

SpiceJet

Performance Highlights

| Particulars (₹ cr) | 1QFY2012 | 1QFY2011 | %chg (yoy) | 4QFY2011 | %chg (qoq) |
|--------------------|---------------|--------------|----------------|---------------|-------------|
| Net sales | 932.8 | 707.9 | 31.8 | 758.8 | 22.9 |
| EBITDA | (79.6) | 58.5 | (236.0) | (72.6) | 9.6 |
| EBITDA margin (%) | (8.5) | 8.3 | (1,680)bp | (9.6) | 103bp |
| Net profit | (72.0) | 55.2 | (230.3) | (58.6) | 22.7 |

Source: Company, Angel Research

SpiceJet reported its 1QFY2012 numbers. Net sales grew by 31.8% yoy to ₹933cr (₹759cr). EBITDA margin came in at negative 8.5% (+8.3%). At the EBITDA level, the company witnessed a loss of ₹80cr. Consequently, the company reported net loss of ₹72cr. **We remain Neutral on the stock.**

Strong top-line growth, while margin declines: SpiceJet reported strong growth of 31.8% yoy on the back of capacity additions during the year. EBITDAR margin declined by 1,621bp yoy to 5.6% and EBITDA declined by 1,680bp yoy to negative 8.5%, 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, which were reducing prices to increase load factors and gain market share. The company registered a loss of ₹72cr compared to profit of ₹55cr in 1QFY2011, a decline of 230.3%, largely due to lower EBITDA margin.

Outlook and valuation: SpiceJet currently has a fleet of 30 aircrafts and will add another two Boeing aircrafts, which will take its Boeing capacity to 32 aircrafts by FY2012. The company will also add 11 Bombardier aircrafts by the end of FY2012, starting from September this year. In FY2013, the company will further add five Boeing aircrafts and four Bombardiers. By the end of FY2013, the total tally would be 37 Boeings and 15 Bombardiers as per current expansion plans. We expect net sales to post a 39.4% CAGR to ₹5,703cr 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 | 4,327 | 5,703 |
| % chg | 29.1 | 34.5 | 47.5 | 31.8 |
| Net Profit | 61.4 | 101.2 | (14.7) | 53.0 |
| % chg | - | 64.7 | (114.5) | (461.4) |
| FDEPS (₹) | 1.5 | 2.5 | (0.4) | 1.3 |
| EBITDA Margin (%) | 1.2 | 3.9 | 0.0 | 2.3 |
| P/E (x) | 8.9 | 9.0 | (62.3) | 17.2 |
| P/CEPS (x) | 7.9 | 8.3 | 59.6 | 8.2 |
| RoE (%) | - | - | (4.7) | 15.9 |
| P/BV (x) | (1.6) | 2.8 | 3.0 | 2.5 |
| EV/Sales (x) | 0.2 | 0.3 | 0.3 | 0.3 |
| EV/EBITDAR (x) | 1.3 | 1.5 | 2.4 | 1.8 |

Source: Company, Angel Research

NEUTRAL

| | |
|--------------|-----|
| CMP | ₹23 |
| Target Price | - |

| | |
|-------------------|---|
| Investment Period | - |
|-------------------|---|

| Stock Info | |
|--------------------|-----------|
| Sector | Airlines |
| Market Cap (₹ cr) | 1,619 |
| Beta | 1.2 |
| 52 Week High / Low | 97 / 36 |
| Avg. Daily Volume | 3,405,438 |
| Face Value (₹) | 10 |
| BSE Sensex | 18,232 |
| Nifty | 5,473 |
| Reuters Code | SPJT.BO |
| Bloomberg Code | SJET@IN |

| Shareholding Pattern (%) | |
|--------------------------|------|
| Promoters | 38.6 |
| MF / Banks / Indian Fls | 26.8 |
| FII / NRIs / OCBs | 18.7 |
| Indian Public / Others | 16.0 |

| Abs. (%) | 3m | 1yr | 3yr |
|----------|-----|--------|------|
| Sensex | 2.3 | 8.1 | 11.1 |
| SpiceJet | 5.1 | (25.7) | 13.7 |

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Exhibit 1: 1QFY2012 performance

| Particulars (Rs cr) | 1QFY2012 | 1QFY2011 | %chg (yoy) | 4QFY2011 | %chg (qoq) | FY2011 | FY2010 | %chg (yoy) |
|---------------------|---------------|--------------|----------------|---------------|--------------|----------------|----------------|--------------|
| Net Sales | 933 | 708 | 31.8 | 758.8 | 22.9 | 2,934.4 | 2,181.1 | 34.5 |
| Total Expenditure | 1,012.4 | 649.3 | 55.9 | 831.4 | 21.8 | 2,818.7 | 2,154.9 | 30.8 |
| EBITDA | (79.6) | 59 | (236.0) | (72.6) | 9.6 | 115.7 | 26.1 | 342.6 |
| EBITDA Margin (%) | (8.5) | 8.3 | (1,680bp) | (9.6) | 103bp | 3.9 | 1.2 | 274bp |
| EBITDAR | 52.4 | 154.5 | (66.1) | 49.7 | 5.4 | 544.2 | 416.0 | 30.8 |
| EBITDAR Margin (%) | 5.6 | 21.8 | (1,621) | 6.5 | (93) | 18.5 | 19.1 | (53) |
| Depreciation | 2.5 | 2.0 | 26.7 | 2.4 | 3.8 | 8.9 | 7.7 | 16.3 |
| EBIT | (82.1) | 56.5 | (245.3) | (75.0) | 9.5 | 106.8 | 18.5 | 477.8 |
| Interest | 6.0 | 1.3 | 352.7 | 1.2 | 412.1 | 4.8 | 6.1 | (21.1) |
| Other Income* | 16.1 | 13.8 | 17.2 | 2.5 | 539.6 | 23.9 | 55.4 | (56.8) |
| PBT | (72.0) | 69.0 | (204.3) | (73.7) | (2.3) | 125.9 | 67.8 | 85.7 |
| Tax | - | 13.7 | - | (15.0) | - | 24.7 | 6.4 | 288.6 |
| Net Profit | (72.0) | 55.2 | (230.3) | (58.6) | 22.7 | 101.2 | 61.4 | 64.7 |
| NPM (%) | (7.7) | 7.8 | (1,551)bp | (7.7) | 1bp | 3.4 | 2.8 | 63bp |
| Diluted EPS (₹) | (1.8) | 1.4 | (230.3) | (1.4) | 22.7 | 2.5 | 1.5 | 64.7 |

Source: Company, Angel Research, * Other income – prior period adjustment

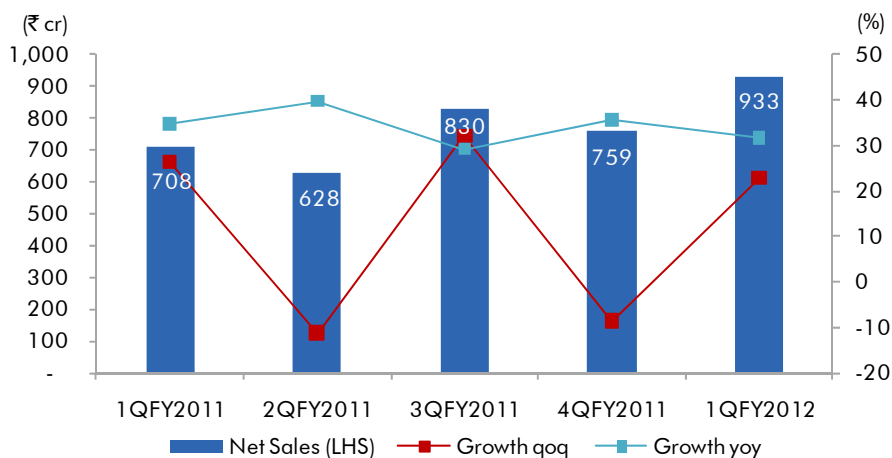
Exhibit 2: Operating parameters

| | 1QFY2012 | 1QFY2011 | %chg (yoy) | 4QFY2011 | %chg (qoq) | FY2011 | FY2010 | %chg (yoy) |
|--------------------------|-----------|-----------|------------|-----------|------------|-----------|-----------|------------|
| ASKM (mn) | 3,235 | 2,368 | 36.7 | 2,894 | 11.8 | 10,467 | 8,771 | 19.3 |
| Block Hours | 29,440 | 23,007 | 28.0 | 26,076 | 12.9 | 9,734 | 8,392 | 16.0 |
| Departures | 17,094 | 12,181 | 40.3 | 14,960 | 14.3 | 53,963 | 44,609 | 21.0 |
| Pax Carried | 2,582,000 | 2,065,000 | 25.0 | 2,350,000 | 9.9 | 8,608,000 | 6,633,000 | 29.8 |
| Average No. of Aircrafts | 28.3 | 20.3 | 39.4 | 25.7 | 10.1 | 22.5 | 19.0 | 18.4 |
| Average Seat Revenue | 3,663 | 3,472 | 5.5 | 3,229 | 13.4 | 3,409 | 3,320 | 2.7 |
| Load Factor (%) | 78.9 | 87.8 | (10.1) | 81.0 | (2.6) | 82.5 | 77.6 | 6.3 |
| Revenue/ASKM | 2.92 | 3.03 | (3.6) | 2.62 | 11.5 | 2.8 | 2.5 | 11.6 |

Source: Company, Angel Research

Strong top-line growth: For 1QFY2012, SpiceJet's net sales grew by 31.8% yoy to ₹933cr (₹708cr), driven by strong capacity additions and passenger growth, which increased by 25.0% yoy to 2.58mn pax (2.06mn pax). On a qoq basis, net sales increased by 22.9%, which was expected as the first quarter is usually stronger when compared to the fourth quarter for the airline industry. During the quarter, departures increased by 40.3% yoy to 17,094 (12,181), largely due to the addition of aircrafts during the year. Average number of aircrafts increased from 20.3 to 28.3 during the quarter. Revenue per ASKM declined yoy to 2.92/ASKM (3.03/ASKM). Load factors remained healthy at 78.9% but were down by 10.1% on a yoy basis.

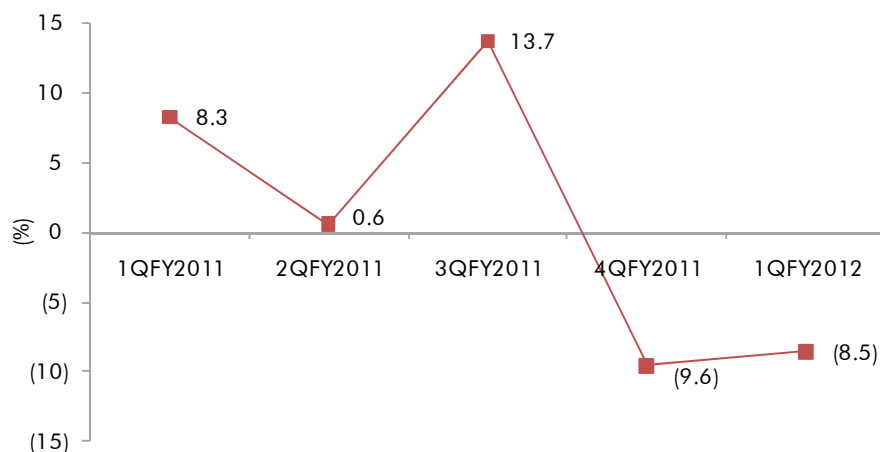
Exhibit 3: Sales trend



Source: Company, Angel Research

EBITDA margin declines yoy on higher fuel cost: SpiceJet’s EBITDA margin declined by 1,680bp yoy to negative 8.5% for the quarter, mainly on account of higher ATF prices during the quarter, which increased to 54.2%, as a percentage of sales, compared to 36.6% in 1QFY2011 and 52.0% in 4QFY2011. Fuel cost/ASKM increased to 1.56/ASKM vs. 1.10/ASKM in 1QFY2011 and 1.37/ASKM in 4QFY2011.

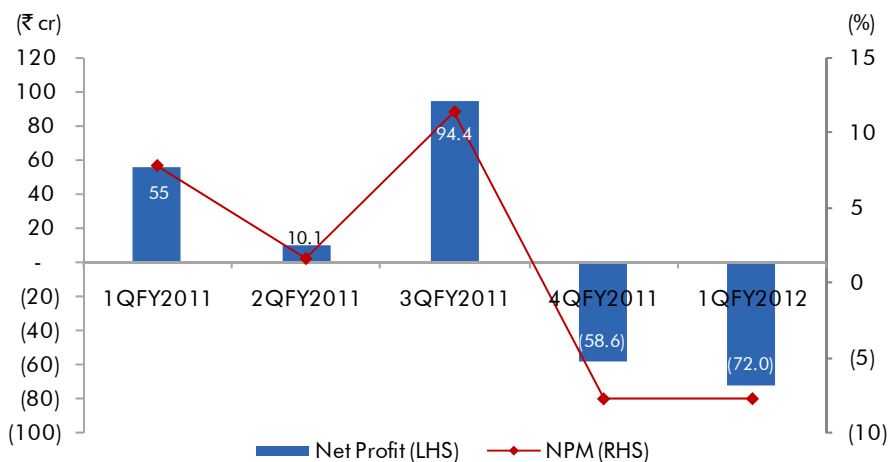
Exhibit 4: OPM declines on the back of higher ATF prices



Source: Company, Angel Research

Bottom line declines due margin compression: In 1QFY2012, SpiceJet reported net loss of ₹72cr vs. profit of ₹55cr in 1QFY2011, largely due to EBITDA margin compression. Consequently, PAT margin declined to negative 7.7%.

Exhibit 5: Huge yoy decline in NPM



Source: Company, Angel Research

Exhibit 6: Key assumptions

| (%) | Estimates | |
|-------------------|-----------|--------|
| | FY2012 | FY2013 |
| Sales growth | 47.5 | 31.8 |
| Load factor | 80.0 | 80.0 |
| EBITDAR margin | 13.0 | 14.2 |
| EBITDA margin | 0.0 | 2.3 |
| Net profit margin | (0.3) | 0.9 |

Source: Company, Angel Research

Outlook and valuation

SpiceJet currently has a fleet of 30 aircrafts and will add another two Boeing aircrafts, which will take its Boeing capacity to 32 aircrafts by FY2012. The company will also add 11 Bombardier aircrafts by the end of FY2012, starting from September this year. In FY2013, the company will further add five Boeing aircrafts and four Bombardiers. By the end of FY2013, the total tally would be 37 Boeings and 15 Bombardiers as per current expansion plans. We expect net sales to post a 39.4% CAGR to ₹5,703cr 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 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total operating income | 1,689.4 | 2,181.1 | 2,934.4 | 4,326.9 | 5,703.0 |
| % chg | 30.5 | 29.1 | 34.5 | 47.5 | 31.8 |
| Total Expenditure | 2,109 | 2,155 | 2,819 | 4,325 | 5,573 |
| Fuel & Oil | 945 | 814 | 1,226 | 2,164 | 2,824 |
| Other Mfg costs | 476 | 512 | 599 | 821 | 1,053 |
| Personnel | 155 | 182 | 241 | 341 | 445 |
| Other | 173 | 257 | 324 | 437 | 570 |
| EBITDA | (419) | 26 | 116 | 2 | 130 |
| (% of Net Sales) | (24.8) | 1.2 | 3.9 | 0.0 | 2.3 |
| Depreciation & Amortisation | 7 | 8 | 9 | 30 | 58 |
| EBIT | (426) | 18 | 107 | (28) | 72 |
| % chg | 64.1 | - | 477.8 | (126.5) | (355.0) |
| (% of Net Sales) | (25.2) | 0.8 | 3.6 | (0.7) | 1.3 |
| Interest & other Charges | 16 | 6 | 5 | 29 | 35 |
| Other Income | 124 | 61 | 26 | 39 | 29 |
| (% of PBT) | (39) | 83 | 20 | (212) | 43 |
| Share in profit of Associates | - | - | - | - | 1 |
| Recurring PBT | (318) | 73 | 128 | (18) | 66 |
| % chg | 145.0 | (123.0) | 74.7 | (114.2) | (461.4) |
| Extraordinary Expense/(Inc.) | 31 | 6 | 2 | - | - |
| PBT (reported) | (349) | 68 | 126 | (18) | 66 |
| Tax | 3 | 6 | 25 | (4) | 13 |
| (% of PBT) | (1.0) | 9.4 | 19.6 | 19.5 | 19.5 |
| PAT (reported) | (353) | 61 | 101 | (15) | 53 |
| Add: Share of earnings of associate | - | - | - | - | - |
| Less: Minority interest (MI) | - | - | - | - | - |
| Prior period items | - | - | - | - | - |
| PAT after MI (reported) | (353) | 61 | 101 | (15) | 53 |
| ADJ. PAT | (353) | 61 | 101 | (15) | 53 |
| % chg | 164.1 | (117.4) | 64.7 | (114.5) | (461.4) |
| (% of Net Sales) | (20.9) | 2.8 | 3.4 | (0.3) | 0.9 |
| Basic EPS (Rs) | (14.6) | 2.5 | 2.5 | (0.4) | 1.3 |
| Fully Diluted EPS (Rs) | (14.6) | 1.5 | 2.5 | (0.4) | 1.3 |
| % chg | 163.7 | (110.4) | 64.7 | (114.5) | (461.4) |

Balance sheet

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011 | FY2012E | FY2013E |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| SOURCES OF FUNDS | | | | | |
| Equity Share Capital | 241.0 | 242.0 | 405.4 | 405.4 | 405.4 |
| Reserves & Surplus | (670.5) | (584.1) | (84.3) | (98.9) | (45.9) |
| Shareholders' Funds | (429.5) | (342.1) | 321.1 | 306.4 | 359.5 |
| Total Loans | 488.8 | 438.3 | 85.8 | 485.8 | 585.8 |
| Total Liabilities | 59.4 | 96.2 | 406.9 | 792.2 | 945.2 |
| APPLICATION OF FUNDS | | | | | |
| Gross Block | 95.8 | 263.1 | 292.0 | 1,392.0 | 1,792.0 |
| Less: Acc. Depreciation | 28.2 | 35.9 | 44.8 | 74.8 | 132.8 |
| Net Block | 67.6 | 227.2 | 247.2 | 1,317.2 | 1,659.2 |
| Capital Work-in-Progress | 185.3 | 164.7 | 450.9 | - | - |
| Investments | - | - | - | - | - |
| Current Assets | 497.9 | 597.1 | 411.4 | 335.1 | 422.8 |
| Cash | 308.0 | 450.7 | 192.2 | 38.2 | 31.5 |
| Loans & Advances | 154.3 | 112.8 | 181.7 | 223.7 | 294.8 |
| Inventories | 12.5 | 14.7 | 20.4 | 35.6 | 46.9 |
| Debtors | 12.4 | 19.0 | 17.2 | 37.6 | 49.6 |
| Other | 10.8 | - | - | - | - |
| Current liabilities | 691.4 | 892.9 | 702.7 | 860.1 | 1,136.8 |
| Net Current Assets | (193.5) | (295.8) | (291.3) | (525.0) | (714.0) |
| Total Assets | 59.4 | 96.2 | 406.9 | 792.2 | 945.2 |

Cash flow statement

| Y/E March (₹ cr) | FY2009 | FY2010E | FY2011 | FY2012E | FY2013E |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Profit before tax | (473.3) | 6.8 | 93.0 | (86.9) | (20.6) |
| Depreciation | 7.3 | 7.7 | 8.9 | 30.0 | 58.0 |
| Change in Working Capital | (179.0) | 203.5 | (194.0) | 121.7 | 253.4 |
| ADD: Other income | 124.1 | 61.0 | 23.9 | 38.7 | 28.5 |
| Direct taxes paid | 3.3 | 6.4 | 24.7 | (3.6) | 12.8 |
| Cash Flow from Operations | (524.3) | 272.6 | (92.9) | 107.1 | 306.4 |
| Inc./ (Dec.) in Fixed Assets | 304.3 | (139.1) | (306.3) | (619.1) | (342.0) |
| Inc./ (Dec.) in loans and advances | 21.9 | 41.5 | (68.9) | (42.0) | (71.1) |
| Other income/Expense | (57.8) | (32.4) | (7.8) | 0.0 | (0.0) |
| Cash Flow from Investing | 268.8 | (130.0) | (383.0) | (661.1) | (413.1) |
| Issue of Equity | 6.6 | 0.1 | 163.4 | - | - |
| Inc./ (Dec.) in loans | (51.3) | - | 54.0 | 400.0 | 100.0 |
| Cash Flow from Financing | (44.7) | 0.1 | 217.4 | 400.0 | 100.0 |
| Inc./ (Dec.) in Cash | (300.1) | 142.7 | (258.5) | (154.0) | (6.7) |
| Opening Cash balances | 608.1 | 308.0 | 450.7 | 192.2 | 38.2 |
| Closing Cash balances | 308.0 | 450.7 | 192.2 | 38.2 | 31.5 |

Key ratios

| Y/E March | FY2009 | FY2010 | FY2011E | FY2012E | FY2013E |
|--|--------|--------|---------|---------|---------|
| Valuation Ratio (x) | | | | | |
| P/E (on FDEPS) | (1.5) | 14.9 | 9.0 | (62.3) | 17.2 |
| P/E (on basic, reported EPS) | (1.5) | 8.9 | 9.0 | (62.3) | 17.2 |
| P/CEPS | (1.6) | 7.9 | 8.3 | 59.6 | 8.2 |
| P/BV | (1.3) | (1.6) | 2.8 | 3.0 | 2.5 |
| Market cap. / Sales | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 |
| EV/Sales | 0.4 | 0.2 | 0.3 | 0.3 | 0.3 |
| EV/EBITDA | (1.7) | 20.4 | 7.0 | 804.4 | 11.3 |
| EV / Total Assets | 12.2 | 5.5 | 2.0 | 1.7 | 1.6 |
| EV/EBITDAR | (12.0) | 1.3 | 1.5 | 2.4 | 1.8 |
| Per Share Data (₹) | | | | | |
| EPS (Basic) | (14.6) | 2.5 | 2.5 | (0.4) | 1.3 |
| EPS (fully diluted) | (14.6) | 1.5 | 2.5 | (0.4) | 1.3 |
| Cash EPS | (14.3) | 2.9 | 2.7 | 0.4 | 2.7 |
| Book Value | (17.8) | (14.1) | 7.9 | 7.6 | 8.9 |
| Returns (%) | | | | | |
| ROCE (Pre-tax) | - | - | - | - | 8.3 |
| ROE | - | - | - | - | 15.9 |
| Turnover ratios (x) | | | | | |
| Asset Turnover (Gross Block) | 18.5 | 12.2 | 10.6 | 5.1 | 3.6 |
| Asset Turnover (Net Block) | 25.5 | 14.8 | 12.4 | 5.5 | 3.8 |
| Asset Turnover (Total Assets) | 5.4 | 28.1 | 11.7 | 7.2 | 6.6 |
| Operating Income / Invested Capital | (11.7) | (7.2) | (42.0) | 8.9 | 6.8 |
| Inventory / Sales (days) | 3 | 2 | 2 | 2 | 3 |
| Receivables (days) | 2 | 3 | 2 | 2 | 3 |
| Payables (days) | 139 | 103 | 86 | 66 | 63 |
| Working capital cycle (ex-cash) (days) | (119) | (104) | (77) | (44) | (42) |
| Solvency ratios (x) | | | | | |
| Gross debt to equity | (1.1) | (1.3) | 0.3 | 1.6 | 1.6 |
| Net debt to equity | (0.4) | 0.0 | (0.3) | 1.5 | 1.5 |
| Net debt to EBITDA | (0.4) | (0.5) | (0.9) | 264.4 | 4.3 |
| Interest Coverage (EBIT / Interest) | (26.6) | 3.0 | 22.1 | (1.0) | 2.1 |

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Disclosure of Interest Statement

SpiceJet

| | |
|--|----|
| 1. Analyst ownership of the stock | No |
| 2. Angel and its Group companies ownership of the stock | N |
| 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%) | |