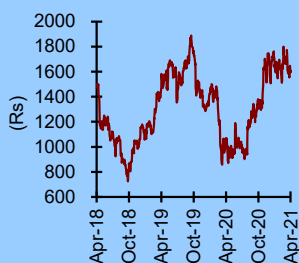


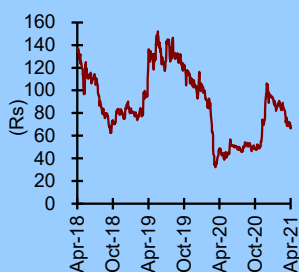
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Q4FY21 result preview

Indigo



SpiceJet



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Aviation

Q4FY21 preview: Expect flattish loss QoQ

Fourth quarter is normally a weak quarter for airlines, more so in Q4FY21 due to higher crude prices. However, higher number of passengers will incrementally help airlines absorb costs on a sequential basis. We estimate Q4/FY21 loss of Rs7.6bn/54bn for InterGlobe Aviation (IndiGo) and Rs967mn/8.7bn for SpiceJet. Without factoring in the currency-related impact, we expect IndiGo and SpiceJet to report Q4/FY21 loss of Rs7.4bn/60.4bn and Rs917mn/9.5bn, respectively.

- ▶ **IndiGo has taken 45 deliveries in FY21 with 9 aircraft in Q4FY21.** Yet, the fleet strength could be lower than Q3FY21-end (287) as old fleet would have been redelivered back.
- ▶ **Is 250k a temporary maximum for daily traffic count?** Though it could be a mix of several factors, the daily traffic count did restrict to somewhere ~250k since the complete lockdown in Mar'20. One would be inclined to believe that complete recovery to 400k (pre-Covid levels) would be difficult without corporate segment, notwithstanding the threat from repeat Covid waves. The next big seasonal demand will come in Q3FY22 if we assume second Covid wave will dampen Q1FY22.
- ▶ **Is non-payment of dues a better strategy for airlines?** Non-payment of lessor dues can suddenly appear to be the more prudent business strategy if we factor Covid impact to last for some more time on account of a second wave. The combination of repeat Covid waves and overall struggle of all airlines may force lessors to work longer repayment tenures, restructured payout schedules for another year. We have enlisted some news highlights on various lessor negotiations with airlines. Though there is an increasing clamor from lessors wanting resumption of cashflows, a lot could be posturing before fresh rounds of negotiation.
- ▶ **Will Indian government offer its support to airlines this time?** The government's support to Indian airlines has been through policy measures like capacity rationing and fare bands which have helped weaker airlines to sustain marginal operations profitably. The big low hanging reform available to government is the reduction in ATF taxes. Chances of the same increase only after the second Covid wave.

Table 1: IndiGo preview estimates

	Q1FY21	Q2FY21	Q3FY21	Q4FY21E	FY21E
Pax (bn)	1.23	5.50	10.50	13.00	30.23
PLF (%)	61	65	72	73	70.5
ASK (bn)	2.10	8.90	15.30	18.50	44.80
Revenue	7,667	27,410	49,100	56,900	1,41,077
Total Operating cost	23,042	30,487	42,700	49,529	1,45,758
EBITDA	(16,134)	2,060	8,422	7,171	1,520
Other Income	3,771	2,882	2,328	2,800	11,781
Depreciation	10,966	11,266	11,567	11,867	45,665
Finance cost	5,097	5,625	5,415	5,715	21,852
Forex (gain) / loss	759	(5,137)	(2,023)	200	(6,201)
PAT	(28,443)	(11,948)	(6,201)	(7,611)	(54,204)
PAT (w/o forex impact)	(27,684)	(17,085)	(8,224)	(7,411)	(60,405)

Source: Company, I-Sec Research

Table 2: SpiceJet preview estimates

	Q1FY21	Q2FY21	Q3FY21	Q4FY21E	FY21E
Pax (bn)	0.38	1.45	2.74	3.00	7.58
PLF (%)	67.0	73.0	77.0	79.0	76.0
ASK (bn)	0.70	2.24	4.13	4.25	11.32
Revenue	5,210	10,706	16,916	19,500	52,333
Total operating cost	6,898	10,229	15,071	17,198	49,396
EBITDA	(1,974)	2,160	2,448	2,252	4,886
Other Income	1,944	2,460	2,100	2,100	8,604
Depreciation	4,483	4,162	3,819	3,819	16,283
Finance cost	1,493	1,514	1,396	1,500	5,903
Forex (gain) / loss	286	(1,683)	(602)	50	(1,949)
PAT	(6,005)	(1,056)	(668)	(967)	(8,696)
PAT (w/o forex impact)	(5,719)	(2,739)	(1,270)	(917)	(9,528)

Source: Company, I-Sec Research

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