	Capitalised at 8x operating lease
<b>Target Equity valuation / TP</b>	<b>25</b>	<b>42</b>	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
<b>Total Net Revenue</b>	51,334	65,573	88,282	96,904	117,942
<b>Gross Profit</b>	36,045	36,115	39,098	45,622	58,968
<b>Operating EBITDA</b>	(311)	(6,648)	(4,697)	644	7,993
Depreciation And Amortisation	(15,580)	(12,897)	(10,523)	(11,551)	(14,059)
<b>Operating EBIT</b>	(15,891)	(19,546)	(15,221)	(10,907)	(6,066)
Financial Income/(Expense)	(5,482)	(4,185)	602	114	(1,077)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	3,731	7,286	(4,353)		
<b>Profit Before Tax (pre-EI)</b>	(17,642)	(16,444)	(18,972)	(10,793)	(7,143)
Exceptional Items	7,659	(708)			
<b>Pre-tax Profit</b>	(9,983)	(17,152)	(18,972)	(10,793)	(7,143)
Taxation					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	(9,983)	(17,152)	(18,972)	(10,793)	(7,143)
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	(9,983)	(17,152)	(18,972)	(10,793)	(7,143)
Recurring Net Profit	(17,642)	(16,444)	(18,972)	(10,793)	(7,143)
<b>Fully Diluted Recurring Net Profit</b>	(17,642)	(16,444)	(18,972)	(10,793)	(7,143)

Cash Flow

(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
<b>EBITDA</b>	(311)	(6,648)	(4,697)	644	7,993
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(2,003)	12,273	12,640	3,956	5,977
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(5,482)	(4,185)	602	114	(1,077)
Tax Paid					
<b>Cashflow From Operations</b>	(7,796)	1,440	8,545	4,715	12,893
Capex			(2,803)	(13,081)	(16,399)
Disposals Of FAs/subsidiaries	6,283	2,373			
Acq. Of Subsidiaries/investments	(21)				
Other Investing Cashflow	4,097	6,709	(4,770)		
<b>Cash Flow From Investing</b>	10,359	9,082	(7,573)	(13,081)	(16,399)
Debt Raised/(repaid)	(5,357)	(6,642)	2,499	2,574	13,256
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	2,713	(8,794)	5,197		
<b>Cash Flow From Financing</b>	(2,644)	(15,436)	7,696	2,574	13,256
Total Cash Generated	(81)	(4,915)	8,667	(5,792)	9,750
<b>Free Cashflow To Equity</b>	(2,794)	3,879	3,470	(5,792)	9,750
<b>Free Cashflow To Firm</b>	8,583	15,348	5,969	(2,880)	3,171

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

**Balance Sheet**

(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	5,290	7,085	13,196	8,644	19,948
Total Debtors	20,398	12,356	10,594	11,628	14,153
Inventories	1,558	1,451	1,589	1,744	2,123
Total Other Current Assets	14,619	14,243	12,714	13,955	16,986
<b>Total Current Assets</b>	<b>41,865</b>	<b>35,135</b>	<b>38,092</b>	<b>35,971</b>	<b>53,210</b>
Fixed Assets	71,465	59,138	51,418	52,947	55,287
Total Investments	26	25	25	25	25
Intangible Assets	95	24	24	24	24
Total Other Non-Current Assets	304	882	1,299	1,299	1,299
<b>Total Non-current Assets</b>	<b>71,890</b>	<b>60,069</b>	<b>52,766</b>	<b>54,295</b>	<b>56,635</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	44,329	49,589	61,716	69,343	82,808
<b>Total Current Liabilities</b>	<b>44,329</b>	<b>49,589</b>	<b>61,716</b>	<b>69,343</b>	<b>82,808</b>
Total Long-term Debt	95,141	88,499	90,998	93,572	106,828
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>95,141</b>	<b>88,499</b>	<b>90,998</b>	<b>93,572</b>	<b>106,828</b>
Total Provisions					
<b>Total Liabilities</b>	<b>139,471</b>	<b>138,088</b>	<b>152,714</b>	<b>162,916</b>	<b>189,637</b>
Shareholders' Equity	(25,715)	(42,884)	(61,856)	(72,649)	(79,792)
Minority Interests					
<b>Total Equity</b>	<b>(25,715)</b>	<b>(42,884)</b>	<b>(61,856)</b>	<b>(72,649)</b>	<b>(79,792)</b>

**Key Ratios**

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	(58.5%)	27.7%	34.6%	9.8%	21.7%
Operating EBITDA Growth	(102.5%)	2,036.2%	(29.3%)	(113.7%)	1,140.8%
Operating EBITDA Margin	(0.6%)	(10.1%)	(5.3%)	0.7%	6.8%
Net Cash Per Share (Rs)	(149.52)	(135.28)	(129.28)	(141.12)	(144.37)
BVPS (Rs)	(42.79)	(71.26)	(102.79)	(120.72)	(132.59)
Gross Interest Cover	(2.64)	(4.05)	(3.05)	(1.99)	(0.91)
Effective Tax Rate					
Net Dividend Payout Ratio					
Accounts Receivables Days	127.48	91.16	47.44	41.85	39.89
Inventory Days	39.80	18.64	11.28	11.86	11.97
Accounts Payables Days					
ROIC (%)	(20.5%)	(30.5%)	(39.5%)	(68.5%)	(49.5%)
ROCE (%)	(19.9%)	(32.9%)	(25.7%)	(21.2%)	(1.9%)
Return On Average Assets	(10.0%)	(11.7%)	(21.0%)	(12.0%)	(6.1%)

**Key Drivers**

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Av. Seat Km (ASK, Yoy Chg %)	(62.2%)	10.0%	40.7%	13.6%	15.0%
Rev. Psg Km (RPK, Yoy Chg %)	(67.6%)	13.5%	51.8%	15.0%	15.0%
Passenger Load Factor (%)	76.8%	79.2%	85.4%	86.5%	86.5%
Pax yld per RPK	6,631.2	7,139.9	N/A	N/A	N/A
Pax rev. per ASK	3.1	3.5	4.4	4.2	4.3
Total Cost Per ASK	5.2	6.3	5.8	5.2	5.2
Fuel Cost Per ASK	1.3	2.3	2.7	2.5	2.5
Non-fuel Cost Per ASK	3.9	4.1	3.2	2.7	2.8
Fleet Size (No. Of Planes)	114	N/A	N/A	N/A	N/A

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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