

## Challenging quarter

SpiceJet's 2QFY20 results were weaker than expected (Reported loss of Rs 4.6 bn) due to the adverse impact from the grounding of the 737 MAX planes as well as seasonality. We have lowered our EBITDAR estimates by ~15% over FY20-22 to factor in the above. Maintain BUY with a revised TP of Rs 140 (at 7x Sep-21E EV/EBITDAR).

### HIGHLIGHTS OF THE QUARTER

- Financials:** While ASKMs grew +51% YoY in 2QFY20, yield growth was restricted (+3% YoY) due to a seasonally weak quarter. The co reported an EBITDAR loss of Rs 545mn due to inefficiencies arising from grounding of the B737 and forex losses. Factoring higher depreciation, interest expense and exceptional gain of Rs 1.7bn related to the MAX planes, reported loss is Rs 4.6bn (vs. Rs 3.8bn in 2QFY19). Adjusted for the above, loss was of Rs 6.3bn.
- While the near term demand trends are soft,** the management is hopeful of a recovery in 1HCY20. We believe that the sector dynamics will remain favorable due to the recent consolidation in the industry. This will ensure pricing discipline in the medium term.
- Fleet / Capacity:** After aggressive fleet addition in

### Financial Summary: Standalone

YE March (Rs mn)	2QFY20	2QFY19	% YoY	1QFY20	% QoQ	FY18	FY19	FY20E	FY21E	FY22E
Net Sales	28,452	18,825	51.1	30,021	(5.2)	77,557	91,133	123,940	150,320	168,393
EBITDAR	(545)	(422)	29.1	6,842	NM	17,896	12,868	17,948	25,685	29,186
APAT	(6,393)	(3,878)	64.9	1,477	NM	5,667	(2,526)	(4,816)	658	1,831
Diluted EPS (Rs)	(10.7)	(6.5)	64.9	2.5	NM	9.4	(4.2)	(8.0)	1.1	3.1
P/E (x)						11.3	(25.4)	(13.3)	97.5	35.0
EV / EBITDAR (x)						8.1	12.7	9.6	6.7	5.9

Source: Company, HDFC sec Inst Research NM=Not Meaningful

1QFY20, the airline added 4 NGs this quarter, taking the fleet strength to 113 planes. SpiceJet is banking on an early return of the MAX planes to service, which will drive operational efficiencies. In the interim, they are inducting aircraft on short term leases in the ongoing winter schedule. We are building 38% growth in ASKM for FY20.

- SpiceJet is expanding its international operations post the grounding of Jet Airways. Further, the carrier has added 2 more freighters in the quarter as the airline will increase its cargo services. The carrier is growing by expanding in the regional routes under the UDAN scheme and is now focusing on overseas/cargo segments.

### STANCE

**Maintain BUY as (1) SpiceJet will benefit from the improving industry structure in the medium term (2) Fuel prices remain benign, which will allow for better cost management (3) Further, any resolution with regards to the 737 MAX planes will improve the cost structure of the low cost carrier. The stock is trading at reasonable valuations of 9.6/6.7/5.9x EV/EBITDAR on FY20/21E/22E.**

INDUSTRY	AVIATION		
<b>CMP (as on 14 Nov 2019)</b>	<b>Rs 107</b>		
<b>Target Price</b>	<b>Rs 140</b>		
Nifty	11,872		
Sensex	40,286		
<b>KEY STOCK DATA</b>			
Bloomberg	SJET IN		
No. of Shares (mn)	600		
MCap (Rs bn) / (\$ mn)	64/892		
6m avg traded value (Rs mn)	282		
<b>STOCK PERFORMANCE (%)</b>			
<b>52 Week high / low</b>	<b>Rs 157/72</b>		
	3M	6M	12M
Absolute (%)	(23.2)	(12.3)	27.8
\Relative (%)	(31.2)	(20.2)	13.1
<b>SHAREHOLDING PATTERN (%)</b>			
	Jun-19	Sep-19	
Promoters	60.0	60.0	
FIs & Local MFs	8.2	8.0	
FPIs	4.8	5.2	
Public & Others	27.0	26.9	
Pledged Shares	23.6	23.6	
Source : BSE			

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*Revenues were driven by a healthy 44% growth in RPKs*

*Spice Jet has added 6 planes in 2Q and its fleet size has risen to 113*

*Due to the grounding of MAX aircraft in Mar-19, 13 planes are incurring expenses. While SpiceJet is confident that Boeing will compensate them for losses and has provided Rs 1,767mn as aircraft/supplemental lease rentals incurred in 2QFY20 as other income, the auditors have qualified their limited review report in this regard*

### Quarterly Financials Snapshot

Particulars (Rs mn)	2QFY20	2QFY19	% YoY	1QFY20	% QoQ	1HFY20	1HFY19	% YoY
Passenger Revenue	24,407	16,450	48.4	26,424	(7.6)	50,831	36,475	39.4
Ancillary Revenue	2,898	1,955	48.2	2,643	9.6	5,541	4,098	35.2
Other operating revenue	1,147	342	235.4	954	20.2	2,101	703	198.8
<b>Net Sales</b>	<b>28,452</b>	<b>18,825</b>	<b>51.1</b>	<b>30,021</b>	<b>(5.2)</b>	<b>58,473</b>	<b>41,183</b>	<b>42.0</b>
Fuel cost	11,621	8,451	37.5	10,284	13.0	21,905	16,575	32.2
Airport fees & charges	2,924	1,790	63.4	2,425	20.6	5,348	3,559	50.3
Aircraft Maintenance	5,184	3,583	44.7	4,556	13.8	9,739	7,011	38.9
Other operating costs	1,192	674	76.9	991	20.2	2,183	1,330	64.1
Employee cost	3,962	2,526	56.8	3,536	12.0	7,498	5,005	49.8
Forex gain/(loss)	1,930	-	-	(280)	-	1,650	-	-
Other expenses	2,185	2,224	(1.7)	1,666	31.2	3,852	4,491	(14.2)
<b>Total expenses</b>	<b>28,997</b>	<b>19,247</b>	<b>50.7</b>	<b>23,179</b>	<b>25.1</b>	<b>52,176</b>	<b>37,971</b>	<b>37.4</b>
<b>EBITDAR</b>	<b>(545)</b>	<b>(422)</b>	<b>29.1</b>	<b>6,842</b>	<b>NM</b>	<b>6,297</b>	<b>3,212</b>	<b>96.0</b>
Aircraft and engine rentals	633	2,777	(77.2)	646	(2.1)	1,278	5,573	(77.1)
<b>EBITDA</b>	<b>(1,178)</b>	<b>(3,199)</b>	<b>(63.2)</b>	<b>6,196</b>	<b>NM</b>	<b>5,019</b>	<b>(2,361)</b>	<b>NM</b>
Depreciation	4,363	648	572.9	3,773	15.6	8,135	1,279	536.0
<b>EBIT</b>	<b>(5,540)</b>	<b>(3,847)</b>	<b>44.0</b>	<b>2,424</b>	<b>NM</b>	<b>(3,117)</b>	<b>(3,640)</b>	<b>(14.4)</b>
Other income (including EO items)	2,283	294	675.3	1,432	59.4	3,714	10	38,592.6
Interest	1,368	325	321.2	1,238	10.5	2,607	627	315.6
<b>PBT</b>	<b>(4,626)</b>	<b>(3,878)</b>	<b>19.3</b>	<b>2,617</b>	<b>NM</b>	<b>(2,009)</b>	<b>(4,258)</b>	<b>(52.8)</b>
Tax expense	-	-	-	-	-	-	-	-
<b>RPAT</b>	<b>(4,626)</b>	<b>(3,878)</b>	<b>19.3</b>	<b>2,617</b>	<b>NM</b>	<b>(2,009)</b>	<b>(4,258)</b>	<b>(52.8)</b>
Exceptional items	1,767	-	-	1,140	55.0	2,907	(635)	(558.0)
<b>APAT</b>	<b>(6,393)</b>	<b>(3,878)</b>	<b>64.9</b>	<b>1,477</b>	<b>NM</b>	<b>(4,916)</b>	<b>(3,623)</b>	<b>35.7</b>
<b>EPS</b>	<b>(10.7)</b>	<b>(6.5)</b>	<b>64.9</b>	<b>2.5</b>	<b>NM</b>	<b>(8.2)</b>	<b>(6.0)</b>	<b>35.7</b>

Source: Company, HDFC sec Inst Research NM=Not Meaningful

**Yield growth was restricted (+3% YoY) owing to a soft quarter**

**Load factor were at 89% in 2Q (vs. 93.7% YoY). The mgmt expects traffic growth to pick up in 1HCY20**

### Margin Analysis

As % of sales	2QFY20	2QFY19	YoY (bps)	1QFY20	QoQ (bps)	1HFY20	1HFY19	YoY (bps)
Fuel cost	40.8	44.9	(405)	34.3	659	37.5	40.2	(279)
Airport fees & charges	10.3	9.5	77	8.1	220	9.1	8.6	50
Aircraft Maintenance	18.2	19.0	(81)	15.2	304	16.7	17.0	(37)
Other operating costs	4.2	3.6	61	3.3	89	3.7	3.2	50
Employee cost	13.9	13.4	50	11.8	214	12.8	12.2	67
Forex	6.8	-	678	(0.9)	771	2.8	-	282
Other expenses	7.7	11.8	(413)	5.5	213	6.6	10.9	(432)
<b>Total expenses</b>	<b>101.9</b>	<b>102.2</b>	<b>(33)</b>	<b>77.2</b>	<b>2,471</b>	<b>89.2</b>	<b>92.2</b>	<b>(297)</b>
<b>EBITDAR Margin</b>	<b>(1.9)</b>	<b>(2.2)</b>	<b>33</b>	<b>22.8</b>	<b>(2,471)</b>	<b>10.8</b>	<b>7.8</b>	<b>297</b>
Aircraft and engine rentals	2.2	14.7	(1,253)	2.2	7	2.2	13.5	(1,135)
<b>EBITDA Margin</b>	<b>(4.1)</b>	<b>(17.0)</b>	<b>1,285</b>	<b>20.6</b>	<b>NM</b>	<b>8.6</b>	<b>(5.7)</b>	<b>NM</b>
<b>RPAT Margin</b>	<b>(16.3)</b>	<b>(20.6)</b>	<b>434</b>	<b>8.7</b>	<b>NM</b>	<b>(3.4)</b>	<b>(10.3)</b>	<b>690</b>
<b>APAT Margin</b>	<b>(22.5)</b>	<b>(20.6)</b>	<b>(187)</b>	<b>4.9</b>	<b>NM</b>	<b>(8.4)</b>	<b>(8.8)</b>	<b>39</b>

### Operating Metrics

Operating Metrics	2QFY20	2QFY19	% YoY	1QFY20	% QoQ	1HFY20	1HFY19	% YoY
ASKM (in mn)	7,751	5,121	51.4	6,797	14.0	14,548	10,329	40.8
RPKM (in mn)	6,898	4,798	43.8	6,321	9.1	13,220	9,721	36.0
Load Factor (%)	89.0	93.7	-469 bps	93.0	-400 bps	90.9	94.1	-325 bps
Yield (Rs)	3.5	3.4	3.2	4.2	(15.4)	3.8	3.8	2.5
RASK (Rs)	3.67	3.68	(0.1)	4.42	(16.9)	4.02	3.99	0.8
Aircraft Fuel/ASKM	1.50	1.65	(9.1)	1.51	(0.9)	1.51	1.60	(6.2)
<b>Gross Margin</b>	<b>2.17</b>	<b>2.03</b>	<b>7.2</b>	<b>2.90</b>	<b>(25.2)</b>	<b>2.51</b>	<b>2.38</b>	<b>5.5</b>
Employee Cost/ASKM	0.51	0.49	3.6	0.52	(1.8)	0.52	0.48	6.4
Ownership cost/ASKM	0.82	0.73	12.1	0.83	(1.4)	0.83	0.72	14.1
Other Operating Exp./ASKM	0.81	0.92	(11.2)	0.75	8.7	0.78	0.91	(13.8)
Other Operating Exp./ASKM	0.67	0.70	(4.4)	0.67	(0.2)	0.67	0.68	(1.4)
<b>Non-Fuel Op.Exp/ASKM</b>	<b>2.81</b>	<b>2.84</b>	<b>(0.9)</b>	<b>2.77</b>	<b>1.6</b>	<b>2.79</b>	<b>2.80</b>	<b>(0.1)</b>
CASK	4.31	4.49	(4.0)	4.28	0.7	4.30	4.40	(2.3)
CASK net of Other Income	2.81	2.84	(0.9)	2.77	1.6	2.79	2.80	(0.1)
<b>RASK-CASK without other income</b>	<b>(0.64)</b>	<b>(0.81)</b>	<b>(21.1)</b>	<b>0.13</b>	<b>(582.1)</b>	<b>(0.28)</b>	<b>(0.41)</b>	<b>(32.2)</b>
<b>Fleet</b>	<b>113</b>	<b>65</b>	<b>73.8</b>	<b>107</b>	<b>5.6</b>	<b>113</b>	<b>65</b>	<b>73.8</b>

Source: Company, HDFC sec Inst Research

**We expect revenues to grow at a 23% CAGR over FY19-22E driven by fleet addition**

### Key Assumptions

KEY ASSUMPTIONS	FY18	FY19	FY20E	FY21E	FY22E
Fleet Size	63	76	122	137	153
ASKM (in mn)	19,498	22,322	30,805	36,350	39,985
YoY Growth (%)	17.2	14.5	38.0	18.0	10.0
RPKM (in mn)	18,465	20,670	28,007	33,049	36,354
YoY Growth (%)	21.2	11.9	35.5	18.0	10.0
Load Factor %	95	93	91	91	91
Yield (Rs)	3.6	3.6	3.9	4.0	4.1
YoY Growth (%)	2.7	1.4	7.0	3.0	2.0
Operating Revenue (Rs mn)	77,557	91,132	123,940	150,320	168,393
YoY Growth (%)	25.3	17.5	36.0	21.3	12.0
<b>Unit Economics (In Rs)</b>					
RASK	3.98	4.08	4.02	4.14	4.21
Aircraft Fuel/ASKM	1.25	1.54	1.41	1.41	1.37
Gross margin	2.73	2.54	2.61	2.73	2.84
Employee Cost/ASKM	0.44	0.47	0.47	0.50	0.51
Ownership cost/ASKM	0.67	0.72	0.79	0.74	0.74
Other Operating Exp./ASKM	1.37	1.49	1.53	1.47	1.50
<b>CASK</b>	3.73	4.22	4.19	4.11	4.11
<b>RASK-CASK (w/o other income)</b>	0.25	(0.14)	(0.17)	0.02	0.10

Source: Company, HDFC sec Inst Research

### Peer Set Comparison

	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP	Adj EPS (Rs/sh)			P/E (x)			EV/EBITDAR (x)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Interglobe Aviation	583	1,517	BUY	1,610	24.1	89.9	130.2	62.9	16.9	11.7	11.2	6.6	4.8
<b>SpiceJet</b>	<b>64</b>	<b>107</b>	<b>BUY</b>	<b>140</b>	<b>(8.0)</b>	<b>1.1</b>	<b>3.1</b>	<b>NA</b>	<b>97.5</b>	<b>35.0</b>	<b>9.6</b>	<b>6.7</b>	<b>5.9</b>

Source: HDFC sec Inst Research

## Valuation

(Rs mn)	FY21E	FY22E
EBITDAR	25,685	29,186
EV/EBITDAR multiple (x)	7.0	7.0
<b>Target EV</b>	<b>179,794</b>	<b>204,305</b>
<b>Net Debt (including capitalised lease)</b>	<b>107,147</b>	<b>106,870</b>
Equity Value	72,647	97,435
No. of equity shares (mn)	600	600
Target Price (Rs)	121	162
<b>Sep-21 EPS</b>		<b>140</b>

Source: HDFC sec Inst Research

## Change in estimates

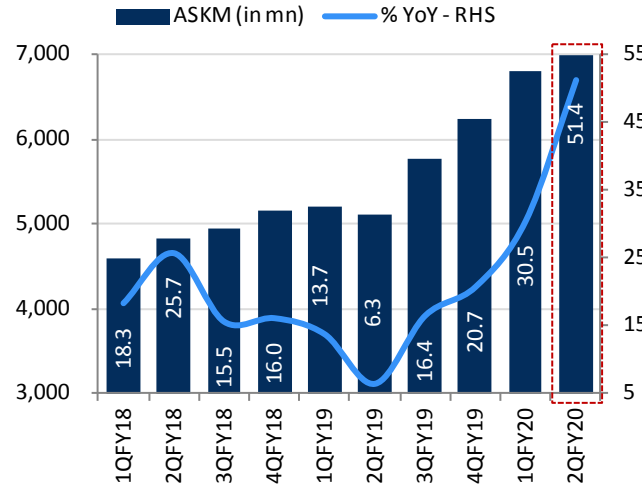
	NEW			OLD			% Change		
	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Revenues	123,940	150,320	168,393	126,771	157,810	173,932	(2.2)	(4.7)	(3.2)
EBITDAR	17,948	25,685	29,186	22,953	29,750	34,504	(21.8)	(13.7)	(15.4)
Adj. PAT	(4,816)	658	1,831	400	3,439	3,938	(1,302.7)	(80.9)	(53.5)
EPS	(8.0)	1.1	3.1	0.7	5.7	6.6	(1,302.2)	(80.9)	(53.5)

Source: HDFC sec Inst Research

**Strong growth in ASKM and RPKM is due to the favorable change in the industry dynamics (post the grounding of Jet Airways)**

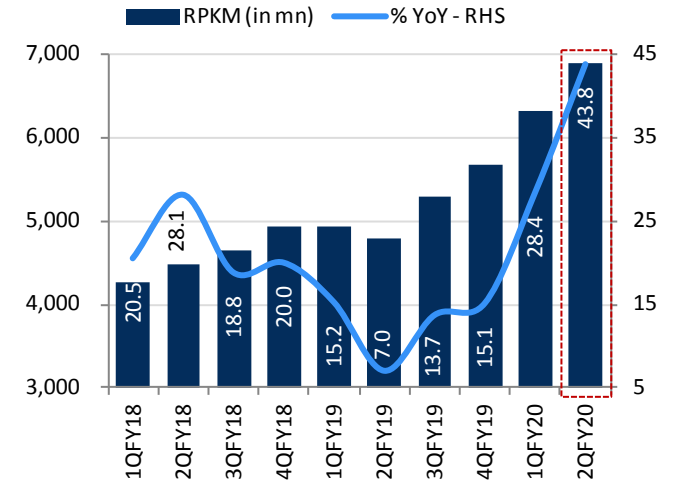
**SpiceJet has gained market share and is now the second largest carrier**

**ASKM: Growth driven by fleet addition**



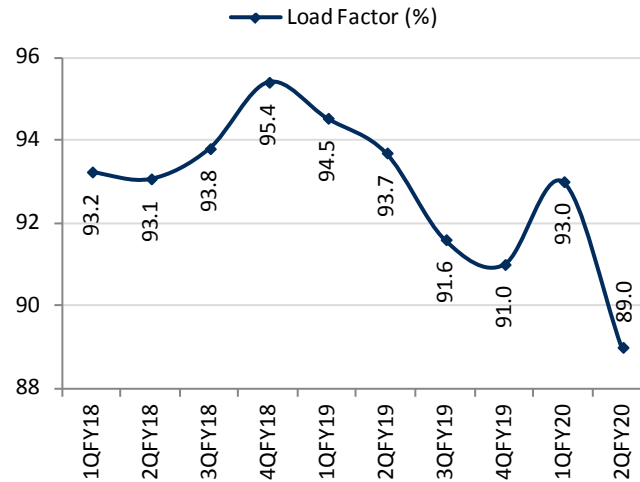
Source: Company, HDFC sec Inst Research

**RPKM: Healthy 44% YoY growth**



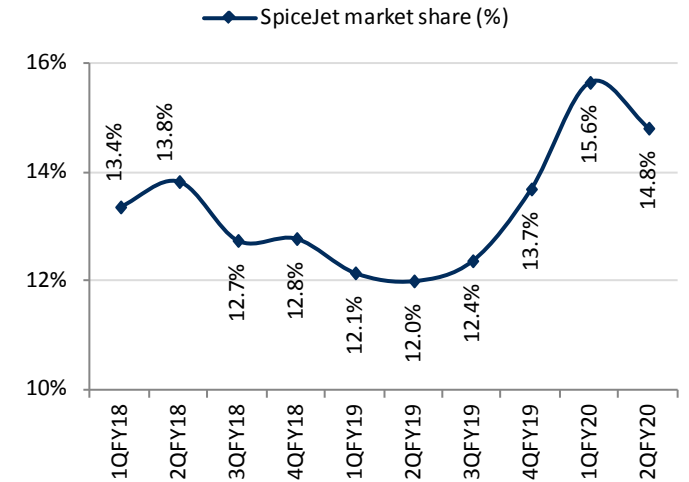
Source: Company, HDFC sec Inst Research

**Load factors moderated to 89% due to seasonality**



Source: Company, HDFC sec Inst Research

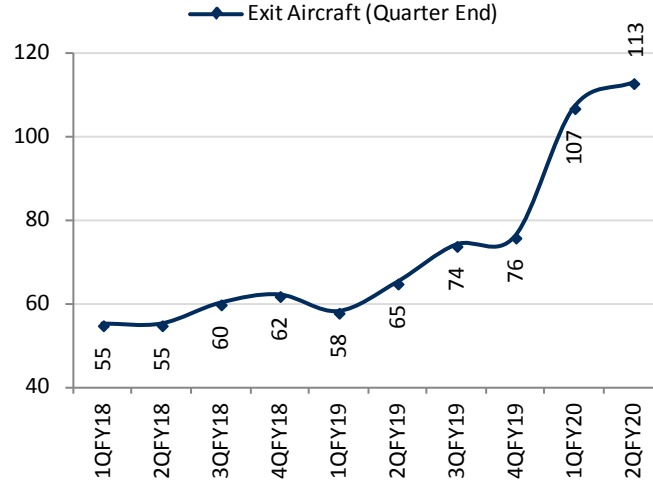
**Market share is stabilizing at 15%**



Source: Company, HDFC sec Inst Research

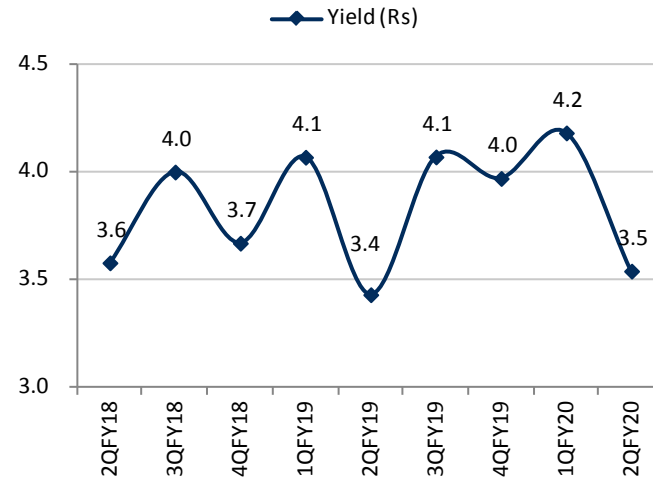
*Healthy fleet addition will partially offset for the grounding of the B737 MAX*

**4 Boeings were added to the fleet in the quarter**



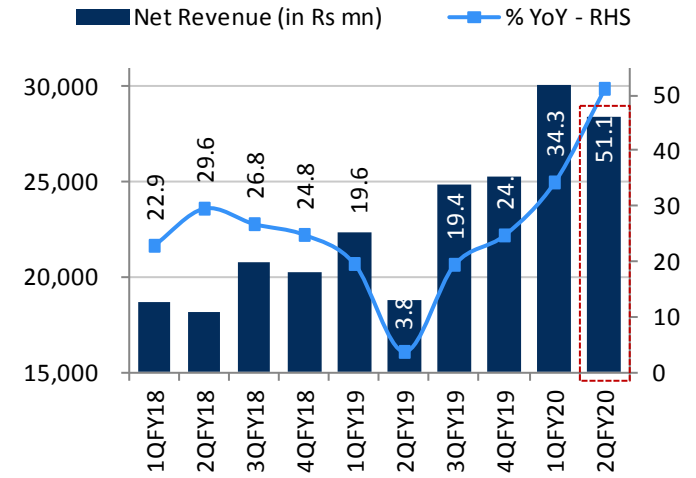
Source: Company, HDFC sec Inst Research

**Yields increased 3% YoY**



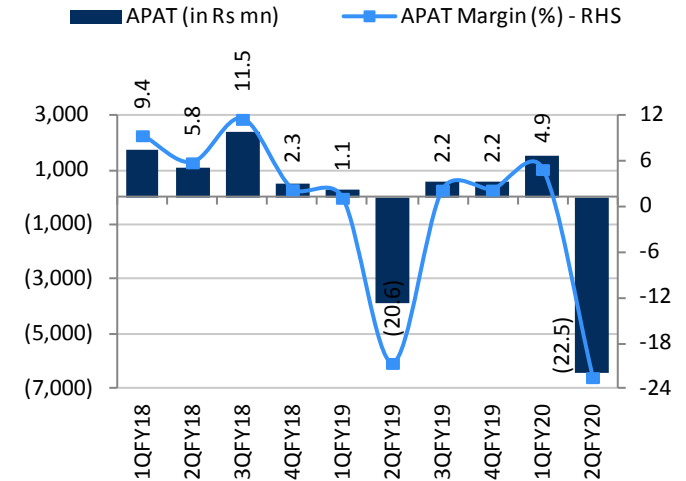
Source: Company, HDFC sec Inst Research

**Revenue: 51% YoY growth**



Source: Company, HDFC sec Inst Research

**Profit: 2Q is seasonally weak quarter**



Source: Company, HDFC sec Inst Research

**Income Statement**

Year ending March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>Net Revenues</b>	<b>77,557</b>	<b>91,133</b>	<b>123,940</b>	<b>150,320</b>	<b>168,393</b>
<b>Growth (%)</b>	<b>25.3</b>	<b>17.5</b>	<b>36.0</b>	<b>21.3</b>	<b>12.0</b>
Aircraft Fuel	24,326	34,453	44,518	53,083	59,051
Employee Expenses	8,626	10,570	14,377	18,038	20,207
Other Operating Expenses	26,709	33,242	47,097	53,514	59,948
<b>EBITDAR</b>	<b>17,896</b>	<b>12,868</b>	<b>17,948</b>	<b>25,685</b>	<b>29,186</b>
<b>EBITDAR Margin (%)</b>	<b>23.1</b>	<b>14.1</b>	<b>14.5</b>	<b>17.1</b>	<b>17.3</b>
<b>EBITDAR Growth (%)</b>	<b>19.0</b>	<b>(28.1)</b>	<b>39.5</b>	<b>43.1</b>	<b>13.6</b>
Aircraft and engine rentals (net)	10,322	12,967	2,659	3,057	3,363
<b>EBITDA</b>	<b>7,575</b>	<b>(99)</b>	<b>15,289</b>	<b>22,628</b>	<b>25,823</b>
<b>EBITDA Margin (%)</b>	<b>9.8</b>	<b>(0.1)</b>	<b>12.3</b>	<b>15.1</b>	<b>15.3</b>
<b>EBITDA Growth (%)</b>	<b>39.4</b>	<b>(101.3)</b>	<b>(15,562.5)</b>	<b>48.0</b>	<b>14.1</b>
Depreciation	2,312	2,562	16,015	17,617	19,378
<b>EBIT</b>	<b>5,263</b>	<b>(2,661)</b>	<b>(726)</b>	<b>5,011</b>	<b>6,445</b>
Other Income (Incl. EO Items)	795	(52)	4,364	1,749	2,098
Interest	391	448	5,547	6,102	6,712
<b>PBT</b>	<b>5,667</b>	<b>(3,161)</b>	<b>(1,909)</b>	<b>658</b>	<b>1,831</b>
Tax (Incl Deferred)	-	-	-	-	-
<b>RPAT</b>	<b>5,667</b>	<b>(3,161)</b>	<b>(1,909)</b>	<b>658</b>	<b>1,831</b>
EO (Loss) / Profit (Net Of Tax)	-	(635)	2,907	-	-
<b>APAT</b>	<b>5,667</b>	<b>(2,526)</b>	<b>(4,816)</b>	<b>658</b>	<b>1,831</b>
<b>APAT Growth (%)</b>	<b>44.5</b>	<b>(144.6)</b>	<b>90.6</b>	<b>(113.7)</b>	<b>178.5</b>
<b>Adjusted EPS (Rs)</b>	<b>9.4</b>	<b>(4.2)</b>	<b>(8.0)</b>	<b>1.1</b>	<b>3.1</b>
<b>EPS Growth (%)</b>	<b>44.5</b>	<b>(144.6)</b>	<b>90.6</b>	<b>(113.7)</b>	<b>178.5</b>

Source: Company, HDFC sec Inst Research

**Balance Sheet**

Year ending March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	5,995	5,997	5,997	5,997	5,997
Reserves	(6,424)	(9,504)	(11,413)	(10,755)	(8,924)
<b>Total Shareholders Funds</b>	<b>(430)</b>	<b>(3,507)</b>	<b>(5,416)</b>	<b>(4,758)</b>	<b>(2,927)</b>
<b>Total Debt</b>	<b>10,084</b>	<b>9,746</b>	<b>90,912</b>	<b>96,787</b>	<b>99,794</b>
Other Long Term Liabilities	617	5,298	5,828	6,411	7,052
Long Term Provisions	2,499	4,290	4,719	5,191	5,710
<b>TOTAL SOURCES OF FUNDS</b>	<b>12,771</b>	<b>15,827</b>	<b>96,043</b>	<b>103,630</b>	<b>109,629</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	15,977	16,038	101,183	102,421	104,725
Investments	1,013	4	5	6	6
LT Loans & Advances	9,330	11,677	12,844	14,771	16,248
Other non-current assets	5,785	6,614	7,275	8,367	9,203
<b>Total Non-current Assets</b>	<b>32,105</b>	<b>34,333</b>	<b>121,308</b>	<b>125,564</b>	<b>130,183</b>
Inventories	1,244	1,373	1,698	2,059	2,307
Debtors	852	1,353	1,460	1,771	1,984
Cash & Equivalents	1,458	779	1,884	11,041	16,466
Other Current Assets	4,658	10,113	12,305	14,520	16,117
<b>Total Current Assets</b>	<b>8,211</b>	<b>13,618</b>	<b>17,347</b>	<b>29,392</b>	<b>36,873</b>
Creditors	7,033	10,591	14,383	17,435	19,529
Other Current Liabilities & Provns	20,512	21,533	28,229	33,891	37,897
<b>Total Current Liabilities</b>	<b>27,545</b>	<b>32,124</b>	<b>42,612</b>	<b>51,326</b>	<b>57,427</b>
<b>Net Current Assets</b>	<b>(19,334)</b>	<b>(18,506)</b>	<b>(25,265)</b>	<b>(21,934)</b>	<b>(20,554)</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>12,771</b>	<b>15,827</b>	<b>96,043</b>	<b>103,630</b>	<b>109,629</b>

Source: Company, HDFC sec Inst Research



## Cash Flow Statement

Year ending March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Reported PBT	5,667	(3,161)	(1,909)	658	1,831
Non-operating & EO items	(795)	52	(4,364)	(1,749)	(2,098)
Interest expenses	391	448	5,547	6,102	6,712
Depreciation	2,312	2,562	16,015	17,617	19,378
Working Capital Change	3,288	(1,508)	7,864	5,827	4,044
Tax Paid	-	-	-	-	-
<b>OPERATING CASH FLOW ( a )</b>	<b>10,863</b>	<b>(1,606)</b>	<b>23,153</b>	<b>28,454</b>	<b>29,867</b>
Capex	(2,091)	(2,623)	(101,161)	(18,854)	(21,682)
Free cash flow (FCF)	8,772	(4,229)	(78,008)	9,600	8,185
Investments	(8,187)	4,305	(871)	(1,964)	(1,154)
Non-operating Income	795	(52)	4,364	1,749	2,098
<b>INVESTING CASH FLOW ( b )</b>	<b>(9,483)</b>	<b>1,630</b>	<b>(97,667)</b>	<b>(19,069)</b>	<b>(20,738)</b>
Debt Issuance/(Repaid)	(198)	(338)	81,166	5,875	3,007
Interest Expenses	(391)	(448)	(5,547)	(6,102)	(6,712)
FCFE	8,182	(5,015)	(2,389)	9,373	4,480
Share Capital Issuance	(5)	84	(0)	0	-
Dividend	-	-	-	-	-
<b>FINANCING CASH FLOW ( c )</b>	<b>(595)</b>	<b>(703)</b>	<b>75,619</b>	<b>(227)</b>	<b>(3,705)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>784</b>	<b>(679)</b>	<b>1,105</b>	<b>9,158</b>	<b>5,424</b>
<b>Closing Cash &amp; Equivalents</b>	<b>1,458</b>	<b>779</b>	<b>1,884</b>	<b>11,041</b>	<b>16,466</b>

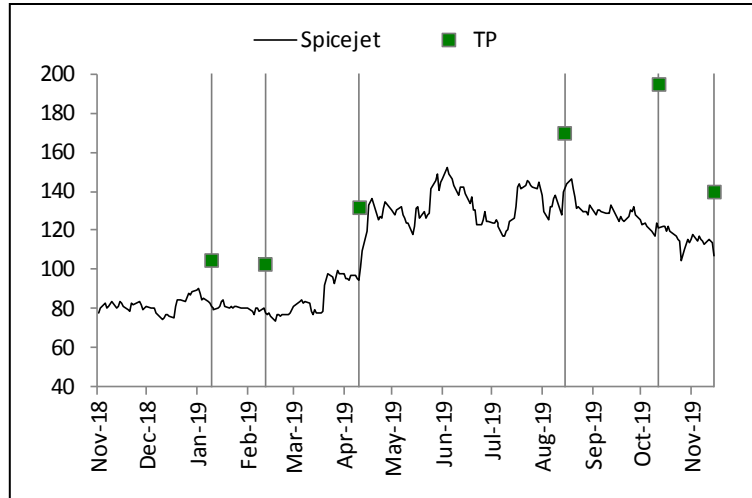
Source: Company, HDFC sec Inst Research

## Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
<b>PROFITABILITY (%)</b>					
GPM	68.6	62.2	64.1	64.7	64.9
EBITDAR Margin	23.1	14.1	14.5	17.1	17.3
EBITDA Margin	9.8	(0.1)	12.3	15.1	15.3
APAT Margin	7.3	(2.8)	(3.9)	0.4	1.1
RoE	NA	NA	NA	NA	NA
RoIC (or Core RoCE)	57.9	(20.2)	(1.3)	5.4	6.9
RoCE	51.8	(18.6)	(1.3)	5.0	6.0
<b>EFFICIENCY</b>					
Tax Rate (%)	-	-	-	-	-
Fixed Asset Turnover (x)	4.9	5.7	1.2	1.5	1.6
Inventory (days)	5.9	5.5	5.0	5.0	5.0
Debtors (days)	4.0	5.4	4.3	4.3	4.3
Other Current Assets (days)	21.9	40.5	36.2	35.3	34.9
Payables (days)	33.1	42.4	42.4	42.3	42.3
Other Current Liab (days)	96.5	86.2	83.1	82.3	82.1
Cash Conversion Cycle (days)	(97.9)	(77.2)	(80.0)	(80.1)	(80.2)
Debt/EBITDA (x)	10.7	(1,008.7)	7.0	4.7	4.1
Net D/E (x)	(188.3)	(28.4)	(19.9)	(22.5)	(36.5)
Interest Coverage (x)	13.4	(5.9)	(0.1)	0.8	1.0
<b>PER SHARE DATA (Rs)</b>					
EPS	9.4	(4.2)	(8.0)	1.1	3.1
CEPS	13.3	(1.0)	23.5	30.5	35.4
Dividend	-	-	-	-	-
Book Value	(0.7)	(5.8)	(9.0)	(7.9)	(4.9)
<b>VALUATION</b>					
P/E (x)	11.3	(25.4)	(13.3)	97.6	35.0
P/BV (x)	(149.4)	(18.3)	(11.8)	(13.5)	(21.9)
EV/EBITDA (x)	19.1	(1,657.6)	11.2	7.6	6.6
EV/EBITDAR (x)	8.1	12.7	9.6	6.7	5.9
EV/Revenues (x)	1.9	1.8	1.4	1.1	1.0
OCF/EV (%)	7.5	(1.0)	13.5	16.6	17.5
FCF/EV (%)	6.0	(2.6)	(45.4)	5.6	4.8
FCFE/Mkt Cap (%)	12.8	(7.8)	(3.7)	14.6	7.0
Dividend Yield (%)	-	-	-	-	-

Source: Company, HDFC sec Inst Research

**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
9-Jan-19	83	BUY	105
12-Feb-19	80	BUY	103
10-Apr-19	124	BUY	132
16-Aug-19	139	BUY	170
11-Oct-19	121	BUY	195
14-Nov-19	107	BUY	140

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- BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
- NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
- SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

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