

# Aviation

## Survival of the fastest

### JETIN slots to SJET & INDIGO to raise market share by 5-6% each

Jet Airways (JETIN IN) misfortune may spell trouble for its lenders, but its ills have turned panacea for SpiceJet (SJET IN), followed by InterGlobe Aviation (INDIGO IN) and GoAir (Not Listed). We have analyzed new slot (arrival & departure time) allocation to carriers during March-June 2019 for the New Delhi and Mumbai airports that were held by JETIN. SJET fetched the highest 43% of total new slots, followed by INDIGO at 32% and GoAir at 13%. Other carriers cumulatively received only 11% of new slots (Vistara: 7%, AirAsia India: 4% and Air India: nil). Given Delhi & Mumbai airports comprised 60% of domestic passenger movement during FY19; we believe these two airports are proxy of all-India market share gain by carriers at the expense of JETIN. As a consequence, we expect SJET's market share to rise by 6%, followed by INDIGO at 5% and GoAir at 2%.

### Fuel cost would come off by 18% if ATF comes under GST

We analyzed the benefits of aviation turbine fuel (ATF) being governed under the Goods & Services Tax (GST) Act for INDIGO and SJET. Airline companies currently spend ~30% of cost per available-seat-kilometer (CASK) expense on fuel wherein the tax rate on ATF is at ~40%. After ATF comes under the GST purview, the tax rate would climb down to at least 28%. Moreover, ATF currently does not enjoy input tax credit benefit, which will be applicable post GST. Our analysis shows airline firms will receive significant cost benefit of INR 10bn for SJET and INR 25bn for INDIGO in FY20E once ATF comes under GST.

### Airfares would come off post GST

*The Economic Times* report published on 27 May 2019 cited that hopes of ATF being brought under GST purview brightened under the incumbent government as part of aviation sector reforms (airfares have run up ~10% YoY during Q4FY19-Q1FY20 after the JETIN grounding). Post GST, most benefits of falling fuel cost will have to be passed on to customers, resulting in an estimated ~5% decline in airfare. This would help improve passenger demand growth to >10% YoY from the current 5% YoY.

### Retain our FY20 and FY21 EPS estimates for SJET and INDIGO

We assume a 5-6% market share gain each for SJET and INDIGO along with strong margin (revenue per-available-seat-kilometer [RASK] less CASK [or unit revenue-less-unit-cost]) of INR 0.5/seat-km for INDIGO and INR 0.3/seat-km for SJET. We reiterate INDIGO's EPS of INR 102 for FY20E and INR 143 for FY21E and SJET's at INR 21 for FY20E and INR 28 for FY21E.

### Valuation: SJET our top pick on higher fleet growth rate potential

We reiterate our **Buy** rating on SJET with a TP of INR 203 and an **Accumulate** rating on INDIGO with a TP of INR 1,927 based on market share gains and strong FY20-21E RASK-CASK margin at INR 0.3-0.5.

### Carrier-wise share of peak slot allocation over Q4FY19-Q1FY20 at Mumbai & Delhi

Carrier	% share of new peak slots at Mumbai & Delhi
IndiGo	34
SpiceJet	50
GoAir	7
Air India Group	-
Vistara	8
Air Asia India	-
<b>Total</b>	<b>100</b>

Source: Company, Elara Securities Estimate

### Carrier-wise share of total slot allocation over Q4FY19-Q1FY20 at Mumbai & Delhi

Carrier	% share of total new slots at Mumbai & Delhi
IndiGo	32
SpiceJet	43
GoAir	13
Air India Group	-
Vistara	7
Air Asia India	4
<b>Total</b>	<b>100</b>

Source: Company, Elara Securities Estimate

### Peer valuation

Company	Rating	CMP (INR)	TP (INR)
INDIGO	Accumulate	1,555	1,927
SJET	Buy	123	203
JETIN	UR	73	UR

Note: Rating and PT of Jet Airways is under review until its stake sale to a new investor; pricing as on 24 June 2019; Source: Elara Securities Estimate

## Exhibit 1: Peer valuation

Company	Ticker	Rating	CMP	TP	Mcap	EBITDAR (INR mn)		EV/EBITDAR (x)		EPS (INR)	
			(INR)	(INR)	(INR bn)	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
InterGlobe Aviation	INDIGO IN	Accumulate	1,555	1,927	598	111,099	157,868	8.0	7.1	102.1	143.1
SpiceJet	SJET IN	Buy	123	203	74	33,954	45,091	7.4	7.1	21.0	28.3
Jet Airways#	JETIN IN	Under Review	81	UR	8	UR	UR	UR	UR	UR	UR

Note: # Rating and PT of Jet Airways is under review until its stake sale to a new investor; pricing as on 24 June 2019; Source: Elara Securities Estimate

**INDIGO: reiterate Accumulate with a TP of INR 1,927**

We reiterate our **Accumulate** rating with a TP of INR 1,927 on margin recovery from an increase in airfare and reduction in capacity by JETIN. We expect INDIGO to gain a 5% market share post grounding of JETIN. We value INDIGO based on 7.5x (unchanged) FY21E EV/EBITDAR.

**SJET: reiterate Buy with a TP of INR 203**

We reiterate our **Buy** rating with a TP of INR 203 on margin recovery from increase in airfare and reduction in capacity by JETIN. We expect SJET to gain a 6% market share post grounding of JETIN. We value SJET based on 7.5x (unchanged) FY21E EV/EBITDAR.

## Slot analysis after Jet Airways halt operations

Exhibit 2: Carrier-wise share of weekly peak and total slots allocation over Q4FY19-Q1FY20 at Mumbai & Delhi

Carrier	Weekly peak slots* at Delhi + Mumbai in Winter schedule 2018	Weekly peak slots at Delhi + Mumbai of Jet Airways allocated to other carriers to date	% increase in Delhi + Mumbai peak slots of a carrier	New peak slot share to carriers out of new peak slots allocated at Delhi + Mumbai	
<b>Delhi + Mumbai peak slot analysis</b>					<ul style="list-style-type: none"> <li>48% of Jet Airways (Delhi + Mumbai) peak slots have already been awarded to other firms</li> <li>Of awarded peak slots, SJET and INDIGO set to gain most as they won 50% and 34% of total peak slots, respectively</li> <li>SJET peak slots would increase by 70% of current slots as per Winter schedule 2018 while INDIGO peak slots would increase by 14%</li> </ul>
IndiGo	1,315	189	14	34	
SpiceJet	396	276	70	50	
GoAir	496	41	8	7	
Air India Group	669	-	-	-	
Vistara	441	42	10	8	
Air Asia India	78	-	-	-	
<b>Total</b>	<b>3,395</b>	<b>548</b>	<b>16</b>	<b>100</b>	
Jet Airways Delhi + Mumbai peak slots available in Winter Schedule 2018		1,130			
% of Jet Airways Delhi + Mumbai peak slots awarded to others		48			
Carrier	Weekly total slots at Delhi + Mumbai slots in Winter schedule 2018	Weekly total slots at Delhi + Mumbai of Jet Airways allocated to other carriers to date	% increase in Delhi + Mumbai total slots of a carrier	New total slot share to carriers out of total slots allocated at Delhi + Mumbai	
<b>Delhi + Mumbai total slot analysis</b>					<ul style="list-style-type: none"> <li>Vistara and GoAir peak slots will increase by 10% and 8%, respectively</li> <li>Delhi and Mumbai slots handle 60% of air traffic, of which Jet Airways had a sizeable ~24% of total slots</li> <li>~50% of Jet Airways total slots (Delhi + Mumbai) have already been offered to other carriers</li> <li>SJET, GoAir and INDIGO total slots (Delhi + Mumbai) increased by ~59%, 14% and 12%, respectively, from current slots</li> </ul>
IndiGo	4,051	488	12	32	
SpiceJet	1,130	664	59	43	
GoAir	1,494	204	14	13	
Air India Group	1,898	-	-	-	
Vistara	978	112	11	7	
Air Asia India	236	60	-	4	
<b>Total</b>	<b>9,787</b>	<b>1,528</b>	<b>16</b>	<b>100</b>	
Jet Airways Delhi + Mumbai total slots available in Winter Schedule 2018		3030			
% of Jet Airways Delhi + Mumbai total slots awarded to others		50			

\* Peak slots time considered is arrival or departure during 7:00AM-10:00AM or 6:00PM-9:00PM; Source: Directorate General of Civil Aviation (DGCA) Winter Schedule 2018; Company, Elara Securities Estimate

**Exhibit 2: Carrier-wise share of weekly peak and total slots allocation over Q4FY19-Q1FY20 at Mumbai**

Carrier	Weekly peak slots* at Mumbai in Winter schedule 2018	Weekly peak slots of Jet Airways at Mumbai allocated to other carriers to date	% increase in Mumbai peak slots of a carrier	New peak slot share to carriers out of new peak slots allocated at Mumbai	
<b>Mumbai peak slot analysis</b>					
IndiGo	442	126	29	34	<ul style="list-style-type: none"> <li>63% of Jet Airways Mumbai peak slots have already been awarded to other firms</li> <li>Of awarded slots, SJET and INDIGO are set to gain, as they have won 52% and 34%, respectively, of total share</li> <li>SJET peak slots would increase by 130% of its current slots as per Winter Schedule 2018 while INDIGO peak slots would increase by 29%</li> </ul>
SpiceJet	148	193	130	52	
GoAir	196	14	7	4	
Air India Group	271	-	-	-	
Vistara	67	35	52	10	
Air Asia India	-	-	-	-	
<b>Total</b>	<b>1,124</b>	<b>368</b>	<b>33</b>	<b>100</b>	
Jet Airways Mumbai peak slots available in Winter Schedule 2018		586			<ul style="list-style-type: none"> <li>Vistara and GoAir will also benefit as their peak slots will increase by 52% and 7%, respectively. Vistara benefits on low base of the current peak slots of 67 as per Winter Schedule 2018</li> <li>Around 69% of Jet Airways total Mumbai slots have already been offered to other carriers</li> <li>SJET, INDIGO, GoAir and Vistara would benefit from the same as their total Mumbai slots increased by ~118%, 23%, 17% and 62%, respectively, from current slots</li> </ul>
% of Jet Airways Mumbai peak slots awarded to others		63			
Carrier	Weekly total slots at Mumbai in Winter Schedule 2018	Weekly total slots at Mumbai of Jet Airways allocated to other carriers till now	% Increase in Mumbai total slots of a carrier	New total slot share to carriers out of total new slots allocated at Mumbai	
<b>Mumbai total slot analysis</b>					
IndiGo	1,458	334	23	30	<ul style="list-style-type: none"> <li>Around 69% of Jet Airways total Mumbai slots have already been offered to other carriers</li> <li>SJET, INDIGO, GoAir and Vistara would benefit from the same as their total Mumbai slots increased by ~118%, 23%, 17% and 62%, respectively, from current slots</li> </ul>
SpiceJet	434	512	118	47	
GoAir	648	108	17	10	
Air India Group	689	-	-	-	
Vistara	158	98	62	9	
Air Asia India	-	46	-	4	
<b>Total</b>	<b>3,387</b>	<b>1,098</b>	<b>32</b>	<b>100</b>	
Jet Airways Mumbai total slots available in Winter Schedule 2018		1,592			
% of Jet Airways Mumbai total slots awarded to others		69			

\* Peak slots time considered is arrival or departure during 7:00AM-10:00AM or 6:00PM-9:00PM; Source: Directorate General of Civil Aviation (DGCA) Winter Schedule 2018; Company, Elara Securities Estimate

Exhibit 3: Carrier-wise share of weekly peak and total slots allocation over Q4FY19-Q1FY20 at Delhi

Carrier	Weekly peak* slots at Delhi in Winter Schedule 2018	Weekly peak slots at Delhi of Jet Airways allocated to other carriers to date	% increase in Delhi peak slots of a carrier	New peak slot share to carriers out of new peak slots allocated at Delhi	
<b>Delhi peak slot analysis</b>					
IndiGo	873	63	7	35	33% of Jet Airways Delhi peak slots have already been awarded to other firms
SpiceJet	248	83	33	46	
GoAir	300	27	9	15	Of awarded slots, SJET and Indigo are set to won 46% and 35%, of the total share, respectively
Air India Group	398	-	-	-	
Vistara	374	7	2	4	SJET peak slots would increase by 33% of its current slots as per Winter Schedule 2018 while INDIGO peak slots would increase by 7%.
Air Asia India	78	-	-	-	
<b>Total</b>	<b>2,271</b>	<b>180</b>	<b>8</b>	<b>100</b>	
Jet Airways Delhi peak slots available in Winter Schedule 2018		544			
% of Jet Airways Delhi peak slots awarded to others		33			
<b>Delhi total slot analysis</b>					
IndiGo	2,593	154	6	36	GoAir and Vistara also will benefit as their peak slots will increase by 9% and 2%, respectively
SpiceJet	696	152	22	35	
GoAir	846	96	11	22	Around 30% of Jet Airways total slots have already been offered to other carriers
Air India Group	1,209	-	-	-	
Vistara	820	14	2	3	SJET, GoAir and INDIGO would benefit as their slots increased by ~22%, 11% and 6%, respectively, from the current slots
Air Asia India	236	14	-	3	
<b>Total</b>	<b>6,400</b>	<b>430</b>	<b>7</b>	<b>100</b>	
Jet Airways Delhi total slots available in Winter Schedule 2018		1,438			
% of Jet Airways Delhi total slots awarded to others		30			

\* Peak slots time considered is arrival or departure during 7:00AM-10:00AM or 6:00PM-9:00PM; Source: Directorate General of Civil Aviation (DGCA) Winter Schedule 2018; Company, Elara Securities Estimate

## Exhibit 4: GST on ATF will result in reduced cost for INDIGO and SJET

FY18-19 (INR mn)	IndiGo		SpiceJet		
	FY19	FY20E	FY19	FY20E	
<b>Current tax situation</b>					
<b>(A) Output service tax</b>					
Revenue from Operations (a)	284,968	409,634	91,133	162,533	
Assumed overall service tax rate covering ticket sales, cargo, ancillary revenue and non-service tax operating revenue (%) (b)	5.0	5.0	5.0	5.0	Aviation companies have been asking for ATF to be brought under the purview of GST since it came into effect in 2017
Service tax due (c)=(a)*(b)	14,248	20,482	4,557	8,127	Fuel expenses account for ~30% of CASK for companies with ~40% tax being currently levied on ATF fuel
<b>(B) Input service tax</b>					
Lease rentals (d)	49,994	61,363	12,967	21,464	
GST rate (%) (e)	5	5	5	5	Companies will benefit when ATF is taxed under GST, as fuel expenses can be taken under input tax credit
Lease rental input service tax (f)=(d)*(e)	2,500	3,068	648	1,073	
<b>ATF input tax credit and tax savings</b>					
Fuel Expenses (g)	120,819	147,794	34,453	56,504	
Domestic Block Hours (mn) (h)	740,551	860,083	193,975	327,450	ATF fuel tax is currently at ~40% rate which will come down to maximum 28% post GST
International Block Hours (mn) (i)	113,001	232,533	38,572	53,403	
Domestic Share of Block Hours (%) (j)=(h)/[(h)+(i)]	87	79	83	86	
International Share of Block Hours (%) (k)=[(i)/(h)+(i)]	13	21	17	14	This will result in direct reduction in cost for companies
Assumed Domestic Fuel Expenses (l)=(j)*(g)	104,824	116,340	28,738	48,581	
Assumed International Fuel Expenses (m)=(k)*(g)	15,995	31,454	5,715	7,923	Further, tax paid at 28% can be set off against tax due, which will be beneficial for companies
Assumed Blended Total Domestic Taxes on Fuel (%) (n)	39	37	39	37	
Assumed Total Domestic Taxes on ATF (o)= (l)-[(l)/(1+n)]	29,139	31,420	7,989	13,120	
Assumed New GST Tax Rate (%) (p)	28	28	28	28	
Tax Savings on Reduced GST Rate (q)= (o)-{[(l)-(o)]*(p)}	7,947	7,643	2,179	3,191	
Input Tax Credit on Fuel (r)= (p)*[(l)-(o)]	21,192	23,778	5,810	9,929	
<b>Total potential tax savings (s)=(q)+min[(c)-(f),(q)]</b>	<b>19,696</b>	<b>25,056</b>	<b>6,087</b>	<b>10,245</b>	
<b>Assumption of % tax savings passed on to consumers (%) (t)</b>	<b>75</b>	<b>75</b>	<b>75</b>	<b>75</b>	
<b>PBT-level potential savings (u)=(s)*[1-(t)]</b>	<b>4,924</b>	<b>6,264</b>	<b>1,522</b>	<b>2,561</b>	
<b>EPS-level potential savings (INR/share)</b>	<b>13.2</b>	<b>16.8</b>	<b>2.5</b>	<b>4.3</b>	

Source: SpiceJet Annual Report 2018, IndiGo Annual Report 2018, PPAC, Elara Securities Estimate

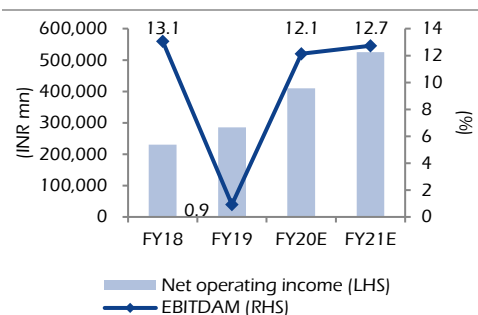


**INDIGO Consolidated Financials (YE March)**

Income Statement (INR mn)	FY18	FY19	FY20E	FY21E
<b>Net operating income</b>	<b>230,209</b>	<b>284,968</b>	<b>409,634</b>	<b>524,800</b>
Aircraft fuel	78,853	120,819	147,794	173,122
Employee expenses	24,550	31,378	40,824	51,729
Selling and Distribution Expenses	14,266	17,735	25,467	33,960
Other operating expenses	46,357	62,421	84,450	108,120
<b>EBITDAR</b>	<b>66,183</b>	<b>52,615</b>	<b>111,099</b>	<b>157,868</b>
Aircraft Lease Rentals	36,102	49,994	61,363	91,117
<b>EBITDA</b>	<b>30,081</b>	<b>2,620</b>	<b>49,736</b>	<b>66,752</b>
Depreciation	4,369	7,596	8,820	9,685
<b>EBIT</b>	<b>25,713</b>	<b>(4,975)</b>	<b>40,916</b>	<b>57,066</b>
Interest cost	3,398	5,090	2,512	2,272
Other income	9,469	13,249	14,625	19,520
<b>PBT</b>	<b>31,783</b>	<b>3,184</b>	<b>53,028</b>	<b>74,314</b>
Less: Taxation	8,843	(3,052)	14,848	20,808
<b>Adj PAT</b>	<b>22,940</b>	<b>6,236</b>	<b>38,180</b>	<b>53,506</b>
Exceptional item	(516)	(4,675)	0	0
<b>Reported PAT</b>	<b>22,424</b>	<b>1,561</b>	<b>38,180</b>	<b>53,506</b>
Balance Sheet (INR mn)	FY18	FY19	FY20E	FY21E
Equity capital	3,844	3,844	3,844	3,844
Reserves	66,930	65,604	67,021	67,600
Total borrowings	22,414	21,937	19,937	19,437
Deferred taxes	3,695	644	644	644
Other Liabilities	53,180	78,104	82,682	83,294
<b>Total liabilities</b>	<b>150,064</b>	<b>170,133</b>	<b>174,128</b>	<b>174,819</b>
Fixed assets	46,113	56,857	36,431	35,493
Investments	63,440	65,167	65,167	65,167
Other non-current assets	3,838	4,399	4,399	4,399
Inventories	1,832	2,114	4,403	4,748
Debtors	2,263	3,625	3,774	4,069
Cash	65,806	86,064	139,685	148,714
Loans & advances	21,522	20,422	20,422	20,422
Other current assets	6,479	11,470	11,470	11,470
Net current assets	36,673	43,710	68,130	69,760
<b>Total assets</b>	<b>150,064</b>	<b>170,133</b>	<b>174,128</b>	<b>174,819</b>
Cash Flow Statement (INR mn)	FY18	FY19	FY20E	FY21E
Operating cash flow	29,137	26,527	68,666	52,182
Capex	(12,291)	(18,340)	11,605	(8,747)
Free cash flow to firm	16,845	8,188	80,272	43,435
Investing cash flow	(2,244)	1,548	26,230	10,773
Financing cash flow	(7,413)	(7,817)	(41,276)	(54,292)
Net change in cash	7,189	1,918	65,227	(85)
Closing cash	65,806	86,064	139,685	148,714
Ratio Analysis	FY18	FY19	FY20E	FY21E
<b>Income Statement Ratios (%)</b>				
Revenue growth	23.9	23.8	43.7	28.1
EBITDAR growth	25.6	(20.5)	111.2	42.1
EBITDA growth	40.4	(91.3)	1,798.0	34.2
Adj PAT growth	35.1	(93.0)	2,345.3	40.1
EBITDARM	28.7	18.5	27.1	30.1
EBITDAM	13.1	0.9	12.1	12.7
Adj net margin	9.7	0.5	9.3	10.2
<b>Return &amp; Liquidity Ratios</b>				
Int/PBIT	7.6	(1.0)	16.3	25.1
Net debt/Equity (x)	(0.6)	(0.9)	(1.7)	(1.8)
ROE (%)	41.3	2.2	54.4	75.2
ROCE (%)	33.2	(5.4)	44.9	62.8
<b>Per Share Data &amp; Valuation Ratios</b>				
Diluted Adj EPS (INR)	61.3	16.7	102.1	143.1
Adj EPS growth	33.6	(72.8)	512.2	40.1
Book value (INR)	189.3	185.7	189.5	191.1
DPS (x)	6.0	5.0	81.7	114.5
P/E (x)	25.3	93.2	15.2	10.9
EV/EBITDAR (x)	11.5	16.2	8.0	7.1
Price/Book (x)	8.2	8.4	8.2	8.1
Dividend yield (%)	0.4	0.3	5.3	7.4

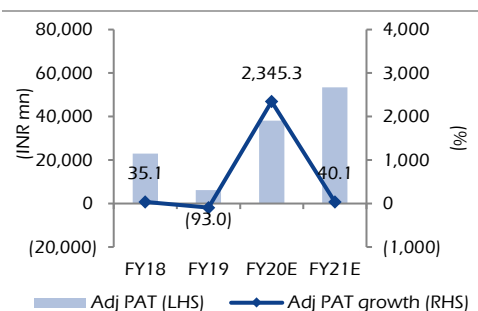
Note: pricing as on 24 June 2019; Source: Company, Elara Securities Estimate

**Revenue trend**



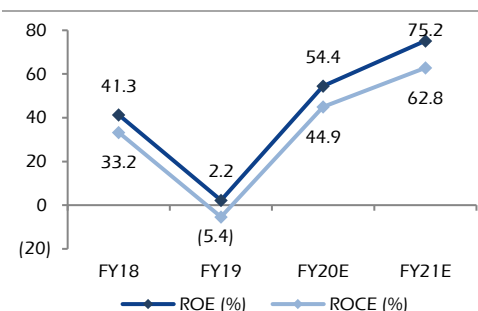
Source: Company, Elara Securities Estimate

**PAT trend**



Source: Company, Elara Securities Estimate

**Return ratios**



Source: Company, Elara Securities Estimate

## Exhibit 5: Valuation

	Comments	FY20E value (INR mn)	Multiple (x)	Total value (INR mn)	(INR/share)
FY21E EBITDAR		157,868	7.5	1,184,014	3,276
Add: FY20E Net Cash				(119,748)	(331)
Less: FY21E Operating lease rent	Capitalized at 7.0x	91,117	7.0	637,818	1,765
Add: Dividend Payout in FY20E		30,544	1.0	30,544	85
Equity value				<b>696,488</b>	<b>1,927</b>

Source: Elara Securities Estimate

## Exhibit 6: Indigo - Key metrics

	FY17	FY18	FY19	FY20E	FY21E
ASKM (mn)	54,583	63,578	80,999	105,381	133,567
RPKM (mn)	46,285	55,552	69,698	92,786	118,969
Load Factor %	84.8	87.4	86.0	88.0	89.1
Revenue (INR mn)	185,805	230,209	284,968	409,634	524,800
EBITDAR (INR mn)	52,687	66,183	52,615	111,099	157,868
EBITDAR margin (%)	28.4	28.7	18.5	27.1	30.1
EBITDA (INR mn)	21,433	30,081	2,620	49,736	66,752
EBITDA margin (%)	11.5	13.1	0.9	12.1	12.7
Adjusted PAT (INR mn)	16,592	22,424	1,561	38,180	53,506
EPS (INR)	45.9	61.3	16.7	102.1	143.1
Average USD/INR Rates	67.1	64.9	67.0	70.0	70.0
Brent- Crude (USD/bbl)	48.5	53.8	70.0	70.0	70.0
Year end Fleet	131	159	217	281	297
Total Passengers	43.5	51.8	64.5	81.6	100.6
Aircraft utilization (hrs/day)	12	12	11	12	11
RASK (INR)	3.4	3.6	3.5	3.9	3.9
Fuel Exp/ASK (INR)	1.2	1.2	1.5	1.4	1.3
RASK-Fuel exp (INR)	2.2	2.4	2.0	2.5	2.6
CASK ex fuel (INR)	1.9	2.0	2.1	2.0	2.2
CASK (INR)	3.1	3.2	3.5	3.4	3.4
RASK-CASK (INR)	0.3	0.4	(0.0)	0.4	0.5

Source: Company, Elara Securities Estimate

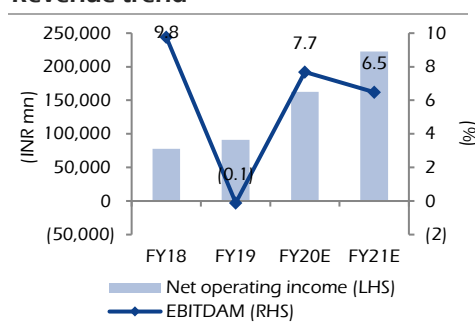


**SJET Consolidated Financials (YE March)**

Income Statement (INR mn)	FY18	FY19	FY20E	FY21E
<b>Net operating income</b>	<b>77,557</b>	<b>91,133</b>	<b>162,533</b>	<b>222,842</b>
Aircraft fuel	24,326	34,453	56,504	77,880
Employee expenses	8,626	10,570	16,912	23,339
Other operating expenses	26,709	33,242	55,163	76,532
<b>EBITDAR</b>	<b>17,897</b>	<b>12,869</b>	<b>33,954</b>	<b>45,091</b>
Aircraft Lease Rentals	10,322	12,967	21,464	30,629
<b>EBITDA</b>	<b>7,575</b>	<b>(99)</b>	<b>12,490</b>	<b>14,462</b>
Depreciation	2,312	2,562	2,820	3,450
<b>EBIT</b>	<b>5,263</b>	<b>(2,661)</b>	<b>9,670</b>	<b>11,012</b>
Interest cost	922	1,313	918	574
Other income	1,326	1,448	3,839	6,499
<b>PBT</b>	<b>5,667</b>	<b>(2,526)</b>	<b>12,591</b>	<b>16,937</b>
Less: Taxation	-	-	-	-
Effective tax rate (%)	-	-	-	-
<b>Adj PAT</b>	<b>5,667</b>	<b>(2,526)</b>	<b>12,591</b>	<b>16,937</b>
Exceptional item	(156)	(635)	-	-
<b>Reported PAT</b>	<b>5,511</b>	<b>(3,161)</b>	<b>12,591</b>	<b>16,937</b>
<b>Balance Sheet (INR mn)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
Equity capital	5,995	5,997	5,997	5,997
Reserves	(6,424)	(9,504)	3,087	20,025
Total borrowings	10,084	9,746	5,812	4,421
Deferred taxes	-	-	-	-
Other Liabilities	3,116	9,588	12,797	15,589
<b>Total liabilities</b>	<b>12,771</b>	<b>15,827</b>	<b>27,693</b>	<b>46,031</b>
Fixed assets	15,977	16,038	20,218	23,768
Investments	1,013	4	8	15
Inventories	1,244	1,373	4,676	6,411
Debtors	852	1,353	1,781	2,442
Cash	1,458	779	402	2,578
Loans & advances	11,202	18,500	36,270	55,543
Other current assets	8,571	9,904	14,855	22,777
Net current assets	(18,322)	(18,502)	(27,436)	(33,734)
<b>Total assets</b>	<b>12,771</b>	<b>15,827</b>	<b>27,693</b>	<b>46,031</b>
<b>Cash Flow Statement (INR mn)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
Operating cash flow	11,479	363	27,044	30,692
Capex	(2,091)	(2,623)	(7,000)	(7,000)
Free cash flow to firm	9,388	(2,260)	20,044	23,692
Investing cash flow	(7,640)	(1,449)	(17,342)	(21,093)
Financing cash flow	(964)	3,030	(3,079)	(423)
Net change in cash	784	(679)	(377)	2,177
Closing cash	1,458	779	402	2,578
<b>Ratio Analysis</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
<b>Income Statement Ratios (%)</b>				
Revenue growth	25.3	17.5	78.3	37.1
EBITDAR growth	19.0	(28.1)	163.9	32.8
EBITDA growth	39.4	(101.3)	NM	15.8
Adj PAT growth	44.5	NM	NM	34.5
EBITDARM	23.1	14.1	20.9	20.2
EBITDAM	9.8	(0.1)	7.7	6.5
Adj net margin	7.3	(2.8)	7.7	7.6
<b>Return &amp; Liquidity Ratios</b>				
Int/PBIT	5.7	(2.0)	10.5	19.2
Net debt/Equity (x)	(20.1)	(2.6)	0.6	0.1
ROE (%)	NM	NM	NM	144.0
ROCE (%)	74.0	(25.5)	53.3	32.5
<b>Per Share Data &amp; Valuation Ratios</b>				
Diluted Adj EPS (INR)	9.5	(4.2)	21.0	28.3
Adj EPS growth	44.5	NM	NM	34.5
Book value (INR)	(0.7)	(5.9)	15.2	43.4
DPS (x)	0.0	0.0	0.0	0.0
P/E (x)	13.0	NM	5.9	4.4
EV/EBITDAR (x)	9.2	14.5	7.4	7.1
Price/Book (x)	(171.6)	(21.0)	8.1	2.8
Dividend yield (%)	0.0	0.0	0.0	0.0

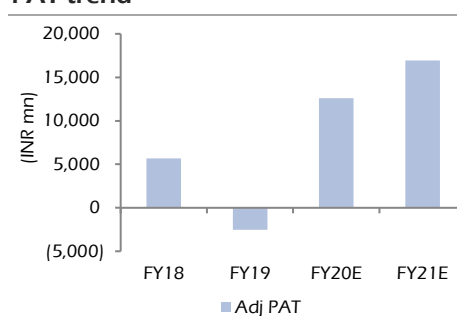
Note: pricing as on 24 June 2019; Source: Company, Elara Securities Estimate

**Revenue trend**



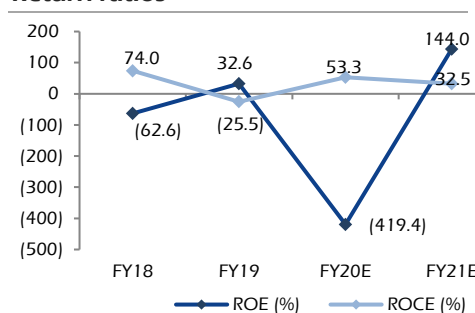
Source: Company, Elara Securities Estimate

**PAT trend**



Source: Company, Elara Securities Estimate

**Return ratios**



Source: Company, Elara Securities Estimate

## Aviation

### Exhibit 7: Valuation

	(INR mn)	(INR/share)
Consolidated FY21E EBITDAR	45,091	75
Consol EBITDAR	45,091	75
EV/EBITDAR (x)	7.5	
<b>EV</b>	<b>338,184</b>	<b>564</b>
FY21E Aircraft lease rentals capitalized at 7.0x	214,405	358
<b>Total EV</b>	<b>123,779</b>	<b>206</b>
FY20E Net debt	2,381	4
<b>Equity value</b>	<b>121,398</b>	<b>203</b>

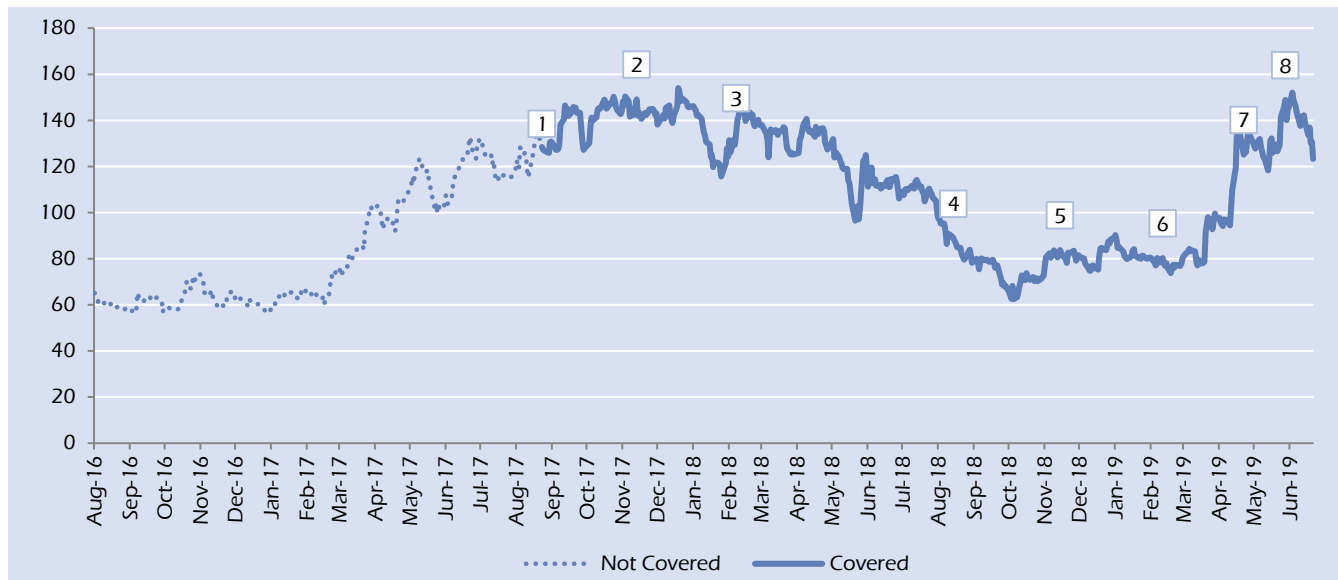
Source: Company, Elara Securities Estimate Research

### Exhibit 8: SpiceJet - Key metrics

	FY17	FY18	FY19	FY20E	FY21E
ASKM (mn)	16,438	19,497	22,322	39,405	54,611
RPKM (mn)	15,056	18,351	20,503	36,963	51,796
Load Factor %	92.0	94.1	91.9	93.8	94.8
Revenue (INR mn)	61,913	77,557	91,133	162,533	222,842
EBITDAR (INR mn)	15,039	17,897	12,869	33,954	45,091
EBITDAR margins (%)	24.0	23.1	14.1	20.9	20.2
EBITDA (INR mn)	5,433	7,575	(99)	12,490	14,462
EBITDA margins (%)	9.0	9.8	NM	7.7	6.5
Adjusted PAT (INR mn)	3,922	5,667	(2,526)	12,591	16,937
EPS (INR)	7.0	9.5	NM	21.0	28.3
Average USD/INR Rates	67	64	67	75	75
Brent- Crude (USD/bbl)	48.5	57.6	70.0	85.0	80.0
Year end Fleet	51	59	86	129	165
Total Passengers	15.0	18.1	19.9	34.2	46.1
Aircraft utilization (hrs/day)	10	10	10	10	9
RASK (INR)	3.8	4.0	4.1	4.2	4.2
Fuel Exp/ASK (INR)	1.1	1.2	1.5	1.4	1.4
RASK-Fuel exp (INR)	2.6	2.8	2.6	2.8	2.8
CASK ex fuel (INR)	2.3	2.5	2.7	2.4	2.4
CASK (INR)	3.5	3.8	4.3	3.9	3.9
RASK-CASK (INR)	0.3	0.3	(0.1)	0.3	0.3

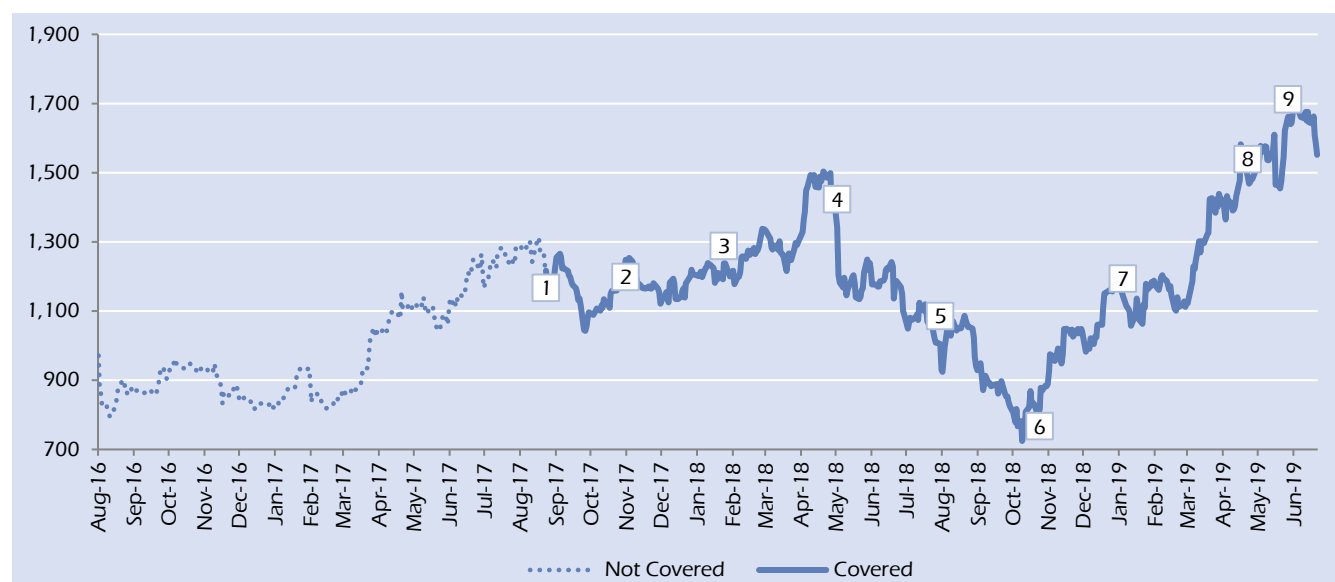
Source: Company, Elara Securities Estimate

## Coverage History Spicejet



	Date	Rating	Target Price	Closing Price
1	23-Aug-2017	Buy	INR 170	INR 128
2	13-Nov-2017	Buy	INR 188	INR 149
3	7-Feb-2018	Buy	INR 203	INR 135
4	14-Aug-2018	Buy	INR 194	INR 89
5	14-Nov-2018	Buy	INR 158	INR 84
6	11-Feb-2019	Buy	INR 144	INR 80
7	22-Apr-2019	Buy	INR 211	INR 125
8	28-May-2019	Buy	INR 203	INR 149

## InterGlobe Aviation



	Date	Rating	Target Price	Closing Price
1	23-Aug-2017	Buy	INR 1,737	INR 1,214
2	31-Oct-2017	Buy	INR 1,734	INR 1,248
3	24-Jan-2018	Buy	INR 1,802	INR 1,238
4	2-May-2018	Buy	INR 1,606	INR 1,343
5	30-Jul-2018	Buy	INR 1,388	INR 1,004
6	24-Oct-2018	Buy	INR 1,083	INR 817
7	4-Jan-2019	Buy	INR 1,471	INR 1,143
8	22-Apr-2019	Buy	INR 1,945	INR 1,489
9	27-May-2019	Accumulate	INR 1,927	INR 1,662

## Disclosures & Confidentiality for non U.S. Investors

The Note is based on our estimates and is being provided to you (herein referred to as the "Recipient") only for information purposes. The sole purpose of this Note is to provide preliminary information on the business activities of the company and the projected financial statements in order to assist the recipient in understanding / evaluating the Proposal. Nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. Nevertheless, Elara Securities (India) Private Limited or any of its affiliates is committed to provide independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Elara Securities (India) Private Limited or any of its affiliates have not independently verified all the information given in this Note and expressly disclaim all liability for any errors and/or omissions, representations or warranties, expressed or implied as contained in this Note. The user assumes the entire risk of any use made of this information. Elara Securities (India) Private Limited or any of its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for or solicit investment banking or other business from any company referred to in this Note. Each of these entities functions as a separate, distinct and independent of each other. This Note is strictly confidential and is being furnished to you solely for your information. This Note should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This Note is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Elara Securities (India) Private Limited or any of its affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. Upon request, the Recipient will promptly return all material received from the company and/or the Advisors without retaining any copies thereof. The Information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This Information is subject to change without any prior notice. Elara Securities (India) Private Limited or any of its affiliates reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Elara Securities (India) Private Limited is under no obligation to update or keep the information current. Neither Elara Securities (India) Private Limited nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. This Note should not be deemed an indication of the state of affairs of the company nor shall it constitute an indication that there has been no change in the business or state of affairs of the company since the date of publication of this Note. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Elara Securities (India) Private Limited generally prohibits its analysts, persons reporting to analysts and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Any clarifications / queries on the proposal as well as any future communication regarding the proposal should be addressed to Elara Securities (India) Private Limited.

Elara Securities (India) Private Limited was incorporated in July 2007 as a subsidiary of Elara Capital (India) Private Limited.

Elara Securities (India) Private Limited is a SEBI registered Stock Broker in the Capital Market and Futures & Options Segments of National Stock Exchange of India Limited [NSE], in the Capital Market Segment of BSE Limited [BSE] and a Depository Participant registered with Central Depository Services (India) Limited [CDSL].

Elara Securities (India) Private Limited's business, amongst other things, is to undertake all associated activities relating to its broking business.

The activities of Elara Securities (India) Private Limited were neither suspended nor has it defaulted with any stock exchange authority with whom it is registered in last five years. However, during the routine course of inspection and based on observations, the exchanges have issued advise letters or levied minor penalties on Elara Securities (India) Private Limited for minor operational deviations in certain cases. Elara Securities (India) Private Limited has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has the certificate of registration been cancelled by SEBI at any point of time.

Elara Securities (India) Private Limited offers research services primarily to institutional investors and their employees, directors, fund managers, advisors who are registered or proposed to be registered.

Details of Associates of Elara Securities (India) Private Limited are available on group company website [www.elaracapital.com](http://www.elaracapital.com)

Elara Securities (India) Private Limited is maintaining arms-length relationship with its associate entities.

Research Analyst or his/her relative(s) may have financial interest in the subject company. Elara Securities (India) Private Limited does not have any financial interest in the subject company, whereas its associate entities may have financial interest. Research Analyst or his/her relative does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Elara Securities (India) Private Limited does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Associate entities of Elara Securities (India) Private Limited may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Research Analyst or his/her relative or Elara Securities (India) Private Limited or its associate entities does not have any other material conflict of interest at the time of publication of the Research Report.

Research Analyst or his/her relative(s) has not served as an officer, director or employee of the subject company.

Research analyst or Elara Securities (India) Private Limited have not received any compensation from the subject company in the past twelve months. Associate entities of Elara Securities (India) Private Limited may have received compensation from the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associate entities have not managed or co-managed public offering of securities for the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associates have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associate entities may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company or third party in connection with the Research Report in the past twelve months.

## Disclaimer for non U.S. Investors

The information contained in this note is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

## Disclaimer for U.S. Investors

This material is based upon information that we consider to be reliable, but Elara Capital Inc. does not warrant its completeness, accuracy or adequacy and it should not be relied upon as such.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

Certain statements in this report, including any financial projections, may constitute "forward-looking statements." These "forward-looking statements" are not guarantees of future performance and are based on numerous current assumptions that are subject to significant uncertainties and contingencies. Actual future performance could differ materially from these "forward-looking statements" and financial information.

**India**  
**Elara Securities (India) Pvt. Ltd.**  
 Indiabulls Finance Centre, Tower 3,  
 21st Floor, Senapati Bapat Marg,  
 Elphinstone Road (West)  
 Mumbai – 400 013, India  
 Tel : +91 22 6164 8500

**Europe**  
**Elara Capital Plc.**  
 6th Floor, The Grove,  
 248A Marylebone Road,  
 London, NW1 6JZ  
 United Kingdom  
 Tel : +44 20 7486 9733

**USA**  
**Elara Securities Inc.**  
 950 Third Avenue, Suite  
 1903, New York, NY 10022,  
 USA  
 Tel: +1 212 430 5870  
 Fax: +1 212 208 2501

**Asia / Pacific**  
**Elara Capital (Asia) Pte.Ltd.**  
 1 Raffles Place, #42-03  
 One Raffles Place  
 Singapore 048616  
 Tel : +65 6692 0174

Harendra Kumar	Managing Director		harendra.kumar@elaracapital.com	+91 22 6164 8571
<b>Sales</b>				
Hitesh Danak	India		hitesh.danak@elaracapital.com	+91 22 6164 8543
Karan Rathod	India		karan.rathod@elaracapital.com	+91 22 6164 8570
Prashin Lalvani	India		prashin.lalvani@elaracapital.com	+91 22 6164 8544
Shraddha Shrikhande	India		shraddha.shrikhande@elaracapital.com	+91 22 6164 8567
Sushil Bhojwani	India		sushil.bhojwani@elaracapital.com	+91 22 6164 8512
Sudhanshu Rajpal	India		sudhanshu.rajpal@elaracapital.com	+91 22 6164 8508
Gangadhara Kini	US, Australia		gangadhara.kini@elaracapital.com	+91 22 6164 8558
Anita Nazareth	Corporate Access, Conference & Events		anita.nazareth@elaracapital.com	+91 22 6164 8520
Tina D'souza	Corporate Access		tina.dsouza@elaracapital.com	+91 22 6164 8595
<b>Quantitative, Alternatives, Sales Trading &amp; Dealing</b>				
Sunil Jain	Quantitative & Alternates		sunil.jain@elaracapital.com	+91 22 6164 8531
Manan Joshi	India		manan.joshi@elaracapital.com	+91 22 6164 8555
Manoj Murarka	India		manoj.murarka@elaracapital.com	+91 22 6164 8551
Nupur Barve	India		nupur.barve@elaracapital.com	+91 22 6164 8532
Ravi Sundar Muthukrishnan Ph.D	Head - Institutional Equity Research		ravi.muthukrishnan@elaracapital.com	+91 22 6164 8572
<b>Research</b>				
Akhil Parekh	Analyst	Midcap	akhil.parekh@elaracapital.com	+91 22 6164 8519
Ankita Shah	Analyst	Infrastructure, Ports & Logistics	ankita.shah@elaracapital.com	+91 22 6164 8516
Biju Samuel	Analyst	Quantitative & Alternate Strategy	biju.samuel@elaracapital.com	+91 22 6164 8505
Gagan Dixit	Analyst	Oil & Gas, Aviation	gagan.dixit@elaracapital.com	+91 22 6164 8504
Garima Kapoor	Economist		garima.kapoor@elaracapital.com	+91 22 6164 8527
Harshit Kapadia	Analyst	Capital Goods	harshit.kapadia@elaracapital.com	+91 22 6164 8542
Karan Taurani	Analyst	Media & Entertainment	karan.taurani@elaracapital.com	+91 22 6164 8513
Jay Kale, CFA	Analyst	Auto & Auto Ancillaries	jay.kale@elaracapital.com	+91 22 6164 8507
Param Desai	Analyst	Pharmaceuticals, Healthcare, Real Estate	param.desai@elaracapital.com	+91 22 6164 8528
Pradeep Kumar Kesavan, CFA	Analyst	Strategy	pradeep.kesavan@elaracapital.com	+91 22 6164 8541
Pratik Tholiya	Analyst	Agrochemicals, Travel & Hospitality	pratik.tholiya@elaracapital.com	+91 22 6164 8518
Rakesh Kumar	Analyst	Banking & Financials	rakesh.kumar@elaracapital.com	+91 22 6164 8559
Ravi Menon	Analyst	IT Services, Internet, Telecom	ravi.menon@elaracapital.com	+91 22 6164 8502
Ravi Sodah	Analyst	Cement, Building Materials	ravi.sodah@elaracapital.com	+91 22 6164 8517
Ritika Dua	Analyst	Diversified Financials	ritika.dua@elaracapital.com	+91 22 6164 8526
Rupesh Sankhe	Analyst	Utilities, Renewables, Capital Goods	rupesh.sankhe@elaracapital.com	+91 22 6164 8581
Sagarika Mukherjee	Analyst	FMCG, Dairy	sagarika.mukherjee@elaracapital.com	+91 22 6164 8594
Saurabh Mitra	Sr. Associate	Cement, Building Materials	saurabh.mitra@elaracapital.com	+91 22 6164 8546
Aarti Rao	Associate	Pharmaceuticals, Healthcare, Real Estate	aarti.rao@elaracapital.com	+91 22 6164 8535
Anushka Chhajed	Associate	Strategy	anushka.chhajed@elaracapital.com	+91 22 6164 8536
Ashish Agrawal	Associate	IT Services, Internet, Telecom	ashish.agrawal@elaracapital.com	+91 22 6164 8573
Chintan Shah	Associate	Banking & Financials	chintan.shah@elaracapital.com	+91 22 6164 8521
Jatan Gogri	Associate	Economics	jatan.gogri@elaracapital.com	+91 22 6164 8591
Praneet Nikumbh	Associate	Diversified Financials	praneet.nikumbh@elaracapital.com	+91 22 6164 8506
Priyanka Trivedi	Associate	Agrochemicals, Travel & Hospitality	priyanka.trivedi@elaracapital.com	+91 22 6164 8588
Rachael Alva	Associate	Oil & Gas, Aviation	rachael.alva@elaracapital.com	+91 22 6164 8525
Vijay Gyanchandani	Associate	Auto & Auto Ancillaries	vijay.gyanchandani@elaracapital.com	+91 22 6164 8511
Viren Deshpande	Associate	Media & Entertainment	viren.deshpande@elaracapital.com	+91 22 6164 8565
Vinayak Patil	Database		vinayak.patil@elaracapital.com	+91 22 6164 8510
Priyanka Sheth	Editor		priyanka.sheth@elaracapital.com	+91 22 6164 8568
Gurunath Parab	Production		gurunath.parab@elaracapital.com	+91 22 6164 8515
Jinesh Bhansali	Production		jinesh.bhansali@elaracapital.com	+91 22 6164 8537

Access our reports on Bloomberg: Type **ESEC <GO>**

Also available on **Thomson & Reuters**

**Elara Securities (India) Private Limited**

CIN: U74992MH2007PTC172297 | SEBI Research Analyst Registration No.: INH00000933  
 Member of BSE Limited and National Stock Exchange of India Limited | SEBI REGN. NO.: INZ 000 238236  
 Member of Central Depository Services (India) Limited | SEBI REGN. NO.: IN-DP-370-2018  
 Website: www.elaracapital.com Investor Grievance Email ID: investor.grievances@elaracapital.com