

**CMP: INR 78**

**Outlook: Positive**

**Technical TP: 108-151**

**Stock Info**

BSE	500285
NSE	SPICEJET
Bloomberg	SJET IN
Reuters	SJET.BO
Sector	Airlines
Face Value (Rs)	10
Equity Capital (Rs Cr)	600
Mkt Cap (Rs Cr)	4680
52w H/L (Rs)	108 / 45
Avg Yearly Vol (in 000')	5452

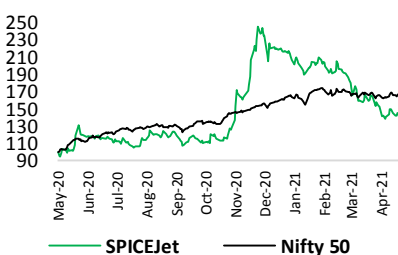
**Shareholding Pattern %**

(As on March, 2021)

Promoters	59.81
Public & Others	40.19

Stock Performance (%)	3m	6m	12m
SPICEJET	-9	-11	71
NIFTY	4	18	56

**Spice Jet Vs Nifty**



**Peer Group Comparison ( As on FY20)**

in Cr. (FY20)	Spice Jet	GOAIR
Revenue	12,374	7,052
EBITDA	549	1060
PAT	-936	-1271
EPS	-15	-82.5

**Abhishek Jain**  
abhishek.jain@arihantcapital.com  
022 4225 4872

**Shrey Gandhi**  
Shrey.gandhi@arihantcapital.com  
022 4225 4865

SpiceJet is India's favorite airline that has made flying affordable for more Indians than ever before.

**Key Investment Rationale :**

- Cargo operations working well:** Spicejet has turned into cargo business during recent times to run its operations and as a strategy to provide back up turbulent times. Spicejet cargo model largely runs on cost per km model as large cost is aligned with cargo movements, spicejet has 19 planes which are being used for cargo movements which include 5-6 large cargo planes also. Cargo business has delivered healthy growth and the company has gained market share from other players. The revenue from cargo operations has increased from INR 300mn to INR 2bn in the last 2 years and now has become the largest air cargo operator in the country. As per our understanding, price plays an important role in whole operations and the company has been focusing on maintaining profitable growth in the cargo segment. the company has operated more than 14,000 cargo flights transporting 1,15,500 tonnes of cargo till December 2020.
- Preferred Airline for Covid 19 Vaccination:** The Company has come out with preferred airlines for transportation of vaccines with its tie ups with various vaccine manufacturers. We believe vaccines can be a big opportunity for the company in FY22 and would provide support to earnings in FY22. Till date company has transported 13.2 million Covid-19 vaccine doses successfully.
- Optimization of operational efficiencies:** Company has emerged as 2<sup>nd</sup> largest Air cargo operator in India with 13% market share which has carried 41,257 tonnes of cargo in Q3FY21 in domestic aviation industry. Company is more focused on exploring and implementing best practices to accomplish better cost base in the industry which has witnessed improved passenger revenue by 73% QoQ through charters, aggressive network and sales strategies. We expect that, the robust performance of the company to continue in Q4FY21 as well and it may demerge its cargo business and list it separately in the future for value unlocking of business.
- Strong balance Sheet :** We expect company continues to face some losses in coming quarter but at declining rate with sharp recovery in the near future. Company has strong balance sheet with improved operating cash flows. Its D/E ratio has also reduced from 3.12 in FY19 to 0.7 in FY20.

**Outlook :** We have a positive outlook on stock backed by company's continuous effort to reduce its losses, high potential of cargo business, improving market share and we expect the Aviation sector to be re-rated with upcoming IPO of Go Air.

INR Cr (consolidated)	FY18	FY19	FY20	9MFY21
<b>Net Revenue</b>	<b>7760</b>	<b>9121</b>	<b>12374</b>	<b>3157</b>
<b>EBITDA</b>	<b>781</b>	<b>36</b>	<b>549</b>	<b>39</b>
<b>EBITDAM %</b>	<b>10%</b>	<b>0.3%</b>	<b>4.4%</b>	<b>1.2%</b>
<b>PAT</b>	<b>557</b>	<b>-302</b>	<b>-936</b>	<b>-773</b>
<b>PATM %</b>	<b>7%</b>	<b>-3.3%</b>	<b>-7.6%</b>	<b>-24%</b>
<b>EPS</b>	<b>9.3</b>	<b>-5</b>	<b>-15</b>	<b>-12.8</b>
<b>P/E</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EV/EBITDA</b>	<b>9.5</b>	<b>38</b>	<b>2.4</b>	<b>-</b>

Source: Arihant Research, Company Filings

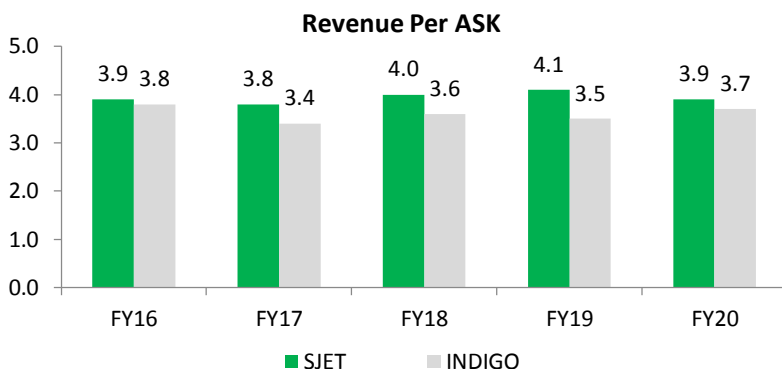
**Company background:**

SpiceJet is India’s favorite airline that has made flying affordable for more Indians than ever before. The airline operates a fleet of Boeing 737s, Bombardier Q-400s & freighters and is the country’s largest regional player operating 63 daily flights under UDAN or the Regional Connectivity Scheme. The majority of the airline’s fleet offers SpiceMax, the most spacious economy class seating in India. The airline also operates a dedicated air cargo service under the brand name SpiceXpress offering safe, on-time, efficient and seamless cargo connectivity across India and on international route.

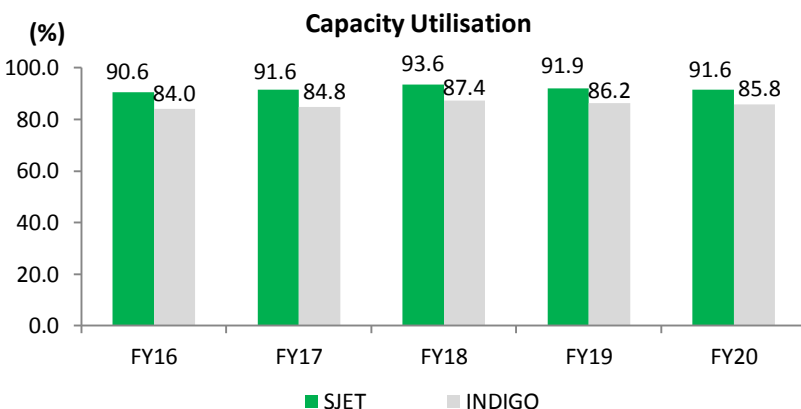
**Strength and strategic execution in high RASK depicts Capacity utilisation:**

When we consider all revenue sources, the measure of an airline’s profitability based on its earnings per seat is Revenue per ASK (RASK), fleet addition, kilometers travelled per trip, number of trips per aircraft per day and passenger revenue per seat are the major factors of such revenue. If a airline is able to operate its fleet better than other airlines then the RASK value goes up.

With the average of INR 4.0, SpiceJet has consistently managed to outperform market share leader Indigo with INR 3.6 average, in terms of RASK over FY16-FY20. This is the sign that the company is better at utilising its fleet on regional routes where we see less competition and high RASK.



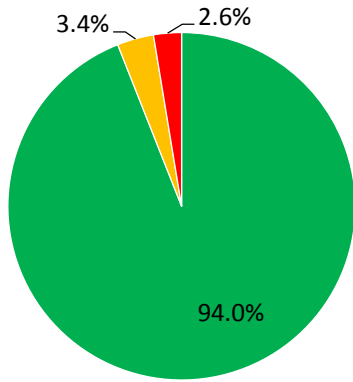
Despite aircraft utilisation being the highest amongst peers, expensive lease rentals and heavy maintenance costs continue to impact SJET’s profitability while the debt repayment will reduce the interest burden and help in recovery in losses.



Source: Arianth Research, Company Filings

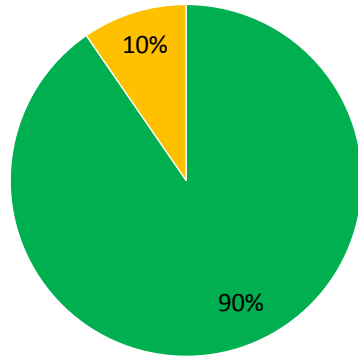
Revenue mix:

Product Break-Up as on December 2020



■ Passanger Revenue ■ Cargo revenue ■ Others

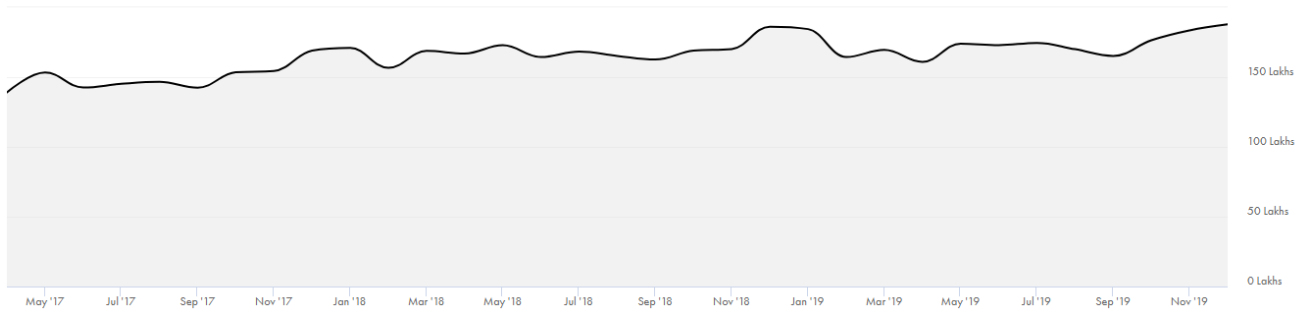
Location Wise Break-Up



■ India ■ ROW

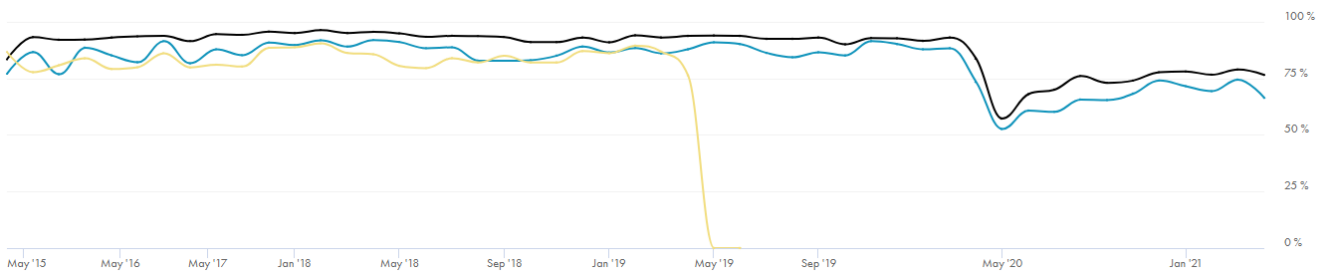
Operational metrics :

Monthly Passengers Carried - Domestic + International (Lakhs)



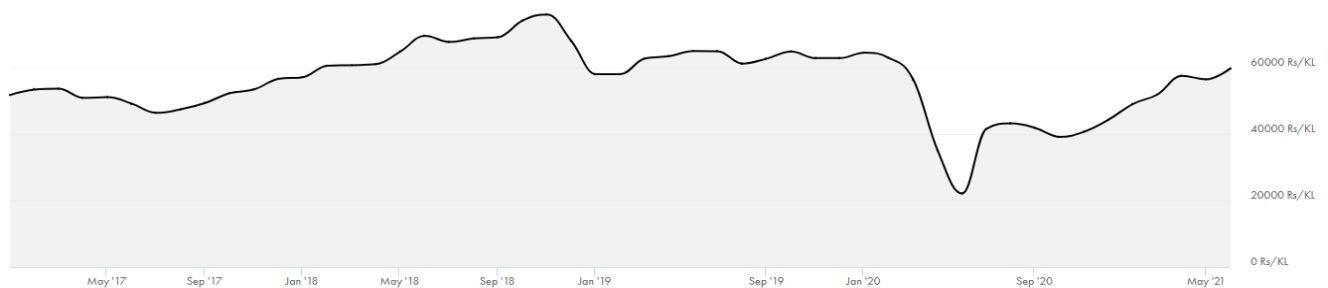
Flight Occupancy Rate (%)

● Spice Jet ● Interglobe Aviation ● Jet Airways (I)



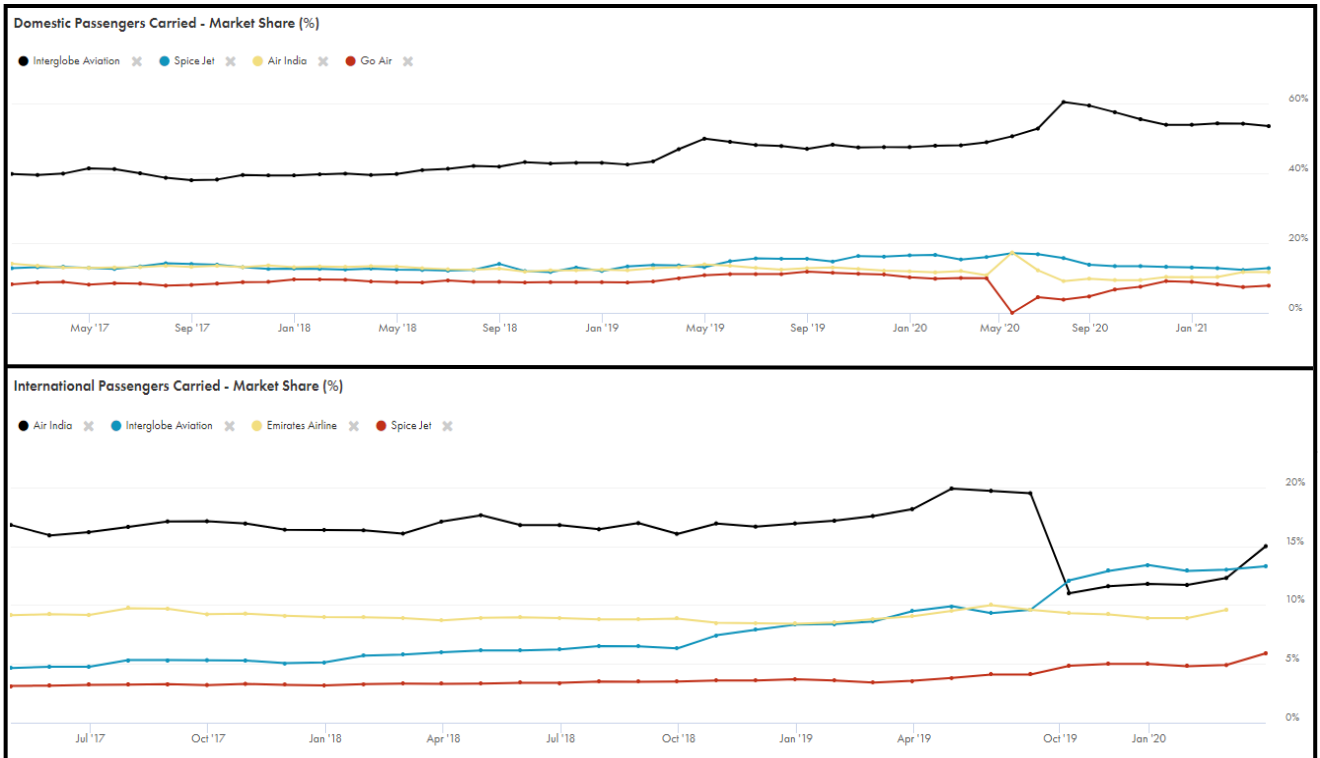
RAW MATERIALS

Aviation Turbine Fuel Price (Rs/KL)



Source: Arianth Research, Company Filings

## Market Share



## Technical Chart & View



- The stock had witnessed 22-week consolidation and then gave a breakout at 51 with higher volumes in month of November 2020. The stock almost rallied 100% by making a high of 107 and now it has again tested the demand zone (shown in the graph).
- Further, the momentum indicator viz the RSI has confirmed the uptrend and is now moving upward this suggests upside momentum.
- One can accumulate at current level or on a decline up to 66 for a target of 108 and 151 levels in 6-12months.

**Arihant Research Desk**

Email: [research@arihantcapital.com](mailto:research@arihantcapital.com)

Tel. : 022-42254800

**Head Office**

#1011, Solitaire Corporate Park  
 Building No. 10, 1<sup>st</sup> Floor  
 Andheri Ghatkopar Link Road  
 Chakala, Andheri (E)  
 Mumbai – 400093  
 Tel: (91-22) 42254800  
 Fax: (91-22) 42254880

**Registered Office**

Arihant House  
 E-5 Ratlam Kothi  
 Indore - 452003, (M.P.)  
 Tel: (91-731) 3016100  
 Fax: (91-731) 3016199

**Stock Rating Scale**

BUY  
 ACCUMULATE  
 HOLD  
 NEUTRAL  
 REDUCE  
 SELL

**Absolute Return**

>20%  
 12% to 20%  
 5% to 12%  
 -5% to 5%  
 -5% to -12%  
 <-12%

**Research Analyst  
 Registration No.**

INH000002764

**Contact**

SMS: 'Arihant' to 56677

**Website**

[www.arihantcapital.com](http://www.arihantcapital.com)

**Email Id**

[research@arihantcapital.com](mailto:research@arihantcapital.com)

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Arihant Capital Markets Ltd.  
 1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
 Tel. 022-42254800 Fax. 022-42254880