

India

Underweight (no change)

Highlighted Companies

InterGlobe Aviation Ltd

REDUCE, TP Rs1354, Rs2039 close

We expect IndiGo's FY24F RPK to be 14% higher than in FY20 and 42% higher than the run-rate in 3QFY22. We factor in a 6% decline in EBITDAR/ASK in FY24F (vs. FY20), due to higher competition and a reduction in the lucrative business travel segment

SpiceJet Ltd

HOLD, TP Rs60, Rs61 close

We expect SpiceJet's FY24F RPK to be 25% lower than in FY20 and 53% higher than the run-rate in 3QFY22 due to the revival in international segment. We factor in a similar EBITDAR margin in FY24F (vs. FY20) due to the sharp growth in cargo segment (cargo segment sales up 125% over FY20-22F).

Summary Valuation Metrics

P/E (x)	Mar22-F	Mar23-F	Mar24-F
InterGlobe Aviation Ltd	-15.95	-26.34	-101.47
SpiceJet Ltd	-2.69	-4	-6.78

P/BV (x)	Mar22-F	Mar23-F	Mar24-F
InterGlobe Aviation Ltd	-16.18	-10.02	-9.12
SpiceJet Ltd	-0.93	-0.75	-0.68

Dividend Yield	Mar22-F	Mar23-F	Mar24-F
InterGlobe Aviation Ltd	0%	0%	0%
SpiceJet Ltd	0%	0%	0%

Aviation - Overall

Ingredients in place for a perfect storm

- Despite volume recovery in Dec 2021, Indian carriers' fleet utilization is low.
- Air India's (AI) interest cost reduction is likely to raise competition in aviation sector. Competition in domestic/international aviation is unlikely to reduce.
- Business travel likely to be depleted even after normalcy returns. We maintain REDUCE rating on IndiGo and upgrade SpiceJet to HOLD.

Despite volume recovery, Indian carriers' fleet utilization is low

We estimate that Indian carriers' revenue passenger kilometre (RPK) in Dec 2021 was 72% of Dec 2019 (pre-Covid) level. We believe that in the absence of Covid, extrapolating FY15-20 CAGR over FY20-22F, Dec 2021 domestic traffic could have been 32% higher than in Dec 2019. Pent-up tourism demand drove Nov-Dec 21 air traffic, which is likely to be evanescent. Over Dec 2019 to Dec 2021, Indian carriers' fleet grew 8% - Dec 2021 fleet utilization was 33% lower than in Dec 2019, as per company reports.

Air India's (AI) interest cost reduction to raise competition in aviation

AI's debt reduction over Mar 2020 to 3QFY22 will reduce its cost per available seat kilometre (CASK) ex-fuel by 12% while IndiGo's debt growth will raise its CASK ex-fuel by 5%. Thus, the gap in CASK ex-fuel between AI and IndiGo is expected to reduce from 59% (FY20) to 33% when operations normalize. Further, Tata Group has three airlines with Aug 2021 combined domestic market share of 27%. Synergy could reduce overhead/ASK. Private sector efficiency could raise AI's active hours and reduce its ownership cost/ASK.

Competition in domestic/international aviation unlikely to reduce

We believe that most players in domestic aviation space have strong support from their parent companies and are unlikely to exit the market. Barring SpiceJet (market share fell from 15.8% (FY20) to 9.5% (Oct 2021), others have not lost any market share (FY20 to Oct 2021). IndiGo's market share increased from 47.7% (FY20) to 53.1% (FY21) but it has plateaued since FY21. Most airlines in India's international aviation space are government-owned. We believe the respective governments can infuse funds into the airlines if required.

Other headwinds - recovery in rail traffic and high ATF price

Non-suburban FY20 rail traffic (3.5bn) was 25x of India's domestic air traffic (142m). We believe that FY21 air traffic was boosted by a 90% yoy reduction in non-suburban rail traffic. and the boost aviation got over FY21-9MFY22 from curtailed rail operations will gradually peter out. In FY20, fuel cost was 35%/ 37% of IndiGo/SpiceJet sales, respectively. Aviation Turbine Fuel (ATF) price in Dec 2021 has risen by ~125% since Jun 2020.

Business travel likely to be depleted even after normalcy returns

Business travel (~45% of India's domestic passengers in FY20) is likely to be depleted even post normalcy. Covid has driven a shift to online meetings, from air travel for meetings earlier. Covid is now in its 22nd month, long enough to alter the entrenched habit of air travel for meetings. We believe business travel is more lucrative (vs. tourism) as business travel tickets are booked closer to the date of travel. We expect the industry's margins to be muted due to (a) increased competition as the gap in CASK ex-fuel between Air India and other players is expected to reduce, and (b) a decline in the lucrative business travel segment.

Maintain REDUCE on IndiGo and upgrade SpiceJet to HOLD

We roll forward our valuations to Mar 2023F. We maintain REDUCE rating on IndiGo with a TP of Rs1,354 (Rs1,165 earlier) and upgrade SpiceJet to HOLD with a TP of Rs60 (Rs58 earlier). The key upside risk to our call is a sharper-than-expected rebound in business travel.

Analyst(s)



Rajarshi MAITRA

T (91) 22 4161 1546
E rajarshi.maitra@incredcapital.com

Dipen VAKIL

T (91) 22 4161 1551
E dipen.vakil@incredcapital.com

Figure 1: Valuation summary

	Target Price		EBITDAR (Rs bn)			EV/EBITDAR (x)		
	(Rs)	Rating	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
IndiGo	1354	REDUCE	49.2	66.6	90.6	23.8	17.6	12.9
SpiceJet	60	HOLD	7.5	19.4	30.2	34.5	13.2	8.5

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Ingredients for a perfect storm

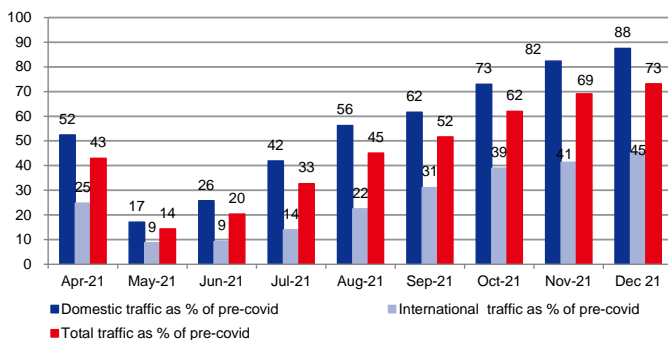
Despite domestic volume recovery in Dec 2021, Indian carriers' aircraft capacity utilization is 33% lower than in Mar 2020 ▶

India's domestic air traffic in Dec 2021 grew 53% yoy because of the low base effect – Dec 2020 domestic air traffic declined 43% yoy. Thus, Dec 2021 domestic air traffic was still just 88% of pre-Covid level (Dec 2019). Note: Domestic/international traffic as at 19 Feb 2022-end was 78%/49% of the run-rate, respectively, in Feb 2020.

We estimate that Dec 2021 Indian carriers' RPK is lower (72% of Dec 2019) as (a) international traffic is 45% of Dec 2019, and (b) while Dec 2019 international air traffic was 16% of Indian carriers' traffic, international RPK was 37% of Indian carriers' RPK as the average international flight distance is ~3.2x longer than domestic ones.

In FY20, international RPK was 21%/ 25% of IndiGo/SpiceJet's RPK, respectively. IndiGo's 3QFY22 RPK was 81% of 3QFY20 (higher than that of total Indian carriers: 72%), driven by an increase in domestic market share from 47.7% (FY20) to 52.8% (Oct 2021). SpiceJet's 3QFY22 RPK was 48% of 3QFY20 (lower than Indian carriers) level due to a decrease in domestic market share from 15.8% (FY20) to 9.5% (Oct 2021).

Figure 2: India air traffic as a percentage of pre-Covid traffic



SOURCES: INCRED RESEARCH, AIRPORTS AUTHORITY OF INDIA,

Figure 3: Passenger traffic and RPK for Indian carriers in Dec 2021 and in Dec 2019

	Dec 19	Dec 21	Growth %
Domestic tickets mn	12.6	11.1	(12)
International tickets mn	6.6	3.0	(55)
International tickets (Indian carriers) mn	2.3	1.1 *	(55)
Total tickets (Indian carriers) mn	15.0	12.1	(19)
Domestic RPK bn	12.6	11.0 *	(12)
International RPK bn (Indian carriers)	7.5	3.4 *	(55)
Total RPK bn (Indian carriers)	20.1	14.5	(28)

Note: * IncredCapital estimates

SOURCES: INCRED RESEARCH, DIRECTORATE GENERAL OF CIVIL AVIATION,

India's domestic/international air traffic grew at 15%/6% CAGR, respectively (FY15-20). We believe that in the absence of Covid, extrapolating FY15-20 CAGR over FY20-22F, India's Dec 2021 domestic/international traffic could have been 32%/12% higher, respectively, than in Dec 2019. **We estimate that India's Dec 2021 domestic/international traffic was just 67%/ 40%, respectively, of what it could have been in the absence of Covid.**

Pent-up tourism demand drove Nov-Dec 2021 air traffic, which we believe is likely to be evanescent. Nov-Dec 2021 was free of Covid, the first time since Apr 2020, 20 months ago. In Dec 2021, we observed the following:

- Domestic air traffic at metro airports (Delhi, Mumbai, Bengaluru, Hyderabad, Chennai and Kolkata) was 17% lower than in Dec 2019 while domestic air traffic at other airports was just 6% lower than in Dec 2019.
- Dec 2021 traffic at most tourist destinations rose by 27% on an average vs. Dec 2019.

Figure 4: Domestic air traffic in India

(m pax)	Dec 19	Dec 21	growth %
Metro airports (Kolkata, Chennai, Delhi, Mumbai, Bangalore, Hyderabad)	15.2	12.6	(17)
Others	10.1	9.5	(6)
Total domestic passengers	25.3	22.1	(12)

SOURCES: INCRED RESEARCH, AIRPORTS AUTHORITY OF INDIA

Figure 5: Domestic air traffic at tourist destinations

(m pax)	Dec 19	Dec 21	growth %
Goa	0.72	0.82	14
Srinagar	0.17	0.34	98
Tirupati	0.08	0.09	16
Chandigarh	0.20	0.26	27
Jammu	0.12	0.15	32
Dehradun	0.12	0.12	(0)
Udaipur	0.13	0.16	19
Dibrugarh	0.05	0.06	31
Prayagraj	0.04	0.06	56
Leh	0.04	0.06	54
Jodhpur	0.09	0.12	30
Total	1.76	2.24	27

SOURCES: INCRED RESEARCH, AIRPORTS AUTHORITY OF INDIA

We observed that occupancy in publicly-listed hotels in Dec 2021 rose close to pre-Covid level (3QFY20) and increased sharply from 2QFY22.

Figure 6: Room occupancy for listed hotel companies

(%)	3QFY22	Dec 21	change (Dec 21 vs. 3QFY20 - pre-covid) %	change (Dec 21 vs. 2QFY22) %
Indian Hotels Company - Domestic	63	65	(5)	12
EIH Limited	62	70	(6)	19
Chalet Hotels Ltd	60	64	(11)	8
Lemon Tree Hotels Ltd	58	61	(10)	10

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Indian carriers' Dec 2021 RPK was 72% of Dec 2019 level while the fleet grew 8% - Dec 2021 fleet utilization is 33% lower. Indian carriers' Dec 2021 domestic RPK was 88% of Dec 2019 level. We estimate that Dec 2021 domestic fleet was 22% higher as Dec 2021 domestic ASK was 76% of total ASK vs. 67% in FY20. Thus, Indian carriers' Dec 2021 domestic fleet utilization was 28% lower.

- IndiGo's 3QFY22 RPK was 81% of 3QFY20 while its Dec 2021 fleet was 8% higher – thus 3QFY22 fleet utilization was 25% lower.
- SpiceJet's 3QFY22 RPK was 46% of 3QFY20 while its Dec 2021 fleet was 6% lower – thus 3QFY22 fleet utilization was 50% lower.

Figure 7: Fleet of Indian carriers in Mar 2020 and in Dec 2021

	Domestic as % of total ASK FY20	Fleet Mar 20	Estimated fleet for domestic operations (FY20)	Fleet Dec 21
Air India	30	121	37	128
Air India Express	3	25	1	25
SpiceJet (ex cargo) *	75	100	75	94
Go Air	83	56	47	59
IndiGo	78	262	204	282
Air Asia India	100	24	24	33
Vistara	92	35	32	51
Grand total	67	623	419	672

Note: * adjusted for 13 grounded B737Max in Mar 20, which are operational now

SOURCES: INCRED RESEARCH, AIRPORTS AUTHORITY OF INDIA, DIRECTORATE GENERAL OF CIVIL AVIATION

Note: (a) In India, 13 B737 Max aircraft were grounded (Mar 2019-Nov 2021), all belonging to SpiceJet. This was ~2% of Indian carrier's fleet of 636 aircraft (Mar 2020). (b) There were 397 grounded B737 Max aircraft worldwide (1.6% of CY20 global aviation fleet of 24,300 passenger planes) with another 390 awaiting delivery (1.7% of global aviation fleet).

In USA, despite recovery in air traffic, average airfare was 18% below pre-pandemic level due to low corporate traffic ➤

As per Airlines for America, USA domestic/ international air traffic during 9-15 Nov 2021 was 84%/65%, respectively, of pre-Covid (9-15 Nov 2019) levels. USA domestic/international air traffic during 24-30 Jan 2022 was lower at 23%/38%, respectively, below 24-30 Jan 2019 levels – likely due to the Omicron variant.

During 24-30 Jan 2022, average airfare was 18% below 24-30 Jan 2019 level due to muted corporate travel demand. **Passengers ticketed via corporate agencies (proxy for corporate travel) were 55% below pre-pandemic level.**

Recovery in non-suburban rail passenger traffic could be a headwind for India's domestic air traffic >

Non-suburban FY20 rail traffic (3.5bn) was 25x of India's domestic air traffic (142m). We believe that (a) FY21 air traffic was boosted by a 90% yoy reduction in non-suburban rail traffic, and (b) reduced rail passenger trains leading to essential travel shifting to aviation. Dec 2021 non-suburban rail passenger traffic was 49% of pre-Covid (Dec 2019) level. **We believe that the boost aviation got over FY21-9MFY22 from curtailed rail operations will gradually peter out.**

Figure 8: Monthly non-suburban rail passenger traffic

	Non-Suburban Rail passengers (m)	As a percentage of pre-covid (2019)
Dec 21	142	49
Nov 21	144	47
Oct 21	139	45
Sep 21	124	42
Aug 21	109	36
Jul 21	93	30

SOURCES: INCRED RESEARCH, MINISTRY OF RAILWAYS

Can more tourism offset the likely decline in office travel? >

Pent-up tourism demand could boost air traffic, but we believe it would be evanescent and be offset by a decline in office travel. Time saved by decline in office travel (we estimate 50% dip per person vs. pre-Covid level) would create excess time (ET). If a person made 20 day trips p.a. of office travel pre-Covid, a 50% reduction would create 10 days' excess time (ET). Out of the ET, how much is used for tourism depends on:

- How much ET (10 days p.a.) is spent in more work (office) vs. tourism vs. other activities – we assume 50% will be used for incremental tourism (five days)
- Unutilized leave (UL) p.a. prior to Covid: Incremental tourism can at max be equal to UL
- Financial constraints: Tourism is a personal expense (including hotel) for entire family while business travel is an organization expense.

A person can spend additional minimum (UL, ET/2) days on tourism. Even if all incremental travel is via air, this implies one more air trip (assuming five days/trip). **Assuming three members/family, this is an additional six tickets p.a. (incremental tourism), lower than the decline in office travel vs. pre-Covid (20 tickets).**

Air India sale: Competition in the sector to rise as AI's interest cost reduces and synergy of Tata Group's three airlines cuts AI's overheads >

Tata Sons' acquisition of Air India, Air India Express (LCC between India, the Middle East and South East Asia) and a 50% stake in ground-handling company Air India SATS Airport Services (combined AI) for Rs180bn EV was done in Jan 2022. The transaction excludes non-core assets of Rs147bn. Seven Expressions of Interest or EOIs were received in Dec 2020, but five were disqualified. Two bids from Tata Sons and Ajay Singh (Rs151bn EV) were above the reserve price (Rs129bn).

AI's debt reduction has reduced the gap in its CASK vs. IndiGo: AI's debt reduction over Mar 2020 to 3QFY22 will reduce its CASK ex-fuel by 12%. In the same period, IndiGo's debt increase will raise its CASK ex-fuel by 5%. Thus, the gap in CASK ex-fuel between AI and IndiGo is expected to reduce from 59% (FY20) to 33% when operations normalize. **Note:** IndiGo has 13% more seats

than AI in each plane as it is a low-cost carrier (LCC) while AI is a full-service carrier (FSC). Adjusted for the same, the gap in CASK ex-fuel has reduced to 18%.

Figure 9: Comparison of FY20 cost metrics for IndiGo and Air India

(Rs bn)	Air India	IndiGo
ASK (bn)	78	96
Total Cost (Rs bn)	411	360
Fuel (Rs bn)	109	126
Salary + Overheads (Rs bn)	178	111
Ownership + Maintenance (Rs bn)	124	123
CASK (Rs)	5.3	3.7
Gap vs IndiGo %	40	
Fuel/ ASK (Rs)	1.4	1.3
Gap vs IndiGo %	6	
CASK ex fuel (Rs)	3.9	2.4
Gap vs IndiGo %	59	
Salary + OH/ ASK (Rs)	2.3	1.1
Gap vs IndiGo %	98	
Ownership Cost & Maint/ ASK (Rs)	1.6	1.3
Gap vs IndiGo %	24	

SOURCES: INCRED RESEARCH, COMPANY REPORTS, DIRECTORATE GENERAL OF CIVIL AVIATION

Figure 10: Impact on CASK due to change in net debt since Mar 2020 for IndiGo and Air India

	Air India	IndiGo
Net Debt Mar 20 (Rs bn)	614	20
Net Debt 3QFY22 (Rs bn)	154	178
Rise in Debt since Mar 20 (Rs bn)	(460)	158
Rise in interest pa since Mar 20 (Rs bn)	(37)	13
Rise in CASK since Mar 20 (Rs)	(0.5)	0.1
Latest CASK - derived in normal ops (Rs)	4.8	3.9
Gap vs IndiGo %	24	-
Latest CASK ex fuel - derived in normal operations (Rs bn)	3.4	2.6
Gap vs IndiGo %	33	-

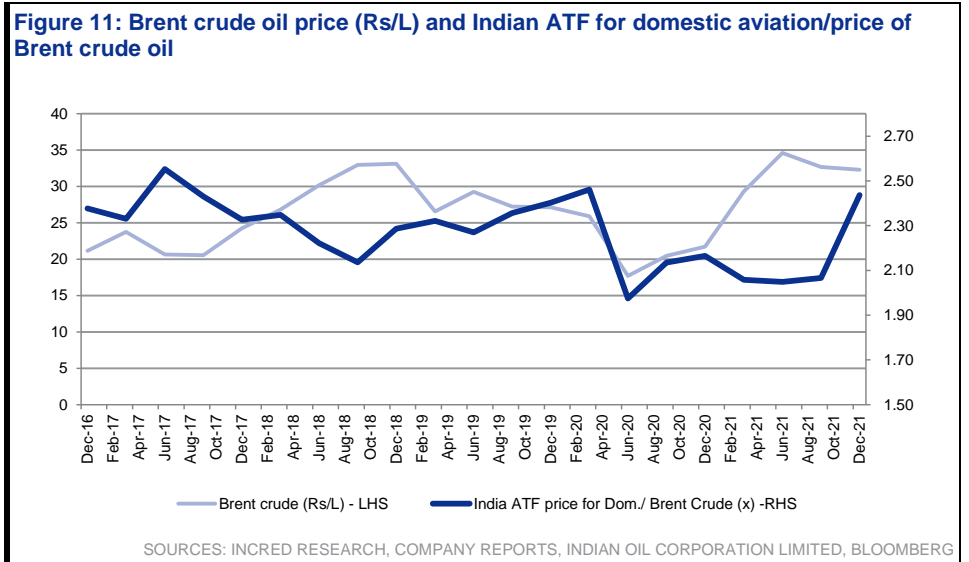
SOURCES: INCRED RESEARCH, COMPANY REPORTS, DIRECTORATE GENERAL OF CIVIL AVIATION

Other impact on Tata Sons' aviation business

- Attractive valuation:** The deal EV is at a 35% discount to Mar 2019 book value of assets (Rs281bn). Tata Sons would take over Rs154bn of AI's debt, just 66% of the initial planned debt (Rs233bn) to be retained in AI and just 25% of AI's reported consolidated debt in Mar 2020.
- Synergy to reduce overheads and ownership cost/ ASK:** Tata Group has three airlines (Vistara/ Air Asia India/ AI) with Aug 2021 domestic market share of 10%/6%/11%, respectively (combined 27%). Synergy could reduce their overhead/ASK. Private sector efficiency could increase AI's air traffic movement (ATM)/destination, increase its active hours and thus reduce its ownership cost/ASK.
- Restructuring employee cost is key:** Tata Group will have to retain all employees for a year. Thereafter, if any employee is retrenched, he/she will be offered a voluntary retirement scheme. All employees will be provided gratuity, provident fund and post-retirement medical benefits.

Cost pressure on the horizon – fuel and salaries ➤

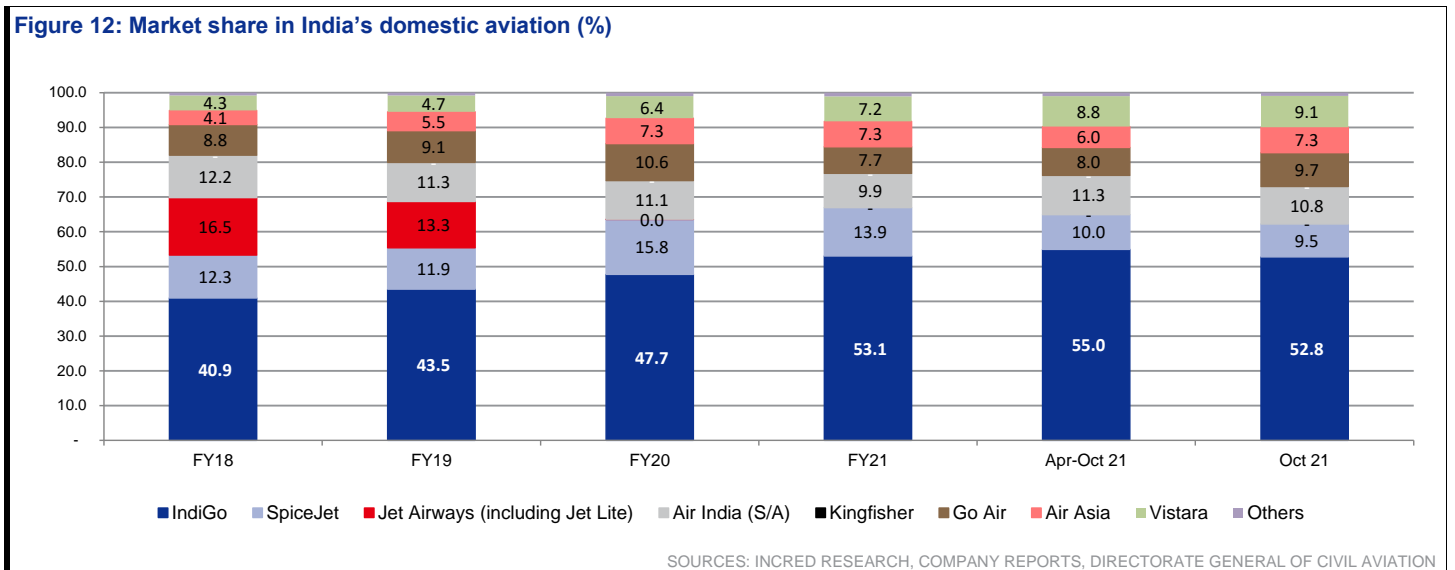
In FY20, fuel cost was 35%/ 37% and employee cost was 12% of IndiGo/ SpiceJet sales, respectively. Dec 2021 crude oil price was 85% more than in Jun 2020. The ratio of price of domestic aviation turbine fuel (ATF) to the price of crude oil was 2.44x in Dec 2021 vs. five-year average (2.27x) and a low of 1.97x (Jun 2020). **Thus, ATF price in Dec 2021 rose by ~125% since Jun 2020.** IndiGo made (a) ~25% salary cut (May 2020), and (b) a 10% reduction in workforce (Jul 2020). SpiceJet cut employee cost by 60% during the Covid pandemic. In FY23F-24F, pre-pandemic salary levels may be reinstated.



Competitive intensity in domestic aviation is unlikely to reduce over FY22F-24F ➤

IndiGo, SpiceJet, Air India, Go Air, Vistara and AirAsia India have a combined domestic market share of 99%. We believe that most players have strong support from their parent companies and are unlikely to exit the market.

Barring SpiceJet (market share declined from 15.8% (FY20) to 9.5% (Oct 2021)), other players have not lost any significant market share (FY20 to Oct 2021). IndiGo's market share increased from 47.7% (FY20) to 53.1% (FY21), but it has plateaued since FY21 (Oct 2021 market share of 52.8%).



- Air India's debt has reduced post its acquisition by Tata Sons.

- Vistara is a joint venture between Tata Sons (51%) and Singapore Airlines (49%). Singapore Airlines is majority owned (55%) by Singapore government via Temasek Holdings.
- AirAsia India: In Dec 2020, Tata Sons acquired a 32.7% stake in AirAsia India from AirAsia Bhd for US\$37.6m. Post this transaction, AirAsia India is majority-owned by Tata Sons (84%) with AirAsia holding the balance 16%.
- Go Air is 100% owned by the Wadia Group.

We factor in market share gains for IndiGo/SpiceJet over FY23F-24F, similar to that in Apr-Oct 2021 and expect their volumes to grow in line with domestic aviation industry.

Can IndiGo/SpiceJet gain market share gain in international aviation space over FY23F-24F? ➤

India's Dec 2021 domestic/international air traffic was 88%/45%, respectively, of Dec 2019 (pre-Covid) levels. Despite severe distress in international segment (vs. domestic), we believe IndiGo/SpiceJet are unlikely to gain market share in international segment from distressed international players. During 3QFY20, Indian carriers handled 39% of India's international air traffic while global airlines handled 61%.

Figure 13: Main aviation companies in India's international aviation segment

	Percentage of International traffic from/ to India in 3QFY20	India International operations as % of overall operations in CY19/ FY20
Indigo	12.8	18.2
Air India including Air India Express and Alliance Air	18.8	70.3
Spicejet	5.0	22.7
Go air	2.0	14.7
Vistara airlines	0.6	7.2
Total Domestic carriers	39.2	
Emirates airline	9.1	10.7
Etihad airlines	3.9	14.9
Oman air	3.1	na
Qatar airways	3.1	6.3
SriLankan airways	3.0	37.2
Singapore airlines	2.8	8.7
Air Arabia	2.7	19.0
Cathay pacific	2.5	4.6
Thai airways	2.4	6.4
Saudia	2.3	na
Lufthansa	1.9	0.9
Gulf air	1.7	na
British airways	1.5	0.8
Malaysia airlines	1.5	na
Scoot tiger air	1.4	8.7
Air asia berhad	1.9	2.6
Others	16.0	
Total Foreign carriers	60.8	

SOURCES: INCRED RESEARCH, COMPANY REPORTS, DIRECTORATE GENERAL OF CIVIL AVIATION

Note: In 3QFY20, 50% of India's international air traffic was from the Middle East (UAE, Saudi Arabia, Qatar, Oman, Kuwait, Bahrain), 23% from Asia Pacific (Singapore, Thailand, Malaysia, Hong Kong), and 9% from Indian sub-continent (Sri Lanka, Nepal, Bangladesh, Maldives, Mauritius, Bhutan and Burma).

Most airlines in India's international aviation space are government-owned. Thus, although international airlines in India's international aviation space are in distress, we believe respective governments can infuse funds into international airlines if required. Thus, we believe it is unlikely that IndiGo / SpiceJet will gain market share in international segment by FY23F-24F, in our view.

Figure 14: Main owners of airlines in India's international aviation segment

	Percentage of International traffic from/ to India in 3QFY20	Government owned	Main holders
Indigo	12.8	No	Interglobe enterprises (38%) and Rakesh and Shobha Gangwal (38%)
Air India including Air India Express and Alliance Air	18.8	Yes	Erstwhile government owned enterprise, taken over by Tata sons
Spicejet	5.0	No	Ajay Singh has 59% shareholding
Go air	2.0	No	Wadia group has 96% shareholding
Vistara airlines	0.6	No	Tata sons has 51% shareholding, Singapore Airlines has 49% shareholding
Total Domestic carriers	39.2		
Emirates airline	9.1	Yes	Subsidiary of Emirates Group, owned by Government of Dubai
Etiihad airlines	3.9	Yes	State owned, second flag carrier of the UAE
Oman air	3.1	Yes	State owned company of the Sultanate of Oman's Civil Aviation sector
Qatar airways	3.1	Yes	State-owned flag carrier of Qatar.
Srilankan airways	3.0	Yes	Owned by the Government of Sri Lanka
Singapore airlines	2.8	Yes	Majority-owned (55%) by Singapore government via Temasek Holdings
Air Arabia	2.7	Yes	Air Arabia PJSC is a UAE-based public joint stock airline carrier company
Cathay pacific	2.5	No	Swire Pacific has 45% shareholding, while Air China has 29.99%
Thai airways	2.4	Yes	Government of Thailand has 51% shareholding
Saudia	2.3	Yes	Owned by the Government of Saudi Arabia
Lufthansa	1.9	No	German investors held 67.3%, investors from Luxembourg held 10.4%
Gulf air	1.7	Yes	State-owned airline and flag carrier of the Kingdom of Bahrain
British airways	1.5	No	British Airways (BA) is the flag carrier airline of the United Kingdom.
Malaysia airlines	1.5	Yes	Owned by Khazanah Nasional - sovereign wealth fund of government of Malaysia
Scoot tiger air	1.4	Yes	Subsidiary of Singapore Airlines
Air asia berhad	1.9	No	Largest shareholder is Tune Air holdings
Others	16.0		
Total Foreign carriers	60.8		

SOURCES: INCRED RESEARCH, COMPANY REPORTS, DIRECTORATE GENERAL OF CIVIL AVIATION

Business travel likely to be depleted even after normalcy returns >

Air traffic comprises (a) tourism including travel to/ from one's native place, and (b) business travel. We believe that once normalcy returns, tourism will revert to pre-Covid level as the experience cannot be replaced. **Note: Air traffic at most tourist destinations in India rose by 27% on an average from Dec 2019 to Dec 2021.**

On the other hand, business travel is likely to be depleted even when normalcy returns. Covid has driven a shift to online meetings, from air travel for meetings earlier. We believe if the pandemic was short-lived, people may have reverted to air travel for meetings once normalcy returned. However, the pandemic has lasted for 22 months, long enough to alter the entrenched habit of air travel for meetings. **Further, online meetings save the cost and time of air travel.**

We believe that low business travel led to Dec 2021 domestic air traffic being just 88% of pre-Covid level despite being free of Covid and bulk of population being vaccinated. We believe that in the absence of Covid, extrapolating the secular growth of FY15-20 over FY20-2 2F, India's domestic traffic in Dec 2021 could have been 32% higher than in Dec 2019. Note: (a) Dec 2021 domestic air traffic at Indian metro airports was 17% lower than in Dec 2019; (b) In USA, over 24-30 Jan 2022, passengers ticketed via corporate agencies (proxy for corporate travel) was 55% below pre-pandemic level.

While globally, business travel comprises ~12% of aviation (Source: Trondent – a global travel management company), we estimate that in India business travel is ~45% of domestic air travel. This is corroborated by IndiGo and SpiceJet.

Figure 15: Estimate of aviation tourist passengers in India during FY19

(mn passengers)	Total Traffic	Estimated Tourist Travel	% Tourist travel assumed
Traffic at Tourist destinations	64.0	54.4	85.0
Metro to Metro	39.8	8.0	20.0
Balance Traffic	33.8	13.5	40.0
Total	137.6	75.9	55.1

 SOURCES: INCRED RESEARCH, COMPANY REPORTS, DIRECTORATE GENERAL OF CIVIL AVIATION
 NOTE: METRO AIRPORTS ARE DELHI, MUMBAI, CHENNAI, KOLKATA, BENGALURU AND HYDERABAD

We believe that business travel is more lucrative for airlines (vs. tourism). Most business travel tickets are booked close to the date of travel and are more

expensive than tickets booked in advance (tourism). **Thus, business travel's contribution to airlines revenue is higher than its contribution to traffic.**

During FY17-20, Indian carriers' domestic/ international air traffic grew at 11%/ 2% CAGR, respectively. We estimate that domestic/ international traffic for Indian carriers in FY24F would be 18%/ 3%, respectively, higher than that in FY20. **This implies a CAGR of 15%/50% for domestic/international passengers, respectively, from Dec 2021 (assumed for FY22F) to FY24F. We estimate that Indian carriers' RPK for FY24F will be 54% higher than the run-rate in Dec 2021.**

Our assumptions are (a) a return to normalcy in FY24F, (b) in FY20, 45%/12% of passengers in domestic/ international air travel were business passengers, with the balance being from tourism, (c) tourism business to grow by 57%/8% for domestic/ international travel, respectively, between FY20-24F, and (d) business travel to decline 20%/15% for domestic/ international travel, respectively, over FY20-23F.

Figure 16: Passenger traffic handled by Indian carriers

(mn passenger km)	FY17	FY20	CAGR % FY17-20	FY24F	CAGR % FY20-24F
India Domestic traffic	98,641	136,683	11	161,305	4
India International traffic handled by Indian Carriers	71,444	74,802	2	77,140	1
Total traffic handled by Indian carriers	170,085	211,485	8	238,445	3

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, DIRECTORATE GENERAL OF CIVIL AVIATION

We expect the industry's profitability to be muted due to (a) increased competition as the gap in CASK ex-fuel between Air India (11% market share in Oct 2021) and other players is expected to decline, and (b) reduction in the lucrative business travel segment. Further, ATF price in Dec 2021 rose by ~125% since Jun 2020 and airlines, in our view, are likely to face salary cost pressure over FY23F-24F.

India

REDUCE (no change)

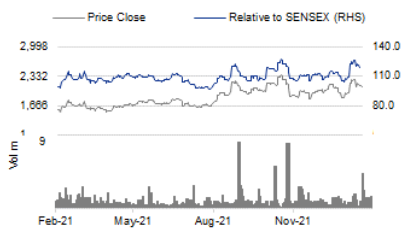
Consensus ratings*: Buy 14 Hold 4 Sell 7

Current price:	Rs2,039
Target price:	Rs1,354
Previous target:	Rs1,165
Up/downside:	-33.6%
InCred Research / Consensus:	-37.0%
Reuters:	INGL.NS
Bloomberg:	INDIGO IN
Market cap:	US\$10,535m Rs785,558m
Average daily turnover:	US\$32.0m Rs2383.3m
Current shares o/s:	384.9m
Free float:	25.2%

*Source: Bloomberg

Key changes in this note

- Increase FY22F EBITDAR by 7%.
- Reduce FY23F EBITDAR by 22%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(2.2)	(6.4)	33.3
Relative (%)	(1.7)	(4.6)	18.2

Major shareholders	% held
Promoter and Promoter Group	74.8
Jwalamukhi Investment Holdings	2.4
Kotak AMC	1.3

Analyst(s)

Rajarshi MAITRA

T (91) 22 4161 1546
E rajarshi.maitra@incredcapital.com

Dipen VAKIL

T (91) 22 4161 1551
E dipen.vakil@incredcapital.com

InterGlobe Aviation Ltd

Weak demand, intense competition play spoilsport

- We expect InterGlobe Aviation or IndiGo's FY24F RPK to be 14% higher than in FY20 and 42% higher than the run-rate in 3QFY22.
- We factor in a 6% decline in EBITDAR/ASK in FY24F (vs. FY20) due to higher competition and a reduction in the lucrative business travel segment.
- We roll forward our TP to Rs1,354 from Rs1,165 earlier, but maintain REDUCE.

Weak demand and higher competition to dent volume and margin

We estimate that domestic/ international traffic for Indian carriers in FY24F would be 18%/ 3% higher than that in FY20. We factor in a similar market share for IndiGo over Oct 2021 to FY24F, as its market share was flat over FY21-Oct 2021. Thus, we expect IndiGo's FY24F revenue passenger kilometre or RPK to be 14% higher than in FY20 and 42% above the run-rate in 3QFY22. IndiGo can curtail/delay its capacity addition plan of leasing new aircraft, and thus we expect its FY24F passenger load factor (PLF) to be similar to FY20 (86%). We factor in a 6% decline in EBITDAR/ASK in FY24F (vs. FY20) due to (a) increased competition as the gap in the cost of available seat kilometre or CASK ex-fuel between Air-India (11% market share in Oct 2021) and IndiGo is expected to reduce from 59% (FY20) to 33% when operations normalize, and (b) reduction in the lucrative business travel segment. Further, aviation turbine fuel (ATF) price in Dec 2021 rose by ~125% since Jun 2020 and airlines are likely to face salary cost pressure over FY23F-24F.

Roll forward our TP to Rs1,354 from Rs1,165; maintain REDUCE

We increase our FY22F EBITDAR by 7%, in line with 9MFY22. We reduce our FY23F EBITDAR by 22% as we expect a slow recovery in international traffic in 2HFY23F. We roll forward our TP to Mar 2023F, raising it to Rs1,354 (from Rs1,165 earlier) and maintain REDUCE rating on the stock. We value the business at 10x FY24F EV/EBITDAR, a tad higher than the median EV/EBITDAR over Mar 2016- Mar 2019 (9.5x). The key upside risk is a sharper-than-expected recovery in passenger traffic.

Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	357,560	146,406	251,687	329,825	415,815
Operating EBITDA (Rsm)	55,844	(5,485)	20,247	36,446	57,997
Net Profit (Rsm)	(2,481)	(58,298)	(49,230)	(29,805)	(7,736)
Core EPS (Rs)	16.8	(176.4)	(119.4)	(77.4)	(20.1)
Core EPS Growth	165.7%	(1,150.9%)	(32.3%)	(35.1%)	(74.0%)
FD Core P/E (x)	121.52	(11.56)	(17.09)	(26.34)	(101.47)
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)	14.41	(163.78)	46.66	25.87	15.44
P/FCFE (x)	42.91	253.05	(12.21)	(37.13)	(200.06)
Net Gearing	196.9%	26,274.8%	(458.5%)	(281.7%)	(201.3%)
P/BV (x)	13.39	1,107.03	(16.18)	(10.02)	(9.12)
ROE	10.1%	(228.8%)	192.2%	47.0%	9.4%
% Change In Core EPS Estimates			72.21%	(3,854.68%)	
InCred Research/Consensus EPS (x)			0.85	(1.63)	(0.19)

SOURCES: INCRED RESEARCH, COMPANY REPORTS

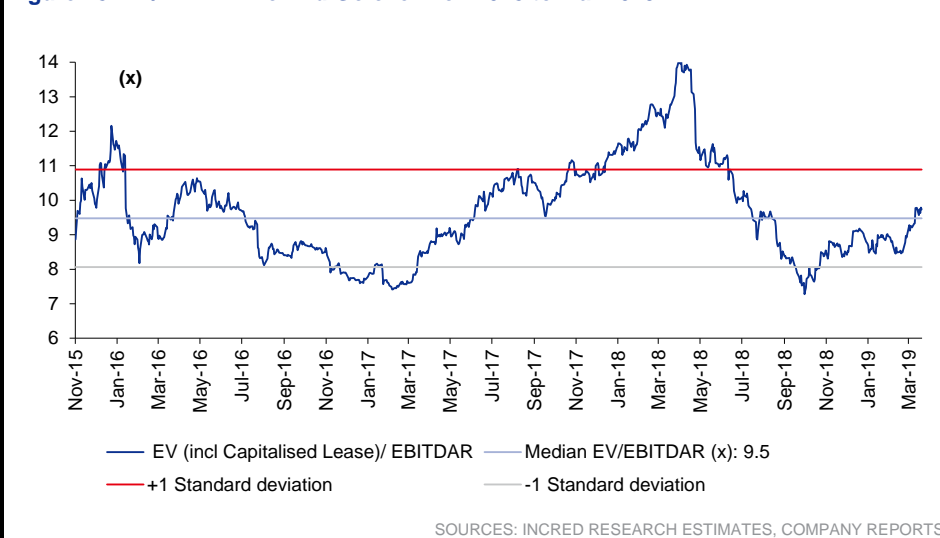
Weak demand and higher competition beckons

Figure 17: Key parameters of IndiGo

	FY17	FY18	FY19	FY20	FY21	9MFY22	FY22F	FY23F	FY24F
ASK (bn)	55	64	81	96	45	50	67	88	110
yoy growth %		16	28	19	(53)		48	30	26
RASK (Rs)	3.4	3.6	3.5	3.7	3.2	3.6	3.7	3.8	3.8
Revenue per passenger km (Rs)	4.0	4.1	4.1	4.3	4.6	5.0	5.0	4.4	4.4
PLF %	85	87	86	86	69	72	75	86	86
EBITDAR (Rs bn)	53	66	53	84	14	32	49	67	91
EBITDAR/ ASK (Rs)	0.97	1.04	0.65	0.88	0.31	0.64	0.73	0.76	0.82
Operating PBT/ ASK (Rs)	0.25	0.34	(0.12)	(0.03)	(1.63)	(0.83)	(0.79)	(0.44)	(0.16)

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 18: EV/EBITDAR of IndiGo over Nov 2015 to Mar 2019



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 19: Change in our estimates

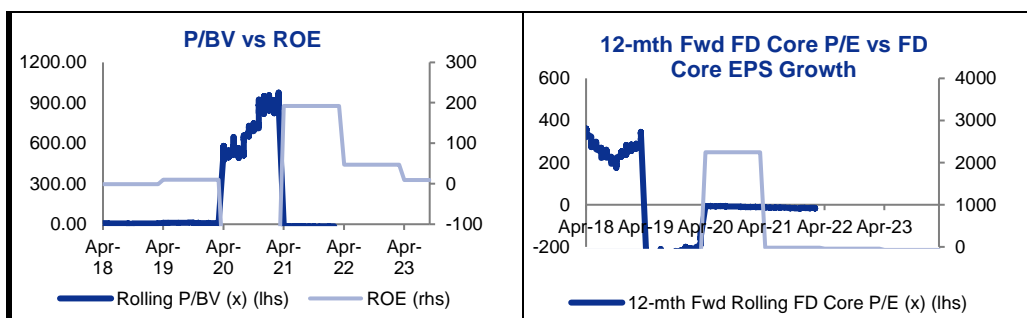
(Rs bn)	FY22F		FY23F		FY24F
	Old	New	Old	New	
Sales	254	252	347	330	416
% change		(1)		(5)	
EBITDAR	46	49	85	67	91
% change		7		(22)	
Adj. PAT	(27)	(46)	1	(30)	(8)
% change		na		na	

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 20: Target price valuation

	(Rs bn)	(Rs/ share)	Comments
EBITDAR FY24F	90.6		
Target EV	906	2,356	Target EV/EBITDAR of 10x, tad higher than average over Mar 2016 to Mar 2019 of 9.5x
Less Debt (FY23F)	(344)	(893)	
Plus Cash & Investments (FY23F)	186	483	
Less Capitalised Operating lease	(227)	(591)	Capitalised at 8x operating lease
Target Equity Valuation / TP	521	1,354	

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	357,560	146,406	251,687	329,825	415,815
Gross Profit	233,022	108,094	162,226	205,488	259,399
Operating EBITDA	55,844	(5,485)	20,247	36,446	57,997
Depreciation And Amortisation	(39,736)	(46,987)	(49,697)	(49,764)	(50,083)
Operating EBIT	16,107	(52,472)	(29,451)	(13,318)	7,914
Financial Income/(Expense)	(18,759)	(21,420)	(23,495)	(25,487)	(25,650)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	8,837	6,012	7,000	9,000	10,000
Profit Before Tax (pre-EI)	6,185	(67,880)	(45,945)	(29,805)	(7,736)
Exceptional Items	(8,936)	9,582	(3,285)		
Pre-tax Profit	(2,751)	(58,298)	(49,230)	(29,805)	(7,736)
Taxation	269				
Exceptional Income - post-tax					
Profit After Tax	(2,481)	(58,298)	(49,230)	(29,805)	(7,736)
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	(2,481)	(58,298)	(49,230)	(29,805)	(7,736)
Recurring Net Profit	6,455	(67,880)	(45,945)	(29,805)	(7,736)
Fully Diluted Recurring Net Profit	6,455	(67,880)	(45,945)	(29,805)	(7,736)

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	55,844	(5,485)	20,247	36,446	57,997
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(44,559)	(19,508)	(44,973)	(41,100)	(46,270)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(18,759)	(21,420)	(23,495)	(25,487)	(25,650)
Tax Paid	269				
Cashflow From Operations	(7,205)	(46,413)	(48,221)	(30,140)	(13,924)
Capex	(150,683)	(53,384)	(53,292)	(24,902)	(2,039)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(29,827)	22,092	10,102		
Other Investing Cashflow	6,484	6,012	7,000	9,000	10,000
Cash Flow From Investing	(174,026)	(25,281)	(36,190)	(15,902)	7,961
Debt Raised/(repaid)	199,509	74,795	20,143	24,902	2,039
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(18,658)	(4,779)	(3,285)		
Cash Flow From Financing	180,851	70,016	16,857	24,902	2,039
Total Cash Generated	(380)	(1,677)	(67,554)	(21,140)	(3,924)
Free Cashflow To Equity	18,279	3,102	(64,268)	(21,140)	(3,924)
Free Cashflow To Firm	(162,472)	(50,274)	(60,917)	(20,556)	19,687

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	108,347	112,285	96,270	123,029	172,419
Total Debtors	2,596	2,192	2,517	3,298	4,158
Inventories	2,861	3,164	3,775	4,947	6,237
Total Other Current Assets	39,552	45,925	47,821	62,667	79,005
Total Current Assets	153,357	163,566	150,382	193,942	261,819
Fixed Assets	168,848	189,993	193,587	168,725	120,681
Total Investments	94,994	72,902	62,800	62,800	62,800
Intangible Assets	336	332	332	332	332
Total Other Non-Current Assets	2,949	2,949	2,949	2,949	2,949
Total Non-current Assets	267,127	266,177	259,669	234,807	186,763
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	138,059	130,437	139,834	163,434	188,964
Total Current Liabilities	138,059	130,437	139,834	163,434	188,964
Total Long-term Debt	223,801	298,597	318,739	343,641	345,680
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	223,801	298,597	318,739	343,641	345,680
Total Provisions					
Total Liabilities	361,860	429,033	458,573	507,075	534,644
Shareholders Equity	58,624	709	(48,521)	(78,327)	(86,063)
Minority Interests					
Total Equity	58,624	709	(48,521)	(78,327)	(86,063)

Key Ratios					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	25.5%	(59.1%)	71.9%	31.0%	26.1%
Operating EBITDA Growth	1,999.0%	(109.8%)	(469.1%)	80.0%	59.1%
Operating EBITDA Margin	15.6%	(3.7%)	8.0%	11.1%	13.9%
Net Cash Per Share (Rs)	(300.04)	(484.04)	(577.98)	(573.15)	(450.14)
BVPS (Rs)	152.35	1.84	(126.06)	(203.49)	(223.59)
Gross Interest Cover	0.86	(2.45)	(1.25)	(0.52)	0.31
Effective Tax Rate					
Net Dividend Payout Ratio					
Accounts Receivables Days	3.18	5.97	3.41	3.22	3.27
Inventory Days	7.29	28.70	14.16	12.80	13.05
Accounts Payables Days					
ROIC (%)	(27.4%)	(66.3%)	(25.8%)	(12.0%)	10.0%
ROCE (%)	8.5%	(18.0%)	(10.3%)	(5.0%)	3.0%
Return On Average Assets	7.4%	(10.9%)	(5.3%)	(1.0%)	4.1%

Key Drivers					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Av. Seat Km (ASK, Yoy Chg %)	18.8%	(52.8%)	48.1%	30.2%	25.8%
Rev. Psg Km (RPK, Yoy Chg %)	18.2%	(61.8%)	60.0%	49.3%	25.8%
Passenger Load Factor (%)	85.8%	69.4%	75.0%	86.0%	86.0%
Pax yld per RPK	4,765.8	4,770.0	N/A	N/A	N/A
Pax rev. per ASK	3.7	3.2	3.7	3.8	3.8
Total Cost Per ATK	3.7	4.8	4.5	4.2	3.9
Fuel Cost Per ATK	1.3	0.9	1.3	1.4	1.4
Non-fuel Cost Per ATK	2.4	3.9	3.2	2.8	2.5
Fleet Size (no. Of Planes)	262	285	N/A	N/A	N/A

SOURCES: INCRED RESEARCH, COMPANY REPORTS

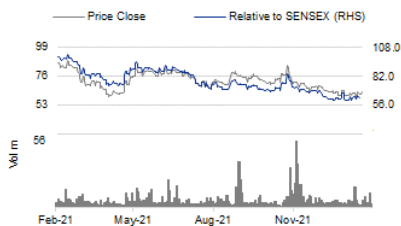
India

HOLD (previously REDUCE)

Consensus ratings*:	Buy 2	Hold 4	Sell 4
Current price:	Rs61		
Target price:	Rs60 ▲		
Previous target:	Rs58		
Up/downside:	-1.6%		
InCred Research / Consensus:	-13.2%		
Reuters:	SPJT.BO		
Bloomberg:	SJET IN		
Market cap:	US\$489m		
	Rs36,428m		
Average daily turnover:	US\$6.4m		
	Rs478.6m		
Current shares o/s:	600.1m		
Free float:	40.5%		
*Source: Bloomberg			

Key changes in this note

- Reduce FY22F EBITDAR by 63%.
- Reduce FY23F EBITDAR by 42%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(4.0)	(28.1)	(26.8)
Relative (%)	(3.6)	(26.7)	(35.1)

Major shareholders	% held
Promoter and Promoter Group	59.5

Analyst(s)



Rajarshi MAITRA

T (91) 22 4161 1546
E rajarshi.maitra@incredcapital.com

Dipen VAKIL

T (91) 22 4161 1551
E dipen.vakil@incredcapital.com

SpiceJet Ltd

Cargo growth and payment from Boeing are critical

- We expect SpiceJet's FY24F RPK to be 25% lower than in FY20 and 53% higher than the run-rate in 3QFY22 due to the revival in international segment.
- We factor in a similar EBITDAR margin in FY24F (vs. FY20) due to the sharp growth in cargo segment (cargo segment's sales up 125% over FY20-22F).
- We roll forward our TP to Rs60 from Rs58; upgrade to HOLD from REDUCE.

Cargo segment has offset weak passenger volume

We estimate that domestic/ international traffic for Indian carriers in FY24F would be 18%/ 3% higher than that in FY20. We factor in a similar market share for SpiceJet over Oct 20 21 to FY24F. SpiceJet's domestic market share declined from 15.8% (FY20) to 9.5% in Oct 2021. We expect SpiceJet's FY24F revenue passenger kilometres or RPK to be 25% lower than in FY20 and 53% higher than the run-rate in 3QFY22 due to the revival in international segment. SpiceJet can curtail/delay its capacity addition plan of leasing new aircraft, and thus we expect its FY24F passenger load factor (PLF) to be similar to FY20 (92%). Despite increased competition and reduction in the lucrative business travel segment, we factor in a similar EBITDAR margin in FY24F (vs. FY20) due to the sharp growth in cargo segment (cargo segment's sales up 125% over FY20-22F).

Compensation from Boeing to SpiceJet for stranded 737 Max planes

Since the grounding of B737 Max 8 in Mar 2019, 13 planes of SpiceJet were grounded (13% of its fleet) from Apr 2019 to Nov 2021. SpiceJet incurred lease for these and booked other income of Rs18.9bn (FY20-3QFY22) as expected compensation from Boeing. During 3QFY22, SpiceJet concluded its negotiations with Boeing. We factor in receipt of 50% of the entire amount of Rs18.9bn from Boeing (Rs16/ share).

Roll forward our TP to Rs60 from Rs58; upgrade to HOLD

We reduce our FY22F/ FY23F EBITDAR by 63%/42%, to factor in SpiceJet's loss of domestic market share and a likely slow recovery in international traffic in 2HFY23F. We roll forward our TP to Mar 2023F, raising it to Rs60 (from Rs58 earlier). We upgrade SpiceJet to HOLD (from REDUCE earlier) after a 33% decline in its share price over the last one year. We value the business at 8x FY24F EV/EBITDAR, in line with the median EV/EBITDAR over Mar 2016- Mar 2019 (7.9x) and at a 20% discount to our target multiple for IndiGo. The key upside risk is a sharper-than-expected recovery in passenger traffic. A key concern on SpiceJet is its negative net worth of -Rs38bn in Dec 2021 (the lowest in its history). Any delay/non-receipt of payment from Boeing is a downside risk.

Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	123,586	51,334	66,129	95,315	129,055
Operating EBITDA (Rsm)	12,662	(311)	(5,193)	6,370	14,219
Net Profit (Rsm)	(9,348)	(9,983)	(13,569)	(9,114)	(5,379)
Core EPS (Rs)	(14.0)	(29.4)	(33.6)	(15.2)	(9.0)
Core EPS Growth	545.1%	110.6%	14.2%	(54.8%)	(41.0%)
FD Core P/E (x)	(4.35)	(2.07)	(1.81)	(4.00)	(6.78)
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)	10.23	(405.75)	(25.94)	19.84	7.63
P/FCFE (x)	8.50	(13.04)	(3.65)	3.85	3.55
Net Gearing	(589.8%)	(349.4%)	(250.1%)	(185.8%)	(134.0%)
P/BV (x)	(2.31)	(1.42)	(0.93)	(0.75)	(0.68)
ROE	86.7%	85.0%	62.0%	20.8%	10.5%
% Change In Core EPS Estimates			41.11%	59.08%	
InCred Research/Consensus EPS (x)			1.26	(4.78)	(0.47)

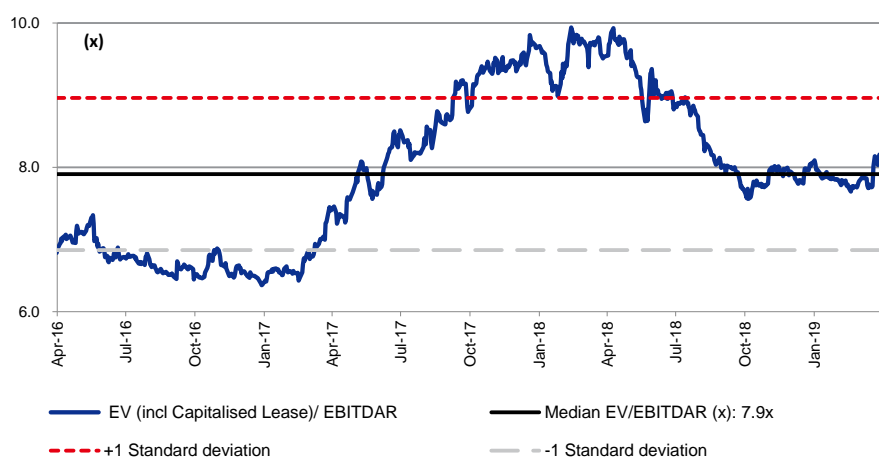
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Cargo growth and payment from Boeing are critical

Figure 21: Key parameters of SpiceJet

	FY17	FY18	FY19	FY20	FY21	9MFY22	FY22F	FY23F	FY24F
ASK (bn)	16.4	19.5	22.3	31.3	11.6	9.1	12.7	16.9	22.9
yoy growth %	27	19	14	40	(63)		10	33	35
RASK (Rs)	3.6	3.8	3.9	3.8	3.2	3.5	3.6	3.9	3.9
Revenue per passenger km (Rs)	3.9	4.1	4.3	4.2	4.2	4.4	4.4	4.2	4.2
PLF %	92	94	92	90	77	79	81	92	92
Passenger revenue (Rs bn)	59	75	88	118	37	31	46	66	89
Cargo revenue (Rs bn)	4	3	5	9	16	16	21	30	40
EBITDAR (Rs bn)	20.0	24.6	21.9	28.0	8.6	4.9	7.5	19.4	30.2
EBITDAR margin %	31.8	31.4	23.5	22.0	16.2	10.5	11.3	20.3	23.4
Operating PBT (Rs bn)	2.8	4.7	(2.7)	(10.1)	(21.9)	(18.7)	(22.5)	(11.5)	(7.7)
Operating PBT margin %	5	6	(3)	(8)	(41)	(40)	(34)	(12)	(6)

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 22: EV/ EBITDAR of SpiceJet over Mar 2016 to Mar 2019


SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 23: Change in our estimates

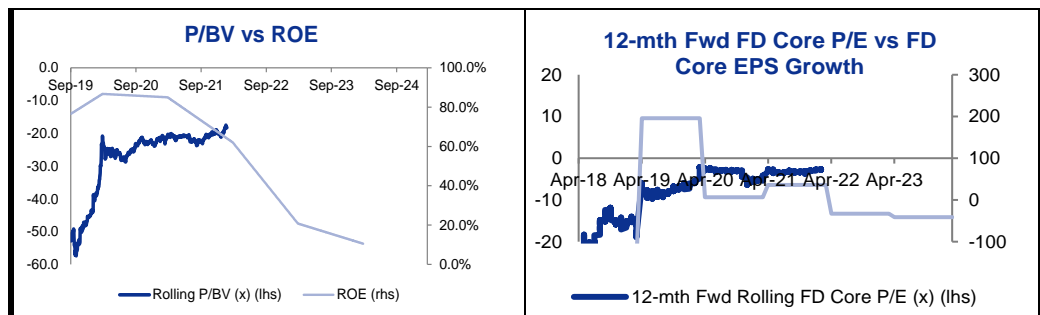
(Rs bn)	FY22F		FY23F		FY24F
	Old	New	Old	New	
Sales	94.5	66.1	132.0	95.3	129.1
% change		(30.0)		(27.8)	
EBITDAR	20.2	7.5	33.3	19.4	30.2
% change		(63.1)		(41.8)	
Adj. PAT	(14.3)	(20.2)	(5.7)	(9.1)	(5.4)
% change		na		na	

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 24: Target price valuation

	(Rs bn)	(Rs/ share)	Comments
EBITDAR FY24F	30.2		Target EV/EBITDAR of 8x, 20% discount to our target multiple for IndiGo, similar to SpiceJet's average EV/EBITDAR of 7.9x over Mar 2016- Mar 2019
Target EV	239	398	
Less Net Debt (FY23F)	(90)	(150)	
Add: estimated receipt from Boeing	9	16	Estimated 50% of booked amount
Less Capitalised operating Lease	(122)	(204)	Capitalised at 8x operating lease
Target Equity valuation / TP	36	60	

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	123,586	51,334	66,129	95,315	129,055
Gross Profit	77,424	36,045	37,450	57,192	77,436
Operating EBITDA	12,662	(311)	(5,193)	6,370	14,219
Depreciation And Amortisation	(17,339)	(15,580)	(13,045)	(13,431)	(16,532)
Operating EBIT	(4,678)	(15,891)	(18,238)	(7,061)	(2,312)
Financial Income/(Expense)	(4,747)	(5,482)	(3,727)	(3,853)	(4,867)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,055	3,731	1,800	1,800	1,800
Profit Before Tax (pre-EI)	(8,369)	(17,642)	(20,165)	(9,114)	(5,379)
Exceptional Items	(978)	7,659	6,597		
Pre-tax Profit	(9,348)	(9,983)	(13,569)	(9,114)	(5,379)
Taxation					
Exceptional Income - post-tax					
Profit After Tax	(9,348)	(9,983)	(13,569)	(9,114)	(5,379)
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	(9,348)	(9,983)	(13,569)	(9,114)	(5,379)
Recurring Net Profit	(8,369)	(17,642)	(20,165)	(9,114)	(5,379)
Fully Diluted Recurring Net Profit	(8,369)	(17,642)	(20,165)	(9,114)	(5,379)

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	12,662	(311)	(5,193)	6,370	14,219
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(6,331)	(2,003)	(2,515)	5,335	7,306
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(4,747)	(5,482)	(3,727)	(3,853)	(4,867)
Tax Paid					
Cashflow From Operations	1,584	(7,796)	(11,435)	7,852	16,659
Capex	(87,428)		(5,847)	(3,099)	(3,192)
Disposals Of FAs/subsidiaries		6,283			
Acq. Of Subsidiaries/investments	(1)	(21)			
Other Investing Cashflow	729	4,097	1,800	1,800	1,800
Cash Flow From Investing	(86,700)	10,359	(4,047)	(1,299)	(1,392)
Debt Raised/(repaid)	89,401	(5,357)	5,492	2,911	(4,997)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(4,662)	2,713	6,597		
Cash Flow From Financing	84,739	(2,644)	12,089	2,911	(4,997)
Total Cash Generated	(377)	(81)	(3,393)	9,463	10,270
Free Cashflow To Equity	4,285	(2,794)	(9,990)	9,463	10,270
Free Cashflow To Firm	(79,666)	8,583	(11,216)	10,944	20,673

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	7,348	5,290	2,373	13,629	26,462
Total Debtors	15,458	20,398	20,500	21,923	21,939
Inventories	1,776	1,558	1,455	2,097	2,839
Total Other Current Assets	15,995	14,619	6,944	10,009	13,552
Total Current Assets	40,577	41,865	31,271	47,658	64,792
Fixed Assets	88,243	71,465	64,267	53,935	40,595
Total Investments	5	26	26	26	26
Intangible Assets	173	95	95	95	95
Total Other Non-Current Assets	670	304	304	304	304
Total Non-current Assets	89,091	71,890	64,692	54,360	41,020
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	44,962	44,329	34,613	46,871	61,042
Total Current Liabilities	44,962	44,329	34,613	46,871	61,042
Total Long-term Debt	100,499	95,141	100,633	103,544	98,547
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	100,499	95,141	100,633	103,544	98,547
Total Provisions					
Total Liabilities	145,461	139,471	135,247	150,415	159,589
Shareholders Equity	(15,793)	(25,715)	(39,284)	(48,398)	(53,777)
Minority Interests					
Total Equity	(15,793)	(25,715)	(39,284)	(48,398)	(53,777)

Key Ratios					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	35.6%	(58.5%)	28.8%	44.1%	35.4%
Operating EBITDA Growth	1,020.0%	(102.5%)	1,568.4%	(222.7%)	123.2%
Operating EBITDA Margin	10.2%	(0.6%)	(7.9%)	6.7%	11.0%
Net Cash Per Share (Rs)	(155.23)	(149.52)	(163.51)	(149.62)	(119.96)
BVPS (Rs)	(26.32)	(42.79)	(65.37)	(80.54)	(89.49)
Gross Interest Cover	(0.86)	(2.64)	(4.28)	(1.61)	(0.43)
Effective Tax Rate					
Net Dividend Payout Ratio					
Accounts Receivables Days	33.55	127.48	112.87	81.23	62.03
Inventory Days	12.45	39.80	19.17	17.00	17.45
Accounts Payables Days					
ROIC (%)	444.7%	(20.5%)	(28.4%)	(12.0%)	(5.6%)
ROCE (%)	(8.6%)	(19.9%)	(27.1%)	(11.2%)	(3.6%)
Return On Average Assets	(4.1%)	(10.0%)	(15.7%)	(5.3%)	(0.5%)

Key Drivers					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Av. Seat Km (ASK, Yoy Chg %)	40.4%	(62.9%)	9.6%	32.9%	35.4%
Rev. Psg Km (RPK, Yoy Chg %)	36.9%	(68.2%)	15.8%	51.0%	35.4%
Passenger Load Factor (%)	89.6%	76.6%	81.0%	92.0%	92.0%
Pax yld per RPK	4,986.5	6,625.4	N/A	N/A	N/A
Pax rev. per ASK	3.8	3.2	3.6	3.9	3.9
Total Cost Per ASK	4.2	5.3	6.3	6.2	5.9
Fuel Cost Per ASK	1.5	1.3	2.3	2.3	2.3
Non-fuel Cost Per ASK	2.8	4.0	4.0	3.9	3.6
Fleet Size (No. Of Planes)	114	114	N/A	N/A	N/A

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CGET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.