

SpiceJet

Performance Highlights

Particulars (₹ cr)	3QFY2012	3QFY2011	%chg (yoy)	2QFY2012	%chg (qoq)
Net sales	1,176	830	41.6	766	53.4
EBITDA	(19)	114	(116.7)	(232)	(91.8)
EBITDA margin (%)	(1.6)	13.7	(1,536)bp	(30.2)	2,862bp
Net profit	(39)	94	(141.6)	(240)	(83.6)

Source: Company, Angel Research

For 3QFY2012, SpiceJet's net sales grew by 41.6% yoy to ₹1,176cr. EBITDA margin came in at negative 1.6%. At the EBITDA level, the company witnessed loss of ₹19cr. Consequently, the company reported net loss of ₹39cr during the quarter. **We remain Neutral on the stock.**

Strong top-line growth, while margin declines: For 3QFY2012, SpiceJet reported strong top-line growth of 41.6% yoy on the back of capacity additions during the year. EBITDAR margin declined by 1,451bp yoy to 12.0% and EBITDA margin declined by 1,536bp yoy to negative 1.6%, owing to higher fuel cost during the quarter. The company could not raise ticket prices as much as fuel cost due to stiff competition from FCC players, who were reducing prices to increase load factors and gain market share. The company registered loss of ₹39cr in 3QFY2012 compared to profit of ₹94cr in 3QFY2011.

Outlook and valuation: SpiceJet currently has a fleet of 32 Boeing aircraft and seven Bombardier aircraft. The company will also add four Bombardier aircraft by the end of FY2012. In FY2013, the company will further add five Boeing aircraft and four Bombardiers. By the end of FY2013, the total tally would be 37 Boeings and 15 Bombardiers, as per the current expansion plans. We expect the company's net sales to post a 35.4% CAGR to ₹5,384cr over FY2011–13. Owing to higher ATF prices and intense competition, **we have a cautious view on the sector and, thus, remain Neutral on the stock.**

Key financials

Y/E March (₹ cr)	FY2010	FY2011	FY2012E	FY2013E
Net Sales	2,181	2,934	4,044	5,384
% chg	29.1	34.5	37.8	33.1
Net Profit	61.4	101.2	(410.8)	(144.8)
% chg	-	64.7	(506.2)	64.8
FDEPS (₹)	1.5	2.5	(9.3)	(3.3)
EBITDA Margin (%)	1.2	3.9	(9.2)	(1.0)
P/E (x)	10.7	10.9	-	-
P/CEPS (x)	9.6	10.1	-	-
RoE (%)	-	-	-	-
P/BV (x)	(1.9)	3.4	29.1	(11.7)
EV/Sales (x)	0.3	0.3	0.5	0.4
EV/EBITDAR (x)	1.6	1.8	10.2	3.6

Source: Company, Angel Research

NEUTRAL

CMP	₹27
Target Price	-

Investment Period	-
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Stock Info	
Sector	Airlines
Market Cap (₹ cr)	1,205
Beta	1.2
52 Week High / Low	52/15
Avg. Daily Volume	3,711,613
Face Value (₹)	10
BSE Sensex	17,622
Nifty	5,335
Reuters Code	SPJT.BO
Bloomberg Code	SJET@IN

Shareholding Pattern (%)	
Promoters	43.6
MF / Banks / Indian Fls	12.4
FII / NRIs / OCBs	5.2
Indian Public / Others	38.9

Abs. (%)	3m	1yr	3yr
Sensex	0.3	(2.3)	89.5
SpiceJet	11.0	(42.7)	100.0

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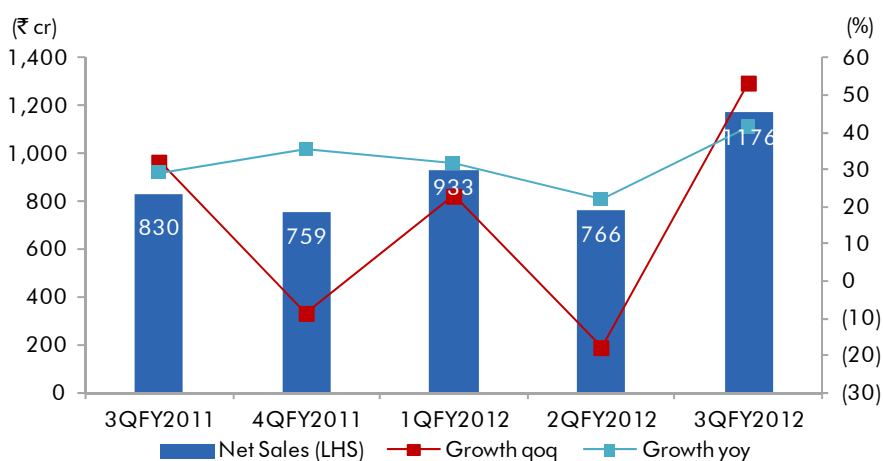
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Exhibit 1: 3QFY2012 performance highlights

Particulars (₹ cr)	3QFY2012	3QFY2011	%chg (yoy)	2QFY2012	%chg (qoq)
Net Sales	1,176	830.1	41.6	766.5	53.4
Total Expenditure	1,194.9	716.1	66.9	998.3	19.7
EBITDA	(19)	114	(116.7)	(231.8)	(91.8)
EBITDA Margin (%)	(1.6)	13.7	(1,536)bp	(30.2)	2,862bp
EBITDAR	141.0	220.0	(35.9)	(94.3)	(249.5)
EBITDAR Margin (%)	12.0	26.5	(1,451) bp	(12.3)	2,430bp
Depreciation	12.2	2.3	430.2	3.7	228.8
EBIT	(31.2)	111.7	(127.9)	(235.5)	(86.8)
Interest	14.3	1.0	1,381.5	8.9	61.5
Other Income*	6.3	7.2	(12.8)	4.3	45.4
PBT	(39.3)	118.0	(133.3)	(240.1)	(83.6)
Tax	-	23.5	-	-	-
Minority Interest	-	-	-	-	-
Net Profit	(39.3)	94.4	(141.6)	(240.1)	(83.6)
NPM (%)	(3.3)	11.4	(1,472) bp	(31.3)	2,798bp
Diluted EPS (₹)	(0.9)	2.1	(141.6)	(5.4)	(83.6)

Source: Company, Angel Research

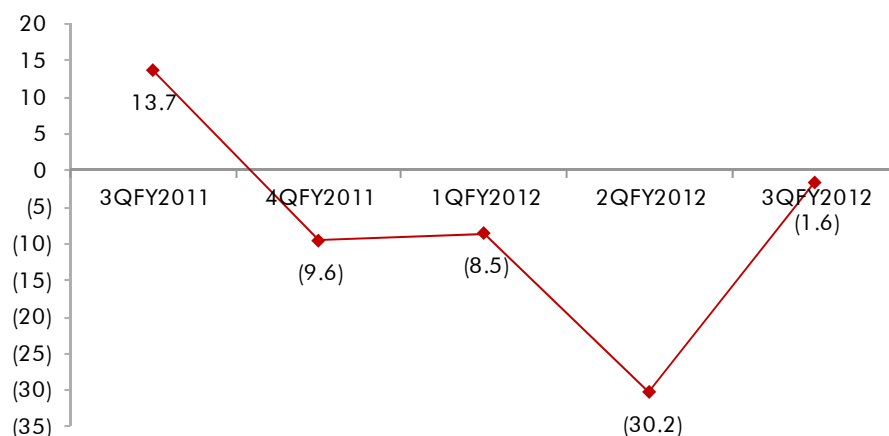
Strong top-line growth: For 3QFY2012, SpiceJet's net sales grew by 41.6% yoy to ₹1,176cr (₹830cr), driven by strong capacity additions and passenger growth, which increased by 29.2% yoy. On a qoq basis, net sales increased by 53.4%, which was expected as the third quarter is usually the best quarter for the industry. Load factors during the quarter stood at 80.1%, down by 8.8% on a yoy basis.

Exhibit 2: Sales trend


Source: Company, Angel Research

EBITDA margin declines yoy on higher fuel cost: SpiceJet's EBITDA margin declined by 1,536bp yoy to negative 1.6% for the quarter, mainly on account of higher ATF prices during the quarter, which increased to 50.4% as a percentage of sales in 3QFY2012 compared to 37.5% as a percentage of sales in 3QFY2011.

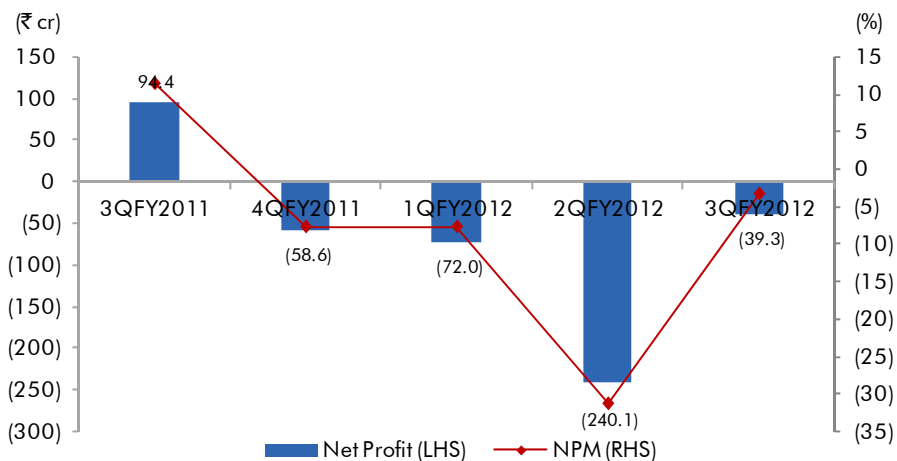
Exhibit 3: OPM declines on the back of higher ATF prices



Source: Company, Angel Research

Bottom line declines due margin compression: SpiceJet reported net loss of ₹39cr in 3QFY2012 compared to profit of ₹94cr in 3QFY2011, largely due to EBITDA margin compression. Consequently, PAT margin declined to negative 3.3%.

Exhibit 4: Huge yoy decline in NPM



Source: Company, Angel Research

Exhibit 5: Key assumptions

(%)	Estimates	
	FY2012	FY2013
Sales growth	37.8	33.1
Load factor	77.0	77.0
EBITDAR margin	4.7	11.6
EBITDA margin	(9.2)	(1.0)
Net profit margin	(10.2)	(2.7)

Source: Company, Angel Research

Outlook and valuation

SpiceJet currently has a fleet of 32 Boeing aircraft and seven Bombardier aircraft. The company will also add four Bombardier aircraft by the end of FY2012. In FY2013, the company will further add five Boeing aircraft and four Bombardiers. By the end of FY2013, the total tally would be 37 Boeings and 15 Bombardiers, as per the current expansion plans. We expect the company's net sales to post a 35.4% CAGR to ₹5,384cr over FY2011–13. Owing to higher ATF prices and intense competition, **we have a cautious view on the sector and, thus, remain Neutral on the stock.**

Profit & loss statement

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E
Gross sales	1,689.4	2,181.1	2,934.4	4,044	5,384
Less: Excise duty	-	-	-	-	-
Net Sales	1,689	2,181	2,934	4,044	5,384
Other operating income					
Total operating income	1,689.4	2,181.1	2,934.4	4,044.5	5,383.6
% chg	30.5	29.1	34.5	37.8	33.1
Total Expenditure	2,109	2,155	2,819	4,418	5,438
Fuel & Oil	945	814	1,226	2,262	2,695
Other Mfg costs	476	512	599	815	1,046
Personnel	155	182	241	341	445
Other	173	257	324	437	570
EBITDA	(419)	26	116	(373)	(55)
% chg	66.3	-	342.6	(422.7)	(85.4)
(% of Net Sales)	(24.8)	1.2	3.9	(9.2)	(1.0)
Depreciation & Amortisation	7	8	9	30	58
EBIT	(426)	18	107	(403)	(113)
% chg	64.1	-	477.8	(477.8)	(72.1)
(% of Net Sales)	(25.2)	0.8	3.6	(10.0)	(2.1)
Interest & other Charges	16	6	5	44	59
Other Income	124	61	26	36	27
(% of PBT)	(39)	83	20	(9)	(19)
Share in profit of Associates	-	-	-	-	-
Recurring PBT	(318)	73	128	(411)	(145)
% chg	145.0	(123.0)	74.7	(420.5)	(64.8)
Extraordinary Expense/(Inc.)	31	6	2	-	-
PBT (reported)	(349)	68	126	(411)	(145)
Tax	3	6	25	-	-
(% of PBT)	(1.0)	9.4	19.6	-	-
PAT (reported)	(353)	61	101	(411)	(145)
Add: Share of earnings of associate	-	-	-	-	-
Less: Minority interest (MI)	-	-	-	-	-
Prior period items	-	-	-	-	-
PAT after MI (reported)	(353)	61	101	(411)	(145)
ADJ. PAT	(353)	61	101	(411)	(145)
% chg	164.1	(117.4)	64.7	(506.2)	64.8

Balance sheet

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E
SOURCES OF FUNDS					
Equity Share Capital	241	242	405	441	441
Preference Capital	-	-	-	-	1
Reserves & Surplus	(670)	(584)	(84)	(400)	(545)
Shareholders' Funds	(429)	(342)	321	41	(103)
Minority Interest	-	-	-	-	-
Total Loans	489	438	86	786	1,036
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	59	96	407	827	932
APPLICATION OF FUNDS					
Gross Block	96	263	292	1,392	1,792
Less: Acc. Depreciation	28	36	45	75	133
Net Block	68	227	247	1,317	1,659
Capital Work-in-Progress	185	165	451	-	-
Goodwill	-	-	-	-	-
Investments	-	-	-	-	-
Current Assets	498	597	411	343	380
Cash	308	451	192	66	10
Loans & Advances	154	113	182	209	278
Inventories	12	15	20	33	44
Debtors	12	19	17	35	47
Other	11	-	-	-	-
Current liabilities	691	893	703	833	1,106
Net Current Assets	(193)	(296)	(291)	(490)	(727)
Mis. Exp. not written off	-	-	-	-	-
Total Assets	59	96	407	827	932

Cash flow statement

Y/E March (₹ cr)	FY2009	FY2010E	FY2011	FY2012E	FY2013E
Profit before tax	(318)	73	128	(411)	(145)
Depreciation	7	8	9	30	58
Change in Working Capital	(179)	178	(52)	88	248
Expenses (deferred)/written off	-	(32)	(8)	-	-
Direct taxes paid	3	6	25	-	-
Cash Flow from Operations	(493)	221	53	(293)	161
Inc./ (Dec.) in Fixed Assets	304	(139)	(306)	(619)	(342)
Inc./ (Dec.) in Investments	-	-	-	-	-
Inc./ (Dec.) in loans and advances	22	42	(69)	(27)	(69)
Other income/Expense	(58)	-	-	-	-
Cash Flow from Investing	269	(98)	(375)	(646)	(411)
Issue of Equity	7	-	163	131	-
Inc./ (Dec.) in loans	(51)	-	54	700	250
Others	-	19	(154)	(18)	(55)
Cash Flow from Financing	(76)	20	64	813	195
Inc./ (Dec.) in Cash	(300)	143	(258)	(127)	(56)
Opening Cash balances	608	308	451	192	66
Closing Cash balances	308	451	192	66	10

Key ratios

Y/E March	FY2009	FY2010	FY2011E	FY2012E	FY2013E
Valuation Ratio (x)					
P/E (on FDEPS)	-	18.0	10.9	-	-
P/E (on basic, reported EPS)	-	10.7	10.9	-	-
P/CEPS	-	9.6	10.1	-	-
P/BV	-	(1.9)	3.4	29.1	(11.7)
Market cap. / Sales	0.4	0.3	0.4	0.3	0.2
EV/Sales	0.5	0.3	0.3	0.5	0.4
EV/EBITDA	(2.0)	24.8	8.6	(5.2)	(40.9)
EV / Total Assets	14.1	6.7	2.5	2.3	2.4
EV/EBITDAR	(13.9)	1.6	1.8	10.2	3.6
Per Share Data (₹)					
EPS (Basic)	(14.6)	2.5	2.5	(9.3)	(3.3)
EPS (fully diluted)	(14.6)	1.5	2.5	(9.3)	(3.3)
Cash EPS	(14.3)	2.9	2.7	(8.6)	(2.0)
Book Value	(17.8)	(14.1)	7.9	0.9	(2.3)
Turnover ratios (x)					
Asset Turnover (Gross Block)	18.5	12.2	10.6	4.8	3.4
Asset Turnover (Net Block)	25.5	14.8	12.4	5.2	3.6
Asset Turnover (Total Assets)	5.4	28.1	11.7	6.6	6.1
Operating Income / Invested Capital	(11.7)	(7.2)	(42.0)	8.3	6.4
Inventory / Sales (days)	3	2	2	2	3
Receivables (days)	2	3	2	2	3
Payables (days)	139	103	86	69	64
Working capital cycle (ex-cash) (days)	(119)	(104)	(77)	(47)	(44)
Solvency ratios (x)					
Gross debt to equity	(1.1)	(1.3)	0.3	19.0	(10.0)
Net debt to equity	(0.4)	0.0	(0.3)	17.4	(9.9)
Net debt to EBITDA	(0.4)	(0.5)	(0.9)	(1.9)	(18.8)
Interest Coverage (EBIT / Interest)	(26.6)	3.0	22.1	(9.3)	(1.9)

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Disclosure of Interest Statement

Disclosure of Interest Statement	SpiceJet
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors.

Ratings (Returns) :	Buy (> 15%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
	Reduce (-5% to 15%)	Sell (< -15%)	