

India

**Underweight** (previously Overweight)

**Highlighted Companies**

**InterGlobe Aviation Ltd**

**REDUCE, TP Rs1165, 1587.55**

Dominant player in India's domestic aviation market with 53.6% market share in Oct 2020. It is the lowest-cost airline in India and has a relatively strong balance sheet (net worth of Rs18bn; cash reserves of Rs180bn in Sep 2020).

**SpiceJet Ltd**

**REDUCE, TP Rs58, 85.55**

SpiceJet has the second highest market share (13.9%) in India's domestic aviation market. A key concern on SpiceJet is its negative net worth -Rs22.9bn in Sep 2020 (the lowest in its history).

**Summary Valuation Metrics**

P/E (x)	Mar21-F	Mar22-F	Mar23-F
InterGlobe Aviation Ltd	-14.54	-22.9	769.78
SpiceJet Ltd	-3.59	-3.6	-8.97

P/BV (x)	Mar21-F	Mar22-F	Mar23-F
InterGlobe Aviation Ltd	36.78	-60.7	-65.89
SpiceJet Ltd	-1.71	-1.16	-1.02

Dividend Yield	Mar21-F	Mar22-F	Mar23-F
InterGlobe Aviation Ltd	0%	0%	0%
SpiceJet Ltd	0%	0%	0%

# Aviation - Overall

## To fly or not to fly, that is the question

- Business travel is likely to diminish, even when normalcy returns.
- We factor in market share gains for IndiGo/ SpiceJet in the domestic segment, while we believe the same in the international segment is unlikely.
- Air traffic in YTD FY21 was boosted by reduction in railway operations.
- Downgrade IndiGo and SpiceJet to Reduce from Add/ Hold earlier.

### Business travel is likely to diminish, even when normalcy returns

We believe Covid-19 will have a lasting impact on India's aviation traffic. Business travel (estimated at 45% of India's domestic passengers in FY20) is likely to be depleted even when normalcy returns. Covid-19 has driven a shift to online meetings /phone calls from air travel for meetings earlier. The pandemic is now in its 10<sup>th</sup> month in India, long enough to alter the entrenched habit of air travel for meetings. We believe that business travel is more lucrative for airlines (vs. tourism) as most business travel tickets are booked closer to the date of travel vs. tourism. We estimate traffic handled by Indian carriers in FY23F would be at FY20 levels, factoring in a 37% decline in business travel (domestic) in FY20-23F. We expect IndiGo's EBITDAR/ ASK to decline 7% over FY20-23F due to (a) muted traffic growth and (b) a likely decline in the lucrative segment of business travel.

### Can IndiGo/ SpiceJet's volume grow substantially ahead of industry?

We believe most players in India's domestic aviation have strong parentage and are unlikely to exit the market. However, in our estimates for IndiGo/ SpiceJet, we factor in market share improvement from 53.6%/13.9% (Oct 2020) to 59%/15.3% in FY23F in the domestic segment. Most international airlines present in India are government owned. We believe the respective governments can infuse funds into the airlines if required and IndiGo / SpiceJet are unlikely to gain market share in the international segment by FY23F.

### Air traffic in YTD FY21 was boosted by reduction in railway operations

During FY20, India's non-suburban rail traffic was 26x of domestic air traffic. We believe (a) air traffic in Apr-Nov 2020 was boosted by the reduced operations of passenger trains (due to Covid-19) as essential travel shifted to aviation and (b) the boost aviation got in YTD FY21 from curtailed railway operations will gradually peter out as railways scale up.

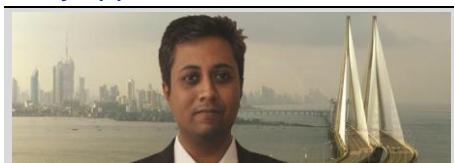
### Economic slowdowns have negatively impacted India's air traffic

While India's domestic air passenger CAGR was 11% (FY07-20), domestic traffic growth was negatively impacted by economic slowdowns (FY09, FY13). Further, India's domestic air traffic CAGR between FY08 (prior to global financial crisis) and FY10 was 1%, and zero % between FY12 (prior to India's slow per capita GDP growth of 4% in FY13) and FY14, both well below the long-term CAGR.

### Downgrade IndiGo and SpiceJet to Reduce

We downgrade the sector to Underweight from Overweight earlier to factor in the likely muted traffic growth over FY20-23F. We roll forward our valuations to Mar 2022 (Mar 2021 earlier), downgrade IndiGo to Reduce (Add earlier) with a lower TP of Rs1,165 (Rs1,680 earlier) and downgrade SpiceJet to Reduce (Hold earlier) with a revised TP of Rs58 (Rs52 earlier). The key risk to our call is a sharper-than-expected rebound in business travel.

**Analyst(s)**



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**Figure 1: Valuation summary**

	Target Price		EBITDAR (Rs bn)			EV/EBITDAR (x)		
	(Rs)	Rating	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
IndiGo	1,165	REDUCE	21.2	46.2	84.5	42.9	19.7	10.8
SpiceJet	58	REDUCE	18.0	20.2	33.3	11.7	10.5	6.4

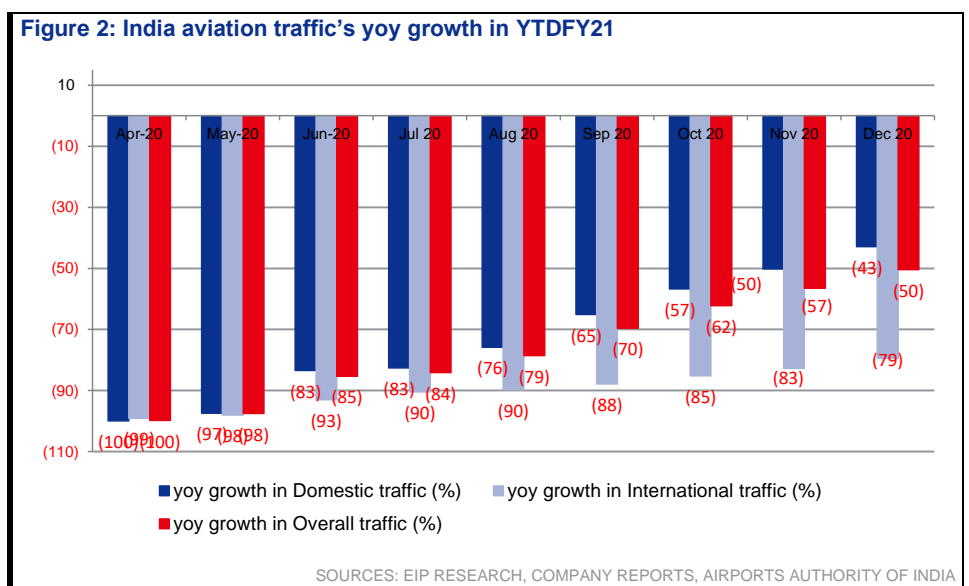
SOURCES: EIP RESEARCH, COMPANY REPORTS

## To fly or not to fly, that is the question

### Major reset likely in India’s domestic aviation: Business travel likely to diminish, even when normalcy returns ➤

According to Airports Authority of India (AAI), aviation traffic in India declined 75% in YTFY21 as domestic / international traffic declined 72%/ 89% yoy. In Dec 2020, aviation traffic in India declined 50% yoy as domestic / international traffic declined 43%/ 79% yoy.

**Note:** According to the Directorate General of Civil Aviation (DGCA), 53%/ 21% of international air traffic to/ from India handled by Indian carriers/ all carriers during Apr-Oct 2020 was non-scheduled in nature, mainly Vande Bharat flights.



We believe that Covid-19 will have a lasting impact on India’s aviation traffic, even when normalcy returns. Aviation 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 pandemic levels as the experience of tourism and travelling to/ from one’s native place cannot be replaced.

However, business travel is likely to be depleted even when normalcy returns. Covid-19 has driven a shift to online meetings and phone calls from air travel for face-to-face meetings earlier. We believe that had the pandemic lasted for a short period of 2-4 months, people may have reverted to the earlier habit of air travel for face-to-face meetings once normalcy returned. However, the pandemic is now in its 10<sup>th</sup> month in India, long enough to alter the entrenched habit of air travel for face-to-face meetings. Further, replacing air travel with online meetings and phone calls saves the cost and time of travel.

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

**Figure 3: 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
<b>Total</b>	<b>137.6</b>	<b>75.9</b>	<b>55.1</b>

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

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

According to Directorate General of Civil Aviation (DGCA), during FY17-20, India's domestic air traffic grew at 11% CAGR and international traffic handled by Indian carriers grew at 2% CAGR. We estimate that total traffic handled by Indian carriers in FY23F would be similar to that in FY20.

Our key assumptions are (a) return to normalcy in FY23F, (b) in FY20, 45%/12% of passengers in domestic/ international air travel were business passengers, with the balance being from tourism; (c) tourism to grow by 26%/5% for domestic/ international travel between FY20-23F; and (d) business travel to decline 37%/48% for domestic/ international travel between FY20-23F.

**Figure 4: Passenger traffic handled by Indian carriers**

(mn passenger km)	FY17	FY20	CAGR % FY17-20	FY23F	CAGR % FY20-23F
India Domestic traffic	98,641	136,683	11	135,248	(0)
India International traffic handled by Indian Carriers	71,444	74,802	2	73,619	(1)
Total traffic handled by Indian carriers	170,085	211,485	8	208,866	(0)

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

**Figure 5: Sensitivity of traffic CAGR in FY20-23F for Indian carriers to growth in business travel in India's domestic aviation**

Growth in Business travel in India's domestic aviation over					
FY20-23F		(62)	(37)	(12)	13
Traffic CAGR between FY20-23 (Indian carriers)		(3.0)	(0.4)	2.0	4.3

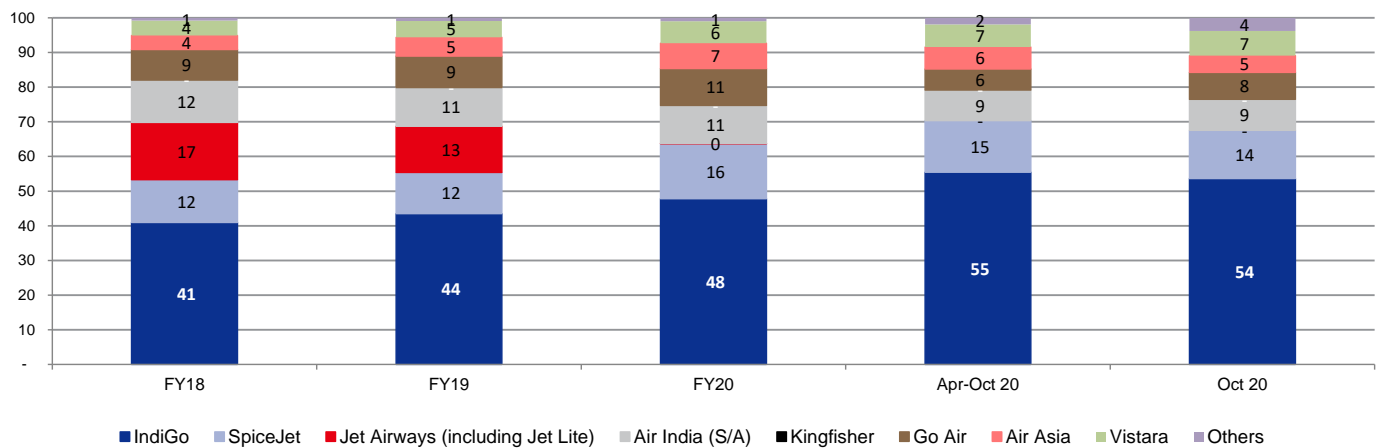
SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

We expect IndiGo's EBITDAR/ ASK to decline 7% between FY20-23F due to (a) muted industry traffic growth and (b) a likely decline in the more lucrative segment's traffic (business travel). Airlines can curtail/ delay their capacity addition plans in terms of leasing new aircrafts, and thus we expect FY23F passenger load factor (PLF) to be similar to FY20 levels.

### Can market share gain in domestic segment offset tepid industry volume growth for IndiGo and SpiceJet? ➤

IndiGo, SpiceJet, Air India, Go Air, Vistara and AirAsia India have a combined market share of 96% in the domestic segment. We believe that most players have strong support from their parent companies and are unlikely to exit the market.

**Figure 6: Market share in India's domestic aviation (%)**



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

- Air India is a 100% government-owned enterprise.
- 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 32.7% 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.

However, in our estimates for IndiGo/ SpiceJet, we factor in market share improvement from 53.6%/13.9% in Oct 2020 to 59%/15.3% in FY23F respectively driven by loss of 10% market share among other players in the industry. As a result, we factor in 3.4% CAGR in domestic available seat kilometres (ASK) for IndiGo and SpiceJet over FY20-23F vs. 0% CAGR in domestic ASK for the industry.

### Can market share gain in international segment offset tepid industry volume growth for IndiGo and SpiceJet? ➤

In YTD FY21 domestic/ international aviation traffic in India declined 76%/ 91% yoy. In Nov 2020, domestic/ international aviation traffic in India declined 50%/ 83% yoy. Despite the higher distress in the international segment (vs. domestic), we believe it unlikely IndiGo and SpiceJet can gain market share in the international segment at the expense of distressed international players when normalcy returns.

During 3QFY20 (last quarter before Covid-19), Indian carriers handled 39% of India's international aviation traffic while global airlines handled the balance 61%. We observe that global airlines traffic in 2QFY21 faced a more severe yoy traffic decline than the Indian carriers.

**Figure 7: 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	yoy growth in traffic in 2QFY21
Indigo	12.8	18.2	(71.0)
Air India including Air India Express and Alliance Air	18.8	70.3	(76.0)
Spicejet	5.0	22.7	(76.0)
Go air	2.0	14.7	(87.0)
Vistara airlines	0.6	7.2	(75.0)
<b>Total Domestic carriers</b>	<b>39.2</b>		
Emirates airline	9.1	10.7	(90.9)
Etihad airlines	3.9	14.9	(99.0)
Oman air	3.1	na	na
Qatar airways	3.1	6.3	na
Srilankan airways	3.0	37.2	na
Singapore airlines	2.8	8.7	(97.8)
Air Arabia	2.7	19.0	na
Cathay pacific	2.5	4.6	(44.4)
Thai airways	2.4	6.4	(97.8)
Saudia	2.3	na	na
Lufthansa	1.9	0.9	(84.0)
Gulf air	1.7	na	na
British airways	1.5	0.8	(86.5)
Malaysia airlines	1.5	na	na
Scoot tiger air	1.4	8.7	(99.4)
Air asia berhad	1.9	2.6	(84.4)
Others	16.0		
<b>Total Foreign carriers</b>	<b>60.8</b>		

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

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

We observe that the bulk of the international airlines present in India's international aviation segment are government owned. Thus, although international airlines in India's international aviation are in distress (traffic declined 80-95% yoy in 2QFY21), we believe the respective governments can infuse funds into the international airlines if required. As a result, we believe it is unlikely that IndiGo / SpiceJet will gain market share in the international segment by FY23F.

**Figure 8: 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	Government owned enterprise
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
<b>Total Domestic carriers</b>	<b>39.2</b>		
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		
<b>Total Foreign carriers</b>	<b>60.8</b>		

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

### Aviation traffic in Apr-Nov 2020 was boosted by reduction in operations of passenger trains (due to Covid-19) ➤

During Apr-Nov 2019, India's domestic air traffic was 93m while non-suburban rail traffic was 2.45bn (26x of domestic air traffic). We believe that (a) air traffic in Apr-Nov 2020 was boosted by the 96% yoy reduction in non-suburban rail traffic as Covid-19 led to reduced operations of passenger trains and (b) reduction in operations of railway passenger trains led to essential travel shifting to aviation.

**Figure 9: Domestic aviation traffic and railway passenger traffic**

(mn passengers)	Apr-Nov 19	Apr- Nov 20	yoy growth (%)	2QFY20	2QFY21	yoy growth (%)	Nov 19	Nov 20	yoy growth (%)
Non Suburban Rail traffic	2,446	88	(96)	901	41	(95)	308	32	(90)
Suburban Rail traffic	3,127	172	(94)	1,195	44	(96)	392	90	(77)
Domestic aviation traffic	93	22	(76)	34	9	(75)	13	6	(50)

SOURCES: EIP RESEARCH, COMPANY REPORTS, AIRPORTS AUTHORITY OF INDIA, MINISTRY OF RAILWAYS

We observe passenger train operations started normalising since Nov 2020 (non-suburban/ suburban passengers down 90%/77% yoy respectively in Nov 2020). Thus, we believe that the boost the aviation sector got in YTFY21 from curtailed railway operations will gradually peter out over the next few months.

In 2QFY21, occupancy in publicly listed hotels declined on average 65% yoy. We believe the occupancy at these listed hotels has been boosted by quarantine facilities and rooms for medical staff. Further, rooms booked for quarantine and medical staff are for longer periods than that for tourism.

**Note:** Lemon Tree mentioned in its 2QFY21 call that ~50% of its occupancy in 2QFY21 was for quarantine and medical staff.

**Figure 10: Room occupancy for listed hotel companies**

(%)	2QFY21	2QFY20	yoy change %	1QFY21	qoq change %
Indian Hotels Company - Domestic	28	na	na	15	86
EIH Limited	19	67	(71)	8	142
Chalet Hotels Ltd	25	74	(66)	24	4
Lemon Tree Hotels Ltd	32	75	(57)	29	12

SOURCES: EIP RESEARCH, COMPANY REPORTS

## Global / India's domestic aviation traffic has been negatively impacted by economic slowdowns in the past ►

Global aviation passenger CAGR was 5.3%/ 6.4% over the last 20/ 5 years. Global aviation traffic growth has been negatively impacted by economic slowdowns and epidemics (CY98, CY01, CY02, CY08).

During the dotcom bust (CY01) and Severe Acute Respiratory Syndrome (SARS) outbreak (CY02), it took four years (CY03) for global air traffic to revert to CY00 levels. Global air traffic CAGR between CY07 (prior to Global financial crisis) and CY09 was just 1%, well below the CAGR in global aviation traffic over the last 20 years (5.3%).

**Figure 11: Global aviation passenger CAGR**

	Global aviation passenger CAGR %	(%)
CY99-19	Last 20 years	5.3
CY09-19	Last 10 years	6.9
CY14-19	Last 5 years	6.4

SOURCES: EIP RESEARCH, COMPANY REPORTS, WORLD BANK

**Figure 12: Global GDP and aviation passenger growth**

	World GDP growth	World Aviation passenger growth	Comments
CY97	(0.4)	4.6	
CY98	(0.2)	0.8	Asian Financial Crisis
CY99	3.7	6.5	
CY00	3.2	7.2	
CY01	(0.6)	(1.1)	Dot Com Bust
CY02	3.8	(1.7)	Severe Acute Respiratory Syndrome (SARS) outbreak
CY03	12.2	2.3	
CY04	12.6	13.5	
CY05	8.3	4.3	
CY06	8.4	5.2	
CY07	12.7	6.6	
CY08	9.7	(0.0)	Global Financial Crisis
CY09	(5.2)	1.9	
CY10	9.5	16.8	
CY11	11.1	6.1	
CY12	2.3	3.8	
CY13	2.9	5.3	
CY14	2.8	5.9	
CY15	(5.4)	7.4	
CY16	1.5	6.9	
CY17	6.4	7.3	
CY18	6.3	6.7	
CY19	1.6	3.7	

SOURCES: EIP RESEARCH, COMPANY REPORTS, WORLD BANK

India's domestic aviation passenger CAGR was 11% over FY07-20 and 15% over FY15-20. India's domestic aviation traffic growth has been negatively impacted by economic slowdowns and epidemics (FY09, FY13).

India's domestic air traffic CAGR between FY08 (prior to global financial crisis) and FY10 was 1%, and zero % between FY12 (prior to India's slow per capita GDP growth of 4% in FY13) and FY14. Traffic growth in both these periods are well below the CAGR in India's domestic aviation traffic over FY07-20 (11%).

**Figure 13: India's per capita GDP and domestic aviation passenger growth**

	India domestic aviation passengers (mn)	India domestic aviation yoy growth %	India per capita GDP (USD) growth %
FY07	36	42	7.6
FY08	44	24	8.2
FY09	39	(11)	2.4
FY10	45	15	6.9
FY11	54	19	8.7
FY12	61	13	5.2
FY13	58	(5)	4.1
FY14	61	5	5.0
FY15	70	16	6.0
FY16	85	22	6.6
FY17	104	22	6.8
FY18	123	19	5.8
FY19	138	12	5.4
FY20	140	2	4.7

SOURCES: EIP RESEARCH, COMPANY REPORTS, WORLD BANK, DIRECTORATE GENERAL OF CIVIL AVIATION

## Resumption of operations of Boeing 737 Max could increase global aviation fleet by 3.3% ➤

The US Federal Aviation Administration (FAA) has cleared Boeing's 737 Max for flights after a 20-month review. The B737 Max was grounded in Mar 2019, after the fatal crash of an Ethiopian Airlines and Lion Air flights (346 casualties). We believe that even after the B737 Max starts flying in the US, Indian regulators are likely to wait for some time before allowing the B737 Max to fly in India.

There are 397 grounded B737 Max aircrafts world-wide (1.6% of global aviation fleet) with another 390 awaiting delivery (1.7% of global aviation fleet).

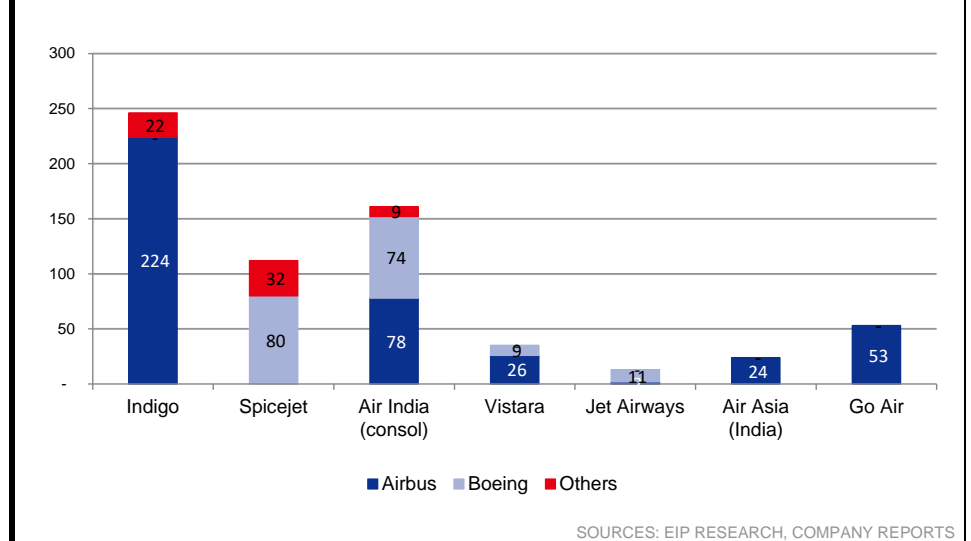
**Figure 14: Composition of global aviation fleet in CY19**

	Fleet CY19	as % of total fleet
Boeing 737 (narrow body)	7,132	30
Boeing 777 (wide body)	1,424	6
Boeing - Others	2,838	12
<b>Total Boeing</b>	<b>11,394</b>	<b>48</b>
Airbus A320 (narrow body)	7,913	33
Airbus A330 (wide body)	1,270	5
Airbus Others	954	4
<b>Total airbus</b>	<b>10,137</b>	<b>42</b>
Others - estimated	2,392	10
<b>Grand Total</b>	<b>23,923</b>	<b>100</b>

SOURCES: EIP RESEARCH, COMPANY REPORTS, BOEING, AIRBUS

In India, there are 13 grounded B737 Max aircrafts, all belonging to SpiceJet. This is ~2% of Indian carrier's overall fleet of 644 planes in Oct 2019.

**Figure 15: Fleet details for Indian carriers in Oct 2019 (total 644 aircraft) – Airbus has 63% of the market share**





## India

**REDUCE** (previously ADD)

Consensus ratings\*: Buy 15 Hold 3 Sell 3

Current price:	Rs1,587
Target price:	Rs1,165
Previous target:	Rs1,680
Up/downside:	-27.0%
EIP Research / Consensus:	-31.8%
Reuters:	INGL.NS
Bloomberg:	INDIGO IN
Market cap:	US\$8,661m Rs6,32,061m
Average daily turnover:	US\$43.5m Rs3176.0m
Current shares o/s:	384.8m
Free float:	25.1%

\*Source: Bloomberg

**Key changes in this note**

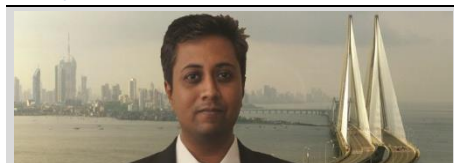
- Reduce FY22F EBITDAR by 65%
- Reduce FY23F EBITDAR by 44%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.5	21.1	11.9
Relative (%)	(1.6)	0.5	(5.9)

Major shareholders	% held
Promoter and Promoter Group	74.9
ICICI Prudential AMC	2.1
Kotak Mahindra (International) Ltd	1.4

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# InterGlobe Aviation Ltd

## Weak industry volumes to dampen earnings

- Despite factoring in a rise in Indigo's domestic aviation market share, we expect CAGR of 2.4% in its available seat kilometres over FY20-23F.
- We factor in a 7% decline in EBITDAR/ ASK in FY23F (vs. FY20), due to downward pressure on tariff on account of weak industry volume growth.
- We now have a Reduce rating (Add earlier) and lower our TP to Rs1,165.

### Weak passenger demand growth to dent volumes and profitability

We estimate that the total traffic handled by Indian carriers in FY23F would be similar to that in FY20. Despite factoring in a rise in Indigo's domestic aviation market share from 53.6% in Oct 2020 to 59% in FY23F, we expect CAGR of 2.4% in its available seat kilometres (ASK) over FY20-23F. IndiGo can curtail/ delay its capacity addition plans of leasing new aircrafts, and thus we expect its FY23F passenger load factor (PLF) to be similar to FY20 (86%). We factor in a 7% decline in EBITDAR/ ASK in FY23F (vs. FY20), due to downward pressure on tariff on account of weak industry volume growth. While the cost of Indian air turbine fuel (ATF) for domestic aviation declined by 21% from FY20 to Dec 2020, we expect Indian aviation companies to pass through the benefit to passengers in the weak demand environment. We believe IndiGo is best placed to handle the challenging environment among its peers. It is the lowest-cost airline in India and has a relatively strong balance sheet (net worth of Rs18bn; cash reserves of Rs180bn in Sep 2020).

### Downgrade to Reduce from Add earlier (TP revised to Rs1,165)

We reduce our EBITDAR estimate for FY22F/23F by 65%/ 44%, to factor in (a) delayed recovery in passenger traffic in 2HFY22F due to the prolonged Covid-19 pandemic and (b) while we expect normalcy to return in FY23F, we factor in 30% lower business travel vs. FY20. Hence, we value the business at 8.5x FY23F EV/EBITDAR, a tad lower than the last three-year median EV/EBITDAR of 9x. We roll forward our target price to Mar 2022 (from Mar 2021) and lower the TP to Rs1,165 (from Rs1,680). We now have a Reduce rating (Add earlier) on IndiGo. The key upside risk is a sharper-than-expected recovery in passenger traffic.

**Financial Summary**

	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Revenue (Rsm)	2,84,968	3,57,560	1,40,521	2,53,892	3,47,070
Operating EBITDA (Rsm)	2,660	55,844	(2,396)	19,098	53,967
Net Profit (Rsm)	1,598	(2,481)	(42,016)	(26,672)	794
Core EPS (Rs)	6.3	16.8	(109.2)	(69.3)	2.1
Core EPS Growth	(88.0%)	165.7%	(750.6%)	(36.5%)	(103.0%)
FD Core P/E (x)	395.07	(254.54)	(15.04)	(23.69)	796.33
DPS (Rs)	5.0	0.0	0.0	0.0	0.0
Dividend Yield	0.37%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	189.12	11.68	(285.36)	35.32	11.82
P/FCFE (x)	112.33	34.56	(29.69)	(94.04)	16.42
Net Gearing	(91.6%)	196.9%	884.0%	(1,367.4%)	(1,089.5%)
P/BV (x)	9.09	10.78	38.05	(62.79)	(68.17)
ROE	3.5%	10.1%	(111.7%)	(815.2%)	(8.2%)
% Change In Core EPS Estimates			(2,270.80%)	(202.84%)	(97.47%)
EIP Research/Consensus EPS (x)			1.11	(0.69)	42.18

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 25 JAN 2021

## Weak industry volumes to dampen earnings

**Figure 16: Key parameters of IndiGo**

	FY16	FY17	FY18	FY19	FY20	FY21F	FY22F	FY23F
ASK (bn)	43	55	64	81	96	42	81	103
yoy growth %		27	16	28	19	(56)	93	27
RASK (Rs)	3.8	3.4	3.6	3.5	3.7	3.3	3.1	3.4
Revenue per passenger km (Rs)	4.5	4.0	4.1	4.1	4.3	4.8	3.9	3.9
PLF %	84	85	87	86	86	70	80	86
EBITDAR (Rs bn)	57	53	66	53	84	21	46	85
EBITDAR/ ASK (Rs)	1.3	1.0	1.0	0.6	0.9	0.5	0.6	0.8
Operating PBT/ ASK (Rs)	0.6	0.2	0.3	(0.1)	(0.0)	(1.2)	(0.5)	(0.1)

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 17: Change in estimates**

(Rs bn)	FY21F		FY22F		FY23F	
	Old	New	Old	New	Old	New
Sales	249	141	433	254	498	347
% change		(44)		(41)		(30)
EBITDAR	74	21	131	46	150	85
% change		(71)		(65)		(44)
Adj. PAT	2	(42)	26	(27)	31	1
% change		na		na		(97)

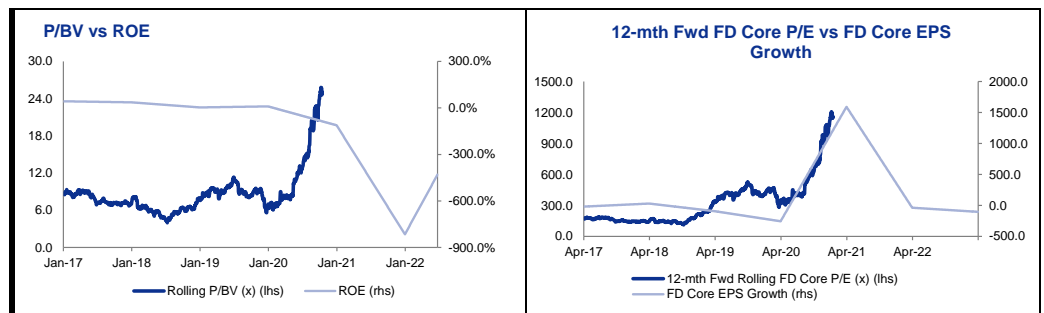
SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 18: Target valuation**

	(Rs bn)	(Rs/ share)	Comments
<b>Target EV/EBITDAR of 8.5x</b>			
EBITDAR FY23F	85	220	Target EV/EBITDAR of 8.5x, tad lower than last 3 year average of 9x
Target EV	718	1,867	
Less Debt (FY22F)	(202)	(525)	
Plus Cash & Investments (FY22F)	160	415	
Less Capitalised Operating lease	(227)	(591)	Capitalised at 8x operating lease
<b>Target Equity Valuation / TP</b>	<b>448</b>	<b>1,165</b>	

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
<b>Total Net Revenues</b>	<b>2,84,968</b>	<b>3,57,560</b>	<b>1,40,521</b>	<b>2,53,892</b>	<b>3,47,070</b>
<b>Gross Profit</b>	<b>1,65,540</b>	<b>2,33,022</b>	<b>98,697</b>	<b>1,69,803</b>	<b>2,40,140</b>
<b>Operating EBITDA</b>	<b>2,660</b>	<b>55,844</b>	<b>(2,396)</b>	<b>19,098</b>	<b>53,967</b>
Depreciation And Amortisation	(7,596)	(39,736)	(33,028)	(37,885)	(42,683)
<b>Operating EBIT</b>	<b>(4,935)</b>	<b>16,107</b>	<b>(35,424)</b>	<b>(18,788)</b>	<b>11,284</b>
Financial Income/(Expense)	(5,090)	(18,759)	(15,592)	(17,885)	(20,150)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	9,401	8,837	9,000	10,000	10,000
<b>Profit Before Tax (pre-EI)</b>	<b>(624)</b>	<b>6,185</b>	<b>(42,016)</b>	<b>(26,672)</b>	<b>1,134</b>
Exceptional Items	(830)	(8,936)			
<b>Pre-tax Profit</b>	<b>(1,454)</b>	<b>(2,751)</b>	<b>(42,016)</b>	<b>(26,672)</b>	<b>1,134</b>
Taxation	3,052	269			(340)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>1,598</b>	<b>(2,481)</b>	<b>(42,016)</b>	<b>(26,672)</b>	<b>794</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>1,598</b>	<b>(2,481)</b>	<b>(42,016)</b>	<b>(26,672)</b>	<b>794</b>
Recurring Net Profit	2,428	6,455	(42,016)	(26,672)	794
<b>Fully Diluted Recurring Net Profit</b>	<b>2,428</b>	<b>6,455</b>	<b>(42,016)</b>	<b>(26,672)</b>	<b>794</b>

### Cash Flow

(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
<b>EBITDA</b>	<b>2,660</b>	<b>55,844</b>	<b>(2,396)</b>	<b>19,098</b>	<b>53,967</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	18,371	(44,559)	31,733	(17,932)	(5,001)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(5,090)	(18,759)	(15,592)	(17,885)	(20,150)
Tax Paid	3,052	269			(340)
<b>Cashflow From Operations</b>	<b>18,993</b>	<b>(7,205)</b>	<b>13,745</b>	<b>(16,720)</b>	<b>28,477</b>
Capex	(16,908)	(1,50,683)		(25,477)	(25,169)
Disposals Of FAs/subsidiaries			3,059		
Acq. Of Subsidiaries/investments	(1,727)	(29,827)			
Other Investing Cashflow	5,496	6,484	9,000	10,000	10,000
<b>Cash Flow From Investing</b>	<b>(13,139)</b>	<b>(1,74,026)</b>	<b>12,059</b>	<b>(15,477)</b>	<b>(15,169)</b>
Debt Raised/(repaid)	(234)	1,99,509	(47,091)	25,477	25,169
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(2,306)				
Preferred Dividends					
Other Financing Cashflow	(2,880)	(18,658)			
<b>Cash Flow From Financing</b>	<b>(5,420)</b>	<b>1,80,851</b>	<b>(47,091)</b>	<b>25,477</b>	<b>25,169</b>
Total Cash Generated	434	(380)	(21,287)	(6,720)	38,477
<b>Free Cashflow To Equity</b>	<b>5,620</b>	<b>18,279</b>	<b>(21,287)</b>	<b>(6,720)</b>	<b>38,477</b>
<b>Free Cashflow To Firm</b>	<b>10,944</b>	<b>(1,62,472)</b>	<b>41,396</b>	<b>(14,311)</b>	<b>33,457</b>

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-19A</b>	<b>Mar-20A</b>	<b>Mar-21F</b>	<b>Mar-22F</b>	<b>Mar-23F</b>
Total Cash And Equivalents	87,915	1,08,347	29,896	64,567	1,26,353
Total Debtors	3,625	2,596	1,405	2,539	3,471
Inventories	2,114	2,861	984	1,777	2,429
Total Other Current Assets	33,185	39,552	16,160	29,198	39,913
<b>Total Current Assets</b>	<b>1,26,839</b>	<b>1,53,357</b>	<b>48,445</b>	<b>98,081</b>	<b>1,72,166</b>
Fixed Assets	56,552	1,68,848	1,32,761	1,20,352	1,02,838
Total Investments	65,167	94,994	94,994	94,994	94,994
Intangible Assets	305	336	336	336	336
Total Other Non-Current Assets	1,240	2,949	2,949	2,949	2,949
<b>Total Non-current Assets</b>	<b>1,23,264</b>	<b>2,67,127</b>	<b>2,31,040</b>	<b>2,18,631</b>	<b>2,01,117</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	1,55,733	1,38,059	86,167	1,24,589	1,55,198
<b>Total Current Liabilities</b>	<b>1,55,733</b>	<b>1,38,059</b>	<b>86,167</b>	<b>1,24,589</b>	<b>1,55,198</b>
Total Long-term Debt	24,292	2,23,801	1,76,710	2,02,187	2,27,356
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>24,292</b>	<b>2,23,801</b>	<b>1,76,710</b>	<b>2,02,187</b>	<b>2,27,356</b>
Total Provisions	644				
<b>Total Liabilities</b>	<b>1,80,668</b>	<b>3,61,860</b>	<b>2,62,877</b>	<b>3,26,776</b>	<b>3,82,554</b>
Shareholders Equity	69,448	58,624	16,608	(10,064)	(9,271)
Minority Interests					
<b>Total Equity</b>	<b>69,448</b>	<b>58,624</b>	<b>16,608</b>	<b>(10,064)</b>	<b>(9,271)</b>

<b>Key Ratios</b>					
	<b>Mar-19A</b>	<b>Mar-20A</b>	<b>Mar-21F</b>	<b>Mar-22F</b>	<b>Mar-23F</b>
Revenue Growth	23.8%	25.5%	(60.7%)	80.7%	36.7%
Operating EBITDA Growth	(91.2%)	1,999.0%	(104.3%)	(897.0%)	182.6%
Operating EBITDA Margin	0.9%	15.6%	(1.7%)	7.5%	15.5%
Net Cash Per Share (Rs)	165.51	(300.04)	(381.54)	(357.64)	(262.49)
BVPS (Rs)	180.66	152.35	43.16	(26.15)	(24.09)
Gross Interest Cover	(0.97)	0.86	(2.27)	(1.05)	0.56
Effective Tax Rate					30.0%
Net Dividend Payout Ratio	(369.6%)				
Accounts Receivables Days	3.77	3.18	5.20	2.84	3.16
Inventory Days	6.03	7.29	16.78	5.99	7.18
Accounts Payables Days					
ROIC (%)	13.0%	(27.4%)	(44.8%)	(27.5%)	34.7%
ROCE (%)	(5.1%)	8.5%	(14.9%)	(9.7%)	5.5%
Return On Average Assets	1.9%	7.4%	(7.6%)	(2.9%)	6.2%

<b>Key Drivers</b>					
	<b>Mar-19A</b>	<b>Mar-20A</b>	<b>Mar-21F</b>	<b>Mar-22F</b>	<b>Mar-23F</b>
Av. Seat Km (ASK, Yoy Chg %)	27.6%	18.8%	(56.3%)	93.2%	27.2%
Rev. Psg Km (RPK, Yoy Chg %)	25.7%	18.2%	(64.3%)	120.8%	36.7%
Passenger Load Factor (%)	86.2%	85.8%	70.0%	80.0%	86.0%
Pax yld per RPK	4,401.5	4,765.8	N/A	N/A	N/A
Pax rev. per ASK	3.5	3.7	3.3	3.1	3.4
Total Cost Per ATK	3.6	3.7	4.6	3.6	3.4
Fuel Cost Per ATK	1.5	1.3	1.0	1.0	1.0
Non-fuel Cost Per ATK	2.1	2.4	3.6	2.5	2.4
Fleet Size (no. Of Planes)	217	262	N/A	N/A	N/A

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

India

**REDUCE** (previously HOLD)

Consensus ratings\*: Buy 6 Hold 2 Sell 2

Current price:	Rs86
Target price:	Rs58
Previous target:	Rs52
Up/downside:	-33.1%
EIP Research / Consensus:	-38.0%
Reuters:	SPJT.BO
Bloomberg:	SJET IN
Market cap:	US\$724m
	Rs52,810m
Average daily turnover:	US\$7.8m
	Rs566.2m
Current shares o/s:	600.1m
Free float:	40.1%

\*Source: Bloomberg

**Key changes in this note**

- Reduce FY22F EBITDAR by 49%
- Reduce FY23F EBITDAR by 25%

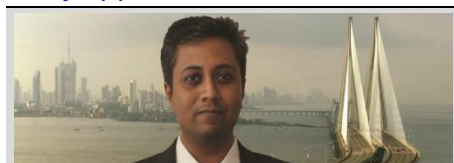


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(1.1)	84.0	(10.1)
Relative (%)	(6.9)	52.7	(24.4)

Major shareholders	% held
Promoter and Promoter Group	59.9
HDFC AMC	5.4
Franklin India	4.0

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# SpiceJet Ltd

## Concerns of weak volume and negative network

- Despite factoring in a rise in SpiceJet's domestic aviation market share, we expect CAGR of 2.4% in its available seat kilometres over FY20-23F.
- Despite the downward pressure on tariffs, we factor in 11% growth in EBITDAR/ ASK in FY23F, due to SpiceJet's higher cargo revenue vs. FY20.
- We now have a Reduce rating (Hold earlier) with a target price of Rs58.

### Weak passenger demand growth to hurt volumes and profitability

We estimate that the total traffic handled by Indian carriers in FY23F would be similar to that in FY20. Despite factoring in a rise in SpiceJet's domestic aviation market share to 15.3% in FY23F from 13.9% in Oct 2020, we expect 2.3% CAGR in its available seat kilometres (ASK) over FY20-23F. SpiceJet can curtail/ delay its capacity addition plans of leasing new aircrafts, and thus we expect its FY23F passenger load factor (PLF) to be similar to FY20 (90%). Despite the downward pressure on tariff on account of weak industry volume growth, we factor in a 11% growth in EBITDAR/ ASK in FY23F (vs. FY20), due to higher cargo revenue vs. FY20. While the cost of Indian air turbine fuel (ATF) for domestic aviation has declined by 21% from FY20 to Dec 2020, we expect Indian aviation companies to pass through the benefit to passengers in the weak demand environment.

### Compensation from Boeing to SpiceJet for stranded 737 Max planes

Recently Boeing agreed to pay airlines USD1.77bn (Rs129bn) for the stranded B737 Max planes. Till date 397 B737 Max planes have been delivered to airlines world-wide. SpiceJet has 13 B737 Max planes in its fleet (12% of its fleet, 15% of seating capacity). While SpiceJet booked other income of Rs9.5bn over FY20-1HFY21 as expected reimbursement from Boeing, we estimate SpiceJet will receive compensation of Rs4bn-5bn and factor the same in our numbers.

### Downgrade to Reduce from Hold earlier (TP revised to Rs58)

We reduce our EBITDAR estimate for FY22F/23F by 49%/ 25%, to factor in (a) delayed recovery in passenger traffic in 2HFY22F due to the prolonged Covid-19 pandemic and (b) while we expect normalcy to return in FY23F, we factor in 30% lower business travel vs. FY20. We roll forward our target price to Mar 2022 (from Mar 2021) and now have a Reduce rating on SpiceJet (Hold earlier) with a target price of Rs58 (Rs52 earlier). We value the business at 6.8x FY23F EV/EBITDAR, a 20% discount to our FY23F target multiple for IndiGo (8.5x) due to SpiceJet's relatively weak balance sheet and a tad lower than SpiceJet's last three-year median EV/EBITDAR of 7.5x. A key concern on SpiceJet is its negative net worth -Rs22.9bn in Sep 2020 (the lowest in its history). The key upside risk is a sharper-than-expected recovery in its passenger traffic.

### Financial Summary

	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Revenue (Rsm)	91,133	1,23,586	57,218	94,473	1,32,022
Operating EBITDA (Rsm)	1,131	12,662	5,335	5,635	16,917
Net Profit (Rsm)	(3,161)	(9,348)	(14,308)	(14,270)	(5,721)
Core EPS (Rs)	(2.2)	(14.0)	(19.7)	(23.8)	(9.5)
Core EPS Growth	(121.6%)	545.1%	41.2%	20.7%	(59.9%)
FD Core P/E (x)	(16.68)	(5.64)	(3.69)	(3.70)	(9.22)
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)	48.85	11.52	16.68	21.60	7.50
P/FCFE (x)	44.82	12.31	6.89	13.12	3.23
Net Gearing	(70.1%)	(589.8%)	(120.3%)	(155.3%)	(147.8%)
P/BV (x)	(15.04)	(3.34)	(1.75)	(1.19)	(1.05)
ROE	65.9%	86.7%	51.5%	38.3%	12.1%
% Change In Core EPS Estimates			(30.14%)	65.03%	(52.07%)
EIP Research/Consensus EPS (x)			0.36	(0.36)	(0.61)

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 25 JAN 2021

## Concerns of weak volume and negative network

**Figure 19: Key parameters of SpiceJet**

	FY16	FY17	FY18	FY19	FY20	FY21F	FY22F	FY23F
ASK (bn)	13	16	20	22	31	14	26	34
yoy growth %		27	19	14	40	(57)	93	28
RASK (Rs)	3.8	3.6	3.8	3.9	3.8	3.3	3.1	3.6
Revenue per passenger km (Rs)	4.2	3.9	4.1	4.3	4.2	4.4	3.9	3.9
PLF %	91	92	94	92	90	75	80	91
EBITDAR (Rs bn)	17	20	25	22	28	18	20	33
<b>EBITDAR/ ASK (Rs)</b>	<b>1.3</b>	<b>1.2</b>	<b>1.3</b>	<b>1.0</b>	<b>0.9</b>	<b>1.3</b>	<b>0.8</b>	<b>1.0</b>
<b>Operating PBT/ ASK (Rs)</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(1.0)</b>	<b>(0.6)</b>	<b>(0.2)</b>

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 20: Our estimated average compensation from Boeing to airlines for each stranded B737 Max planes in CY20**

	(Rs bn)
Amount booked by SpiceJet as compensation for 13 stranded B737 Max planes in FY20	6.7
Amount booked by SpiceJet as compensation for 13 stranded B737 Max planes in 1HFY21	2.8
Boeing's estimated payment to airlines for grounded B737 Max planes	129.2
Number of stranded B737 Max planes	397.0
Estimated compensation per B737 Max plane	0.33

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS, BOEING

**Figure 21: Change in estimates**

(Rs bn)	FY21F		FY22F		FY23F	
	Old	New	Old	New	Old	New
Sales	73.7	57.2	137.6	94.5	161.4	132.0
% change		(22.4)		(31.3)		(18.2)
EBITDAR	18.2	18.0	39.3	20.2	44.3	33.3
% change		(0.7)		(48.6)		(24.8)
Adj. PAT	(16.9)	(11.8)	(8.6)	(14.3)	(11.9)	(5.7)
% change		na		na		na

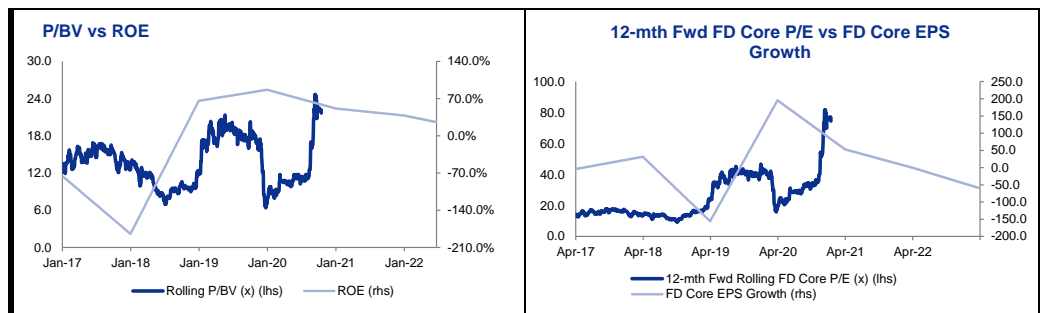
SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 22: Target valuation**

	(Rs bn)	(Rs/ share)	Comments
<b>Target EV/EBITDAR of 6.8x</b>			
EBITDAR FY23F	33		Target EV/EBITDAR of 6.8x, 20% discount to our target multiple for IndiGo, tad lower than
Target EV	226	377	SpiceJet's 3 yr average EV/EBITDAR of 7x
Less Net Debt (FY22F)	(69)	(115)	Capitalised at 8x operating lease
Less Capitalised operating Lease	(122)	(204)	
<b>Target Equity valuation / TP</b>	<b>35</b>	<b>58</b>	

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
<b>Total Net Revenues</b>	<b>91,133</b>	<b>1,23,586</b>	<b>57,218</b>	<b>94,473</b>	<b>1,32,022</b>
<b>Gross Profit</b>	<b>56,680</b>	<b>77,424</b>	<b>39,166</b>	<b>58,249</b>	<b>85,603</b>
<b>Operating EBITDA</b>	<b>1,131</b>	<b>12,662</b>	<b>5,335</b>	<b>5,635</b>	<b>16,917</b>
Depreciation And Amortisation	(2,562)	(17,339)	(14,391)	(16,483)	(18,562)
<b>Operating EBIT</b>	<b>(1,432)</b>	<b>(4,678)</b>	<b>(9,056)</b>	<b>(10,848)</b>	<b>(1,645)</b>
Financial Income/(Expense)	(448)	(4,747)	(3,820)	(4,478)	(5,131)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	583	1,055	1,055	1,055	1,055
<b>Profit Before Tax (pre-EI)</b>	<b>(1,297)</b>	<b>(8,369)</b>	<b>(11,821)</b>	<b>(14,270)</b>	<b>(5,721)</b>
Exceptional Items	(1,864)	(978)	(2,487)		
<b>Pre-tax Profit</b>	<b>(3,161)</b>	<b>(9,348)</b>	<b>(14,308)</b>	<b>(14,270)</b>	<b>(5,721)</b>
Taxation					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>(3,161)</b>	<b>(9,348)</b>	<b>(14,308)</b>	<b>(14,270)</b>	<b>(5,721)</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>(3,161)</b>	<b>(9,348)</b>	<b>(14,308)</b>	<b>(14,270)</b>	<b>(5,721)</b>
Recurring Net Profit	(1,297)	(8,369)	(11,821)	(14,270)	(5,721)
<b>Fully Diluted Recurring Net Profit</b>	<b>(1,297)</b>	<b>(8,369)</b>	<b>(11,821)</b>	<b>(14,270)</b>	<b>(5,721)</b>

### Cash Flow

(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
<b>EBITDA</b>	<b>1,131</b>	<b>12,662</b>	<b>5,335</b>	<b>5,635</b>	<b>16,917</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	3,521	(6,331)	2,133	3,905	4,749
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(448)	(4,747)	(3,820)	(4,478)	(5,131)
Tax Paid					
<b>Cashflow From Operations</b>	<b>4,204</b>	<b>1,584</b>	<b>3,648</b>	<b>5,063</b>	<b>16,534</b>
Capex	(2,638)	(87,428)		(41,610)	(24,332)
Disposals Of FAs/subsidiaries			58,645		
Acq. Of Subsidiaries/investments	1,009	(1)			
Other Investing Cashflow	530	729	1,055	1,055	1,055
<b>Cash Flow From Investing</b>	<b>(1,098)</b>	<b>(86,700)</b>	<b>59,701</b>	<b>(40,554)</b>	<b>(23,277)</b>
Debt Raised/(repaid)	(1,929)	89,401	(55,690)	39,513	23,106
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(1,855)	(4,662)			
<b>Cash Flow From Financing</b>	<b>(3,784)</b>	<b>84,739</b>	<b>(55,690)</b>	<b>39,513</b>	<b>23,106</b>
Total Cash Generated	(679)	(377)	7,658	4,022	16,364
<b>Free Cashflow To Equity</b>	<b>1,177</b>	<b>4,285</b>	<b>7,658</b>	<b>4,022</b>	<b>16,364</b>
<b>Free Cashflow To Firm</b>	<b>4,419</b>	<b>(79,666)</b>	<b>67,872</b>	<b>(30,310)</b>	<b>(908)</b>

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-19A</b>	<b>Mar-20A</b>	<b>Mar-21F</b>	<b>Mar-22F</b>	<b>Mar-23F</b>
Total Cash And Equivalents	8,638	7,348	8,583	15,398	33,395
Total Debtors	7,263	15,458	4,370	6,613	9,242
Inventories	1,373	1,776	858	1,417	1,980
Total Other Current Assets	12,866	15,995	6,580	10,864	15,184
<b>Total Current Assets</b>	<b>30,140</b>	<b>40,577</b>	<b>20,391</b>	<b>34,292</b>	<b>59,800</b>
Fixed Assets	17,453	88,243	15,206	40,333	46,103
Total Investments	4	5	5	5	5
Intangible Assets	129	173	173	173	173
Total Other Non-Current Assets	343	670	670	670	670
<b>Total Non-current Assets</b>	<b>17,929</b>	<b>89,091</b>	<b>16,054</b>	<b>41,181</b>	<b>46,951</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	40,479	44,962	21,738	35,523	49,416
<b>Total Current Liabilities</b>	<b>40,479</b>	<b>44,962</b>	<b>21,738</b>	<b>35,523</b>	<b>49,416</b>
Total Long-term Debt	11,098	1,00,499	44,808	84,321	1,07,427
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>11,098</b>	<b>1,00,499</b>	<b>44,808</b>	<b>84,321</b>	<b>1,07,427</b>
Total Provisions					
<b>Total Liabilities</b>	<b>51,576</b>	<b>1,45,461</b>	<b>66,547</b>	<b>1,19,844</b>	<b>1,56,843</b>
Shareholders Equity	(3,507)	(15,793)	(30,101)	(44,371)	(50,092)
Minority Interests					
<b>Total Equity</b>	<b>(3,507)</b>	<b>(15,793)</b>	<b>(30,101)</b>	<b>(44,371)</b>	<b>(50,092)</b>

<b>Key Ratios</b>					
	<b>Mar-19A</b>	<b>Mar-20A</b>	<b>Mar-21F</b>	<b>Mar-22F</b>	<b>Mar-23F</b>
Revenue Growth	17.5%	35.6%	(53.7%)	65.1%	39.7%
Operating EBITDA Growth	(85.7%)	1,020.0%	(57.9%)	5.6%	200.2%
Operating EBITDA Margin	1.2%	10.2%	9.3%	6.0%	12.8%
Net Cash Per Share (Rs)	(4.10)	(155.23)	(60.37)	(114.86)	(123.37)
BVPS (Rs)	(5.85)	(26.32)	(50.16)	(73.94)	(83.48)
Gross Interest Cover	(1.09)	(0.86)	(2.00)	(2.09)	(0.28)
Effective Tax Rate					
Net Dividend Payout Ratio					
Accounts Receivables Days	16.25	33.55	63.24	21.22	21.92
Inventory Days	13.86	12.45	26.63	11.46	13.36
Accounts Payables Days					
ROIC (%)	(352.6%)	444.7%	(11.7%)	(177.3%)	(6.7%)
ROCE (%)	(5.6%)	(8.6%)	(16.8%)	(37.1%)	(1.9%)
Return On Average Assets	(1.9%)	(4.1%)	(9.6%)	(17.5%)	(0.6%)

<b>Key Drivers</b>					
	<b>Mar-19A</b>	<b>Mar-20A</b>	<b>Mar-21F</b>	<b>Mar-22F</b>	<b>Mar-23F</b>
Av. Seat Km (ASK, Yoy Chg %)	14.4%	40.4%	(56.7%)	92.8%	28.1%
Rev. Psg Km (RPK, Yoy Chg %)	12.3%	36.9%	(63.7%)	105.7%	45.8%
Passenger Load Factor (%)	91.9%	89.6%	75.0%	80.0%	91.0%
Pax yld per RPK	4,580.6	4,986.5	N/A	N/A	N/A
Pax rev. per ASK	3.9	3.8	3.3	3.1	3.6
Total Cost Per ASK	4.2	4.2	5.3	4.2	4.1
Fuel Cost Per ASK	1.5	1.5	1.3	1.4	1.4
Non-fuel Cost Per ASK	2.7	2.8	3.9	2.8	2.7
Fleet Size (No. Of Planes)	76	114	N/A	N/A	N/A

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS



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<b>Description:</b>	Excellent	Very Good	Good	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 2019, Anti-Corruption 2019

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BPCG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, n/a, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** – Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TNR** – Very Good, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

### Recommendation Framework

#### Stock Ratings

Definition:

<b>Add</b>	The stock's total return is expected to exceed 10% over the next 12 months.
<b>Hold</b>	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
<b>Reduce</b>	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:

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

#### Country Ratings

Definition:

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