

## Oct-Dec'22 Earnings Preview

January 6, 2023

### Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
InterGlobe Aviation	Acc	2,038	2,300

Source: PL

### Improved yields and load factors to drive profits

*We expect IndiGo to post a profitable 3QFY23 (PAT ~Rs 7bn) after reporting loss in 1HFY23 (loss of Rs 26bn), on the back of (1) improved yields (Rs 5.35 vs Rs 5.15 in 1H) & load factors (84% vs 79.3% 1H) and (2) slight correction in crude prices (-8% QoQ) coupled with increased pax traffic. The company will benefit in medium to long term from demand recovery along with capacity deployment, network expansions, commodity softening and better than industry cost structure. Maintain 'Accumulate' with revised target price of Rs 2,300 (Rs 2,015 earlier).*

**Industry delivered an impressive post-COVID recovery:** In 3Q, Indian aviation industry's domestic passenger traffic is expected to improve ~18% QoQ steered by a seasonally strong quarter. The industry delivered an impressive post-COVID recovery, as monthly passenger traffic nears pre-COVID levels. International traffic is also witnessing MoM improvement, ever since resumption of international operations in Mar-22. Until 1HFY23, inflated crude costs and currency depreciation were acting as drag on profits of air carriers. However, over last six months, average quarterly crude cost is down ~23%, which will boost profitability in near to medium term.

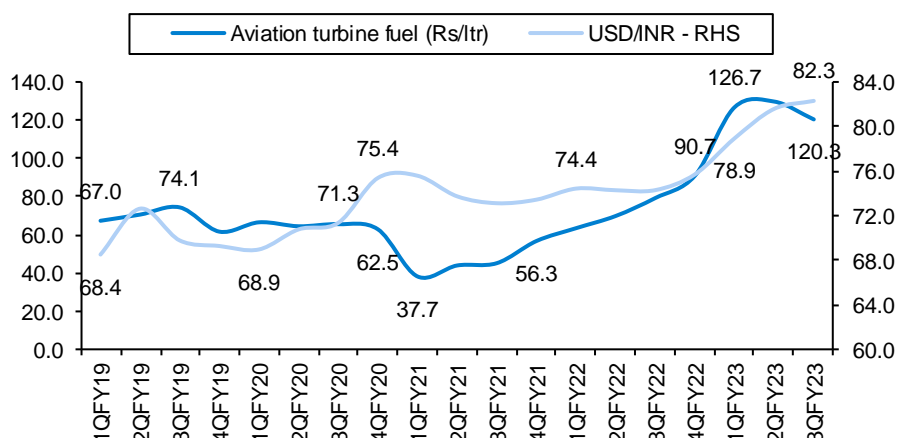
### IndiGo to report a profitable quarter with PAT of ~Rs 7bn:

- We expect ASKMs to grow marginally QoQ. However, RPKMs to improve ~9% QoQ led by higher load factors in a seasonally strong quarter (we expect load factor at 84% vs 79.1 % last quarter). We expect yields to improve by 5.5% to Rs 5.35.
- RASK to improve to Rs 4.9 vs Rs 4.5 sequentially. We expect spreads (RASK – Fuel) to grow at highest-ever levels of Rs 2.9, a growth of 30% QoQ, aided by better yields and decrease in fuel costs (average crude at USD 120/bbl, - 7.7% QoQ).
- However, with INR depreciation of ~1% against USD in 3QFY23 to an average of Rs 82.4, we expect forex losses to impact EBITDAR margins – we build in ~Rs8.3bn of forex MTM loss.
- We expect EBITDAR of Rs 24bn vs Rs 757mn last quarter. We build in profit of Rs 7bn. Ex MTM losses, EBITDAR to be at Rs 32bn and PAT at Rs 15mn.
- We increase our EBITDAR estimate by ~10% for FY24/25 as we build in recent correction in crude cost.

**We maintain 'ACCUMULATE' rating on the stock with a revised TP of Rs 2,300 (8x EV/EBITDAR Sep-24E).**

**Mansi Lall**  
mansilall@plindia.com | 91-22-66322391

Exhibit 2: In 3Q, INR depreciated ~1% against USD and ATF declined 8% QoQ



Source: IOCL, Bloomberg, PL

Exhibit 3: Q3FY23 Result Preview

Company Name		Q3FY22E	Q3FY21	YoY gr. (%)	Q2FY22	QoQ gr. (%)	Remark
InterGlobe Aviation	Sales	1,41,219	92,948	51.9	1,24,976	13.0	We expect INDIGO to report a 3% YoY decline in sales led by a seasonal weak quarter, lower yields and load factor. Decrease in crude costs to cushion margin expansion against forex losses. We build in forex loss of Rs 8bn. IndiGo expected to report a profitable quarter.
	EBITDAR	24,394	19,053	28.0	757	3,122.1	
	Margin (%)	17.3	20.5		0.6		
	PBT	6,914	1,285	438.3	-15,833	NA	
	Adj. PAT	6,914	1,285	438.3	-15,833	NA	

Source: Company, PL

Exhibit 4: IndiGo to report highest-ever gross margins

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23E
ASKM (in mn)	11,220	15,810	22,950	20,400	27,507	27,700	28,531
RPKM (in mn)	6,592	11,245	18,300	15,600	21,900	21,900	23,823
Load Factor (%)	58.8	71.1	79.7	76.5	79.6	79.1	83.5
Yield (Rs)	3.5	4.2	4.4	4.4	5.2	5.1	5.4
RASK (Rs)	2.7	3.5	4.1	3.9	4.7	4.5	4.9
Aircraft Fuel/ASKM	1.1	1.3	1.4	1.6	2.2	2.3	2.0
<b>Gross Margin</b>	<b>1.6</b>	<b>2.3</b>	<b>2.6</b>	<b>2.4</b>	<b>2.5</b>	<b>2.3</b>	<b>2.9</b>
CASK	5.7	4.6	4.1	4.8	5.1	5.2	4.8

Source: Company, PL

### Exhibit 5: Valuation Summary

Company Names	S/C Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
					FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
InterGlobe Aviation	S Acc	2,038	2,300	785.0	259.3	536.1	598.5	660.4	8.4	61.2	140.1	160.6	-61.7	-7.9	44.8	54.9	-160.2	-20.5	116.4	142.6	206.9	12.3	-97.9	1,344.0	-12.7	-99.6	17.5	14.3

Source: Company, PL

S=Standalone / C=Consolidated / Acc=Accumulate

### Exhibit 6: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
InterGlobe Aviation	Acc	Acc	2,300	2,015	14.1%	64,069	54,891	16.7%	78,497	69,202	13.4%	44,848	46,657	-3.9%	54,948	58,822	-6.6%	116.4	121.1	-3.9%	142.6	152.7	-6.6%

Source: Company, PL

C=Current / P=Previous / Acc=Accumulate

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	200	146
2	Bajaj Auto	Hold	3,820	3,553
3	Bharat Forge	BUY	1,000	861
4	CEAT	Accumulate	1,775	1,611
5	Eicher Motors	BUY	4,200	3,215
6	Endurance Technologies	BUY	1,600	1,404
7	Exide Industries	UR	-	179
8	Hero Motocorp	BUY	3,135	2,709
9	InterGlobe Aviation	Accumulate	2,015	1,798
10	Mahindra & Mahindra	BUY	1,560	1,236
11	Maruti Suzuki	BUY	10,000	8,423
12	Tata Motors	BUY	520	386
13	TVS Motors	BUY	1,240	1,025

**PL's Recommendation Nomenclature**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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**Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

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