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## Aviation

### Company update

Target price: Rs2,415

### Shareholding pattern

	Jun '22	Sep '22	Dec '22
Promoters	74.8	71.9	71.9
Institutional investors	23.1	25.8	25.7
MFs and others	4.6	5.5	6.2
FIs/Banks	1.5	1.8	1.7
FII	17.0	18.5	17.8
Others	2.1	2.3	2.4

### ESG disclosure score

Year	2021	2022	Chg
<b>ESG score</b>	<b>38.1</b>	<b>37.4</b>	<b>(0.7)</b>
Environment	9.5	11.5	2.0
Social	26.0	21.8	(4.2)
Governance	78.6	78.6	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.  
Source: Bloomberg, I-sec research

INDIA



## InterGlobe Aviation

BUY

Maintained

Expect steady Q4; business momentum  
remains strong

Rs1,912

We expect IndiGo to register Rs3bn/Rs23bn PBT (ex-forex impact) in Q4FY23/FY23. Profits are highly sensitive to yields which is the key upside/downside risk to our estimates. However, IndiGo remains well placed to benefit from strong systemic demand and its leading competitive positioning. IndiGo remains focused on growth (>15% ASK growth in FY24, doubling the fleet by 2030) and internationalisation (increase ASK mix to 30% over next two years from 23% in 9MFY23). These goals are intended to be achieved within the already existing business framework (low cost, hassle-free service, on-time operations with uniform fleet).

- **Q4FY23 operating highlights:** We expect Q4FY23 to be a good quarter for airlines after factoring in the expected seasonal weakness. Basis Jan/Feb and daily trends of March, we expect domestic passenger (pax) of ~136mn and international pax of 24mn in Q4FY23 for all Indian airlines put together. We expect IndiGo to maintain 56%/36% market share within the same. In line with the company guidance, we expect available seat kilometre (ASK) of 113bn for IndiGo in FY23, implying 30bn in Q4FY23. Basis PLF trends (83% in Jan and 87% in Feb'23), we expect total domestic passengers of ~20mn for IndiGo in Q4FY23. We project 2.4mn international passengers for IndiGo in Q4FY23 compared to 2.3mn in Q3FY23.
- **Expect Rs3bn PBT in Q4FY23** after adjusting for forex. Against average 6% sequential decline seen between FY16-19, we have assumed 11% decline in Q4FY23 to adequately factor in the high base of Q3FY23. We factor ancillary revenue to be 12% of overall revenue in Q4FY23 versus 11% in 9MFY23. Fuel CASK is expected to decline by 2% QoQ in Q4FY23 (average ATF was down 8.6% in Q4FY23) while CASK ex fuel is expected to increase marginally from Rs2.64 in Q3FY23 to Rs2.69 in Q4FY23.
- **Daily total domestic passenger trend largely remains strong.** As against monthly trend of average daily PAX of 404k and 431k for the months of Jan'23 and Feb'23, Mar'23 daily pax count stood at 420k and Q4FY23 average daily stood at 418k. Average daily pax count has picked up in Apr'23, as Apr'23-TD average PAX count stands at 422k. Daily departures in Apr'23-TD have largely remained flat as a result of which pax per departure has increased from 141 in Mar'23 to 143 in Apr'23-TD.

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Market Cap	Rs734bn/US\$9.0bn	Year to March	FY21	FY22	FY23E	FY24E
Reuters/Bloomberg	INGL.BO/INDIGO IN	Revenue (Rs mn)	1,46,406	2,59,309	5,40,920	6,62,488
Shares Outstanding (mn)	385.6	Net Income (Rs mn)	(63,294)	(52,210)	22,872	37,221
52-week Range (Rs)	2194/1513	EPS (Rs)	(164.4)	(135.5)	59.4	96.6
Free Float (%)	28.1	% Chg YoY	nm	nm	nm	62.7
FII (%)	17.8	P/E (x)	nm	nm	32.1	19.7
Daily Volume (US\$/'000)	20,284	CEPS (Rs)	(42.3)	(4.0)	193.0	252.4
Absolute Return 3m (%)	(5.4)	EV/E (x)	nm	nm	15.7	7.7
Absolute Return 12m (%)	(3.4)	Dividend Yield (%)	-	-	-	-
Sensex Return 3m (%)	(0.3)	RoCE (%)	(10.5)	(10.6)	5.5	15.7
Sensex Return 12m (%)	1.9	RoE (%)	nm	nm	nm	nm

Please refer to important disclosures at the end of this report

Table 1: IndiGo preview

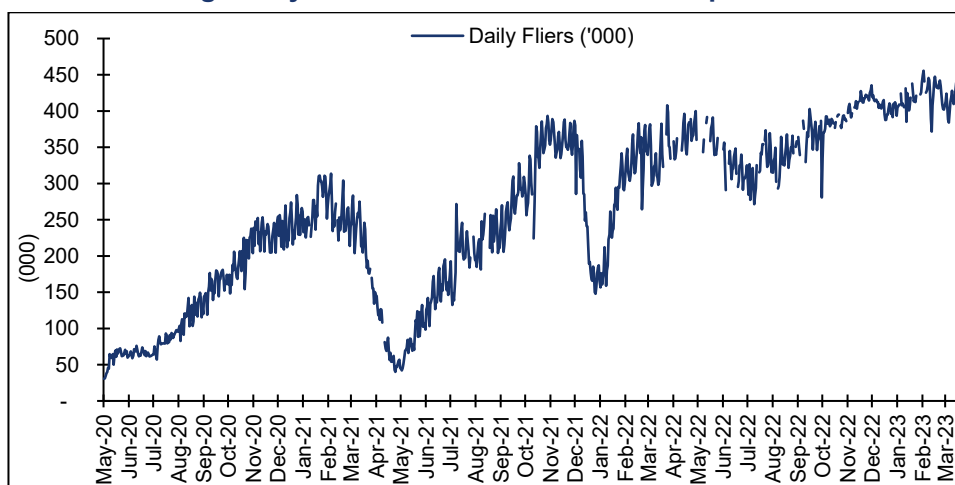
(Rs mn)	Q4FY23E	Q4FY22	Y-Y(%)	Q3FY23	Q-Q(%)
<b>Total operating Income</b>	<b>1,38,062</b>	<b>80,207</b>	<b>72.1</b>	<b>1,49,330</b>	<b>(7.5)</b>
Fuel	58,974	32,206	83.1	57,850	1.9
Net Rentals	1,000	673	48.6	700	42.9
Supplementary Rentals	20,681	16,990	21.7	19,854	4.2
Stock	956	555		806	
Change in inventory	(37)	(19)		(18)	
Employee	13,892	9,299	49.4	12,845	8.1
Other Expenses	21,673	14,002	54.8	20,252	7.0
Foreign Exchange (gain)/loss	(3,000)	6,123		5,864	
<b>Total operating Expense</b>	<b>1,14,139</b>	<b>79,829</b>	<b>43.0</b>	<b>1,18,153</b>	<b>(3.4)</b>
<b>EBITDA</b>	<b>23,922</b>	<b>379</b>		<b>31,177</b>	<b>(23.3)</b>
(Margin%)	17.3	0.5		20.9	
<b>EBITDAR</b>	<b>24,922</b>	<b>1,052</b>	<b>2,269.3</b>	<b>31,877</b>	
(Margin%)	18.1	1.3		21.3	
Other Income	4,500	1,867	141.0	4,772	(5.7)
Depreciation	14,000	12,695	10.3	13,423	4.3
Finance Costs	8,393	6,326	32.7	8,293	1.2
Exceptional	-	-		-	
EBIT	14,422	(10,449)	(238.0)	22,526	
PBT	6,029	(16,775)	(135.9)	14,233	
Tax	-	43		7	
<b>PAT</b>	<b>6,029</b>	<b>(16,818)</b>		<b>14,226</b>	
<b>Adjusted PAT</b>	<b>3,029</b>	<b>(10,695)</b>		<b>20,090</b>	

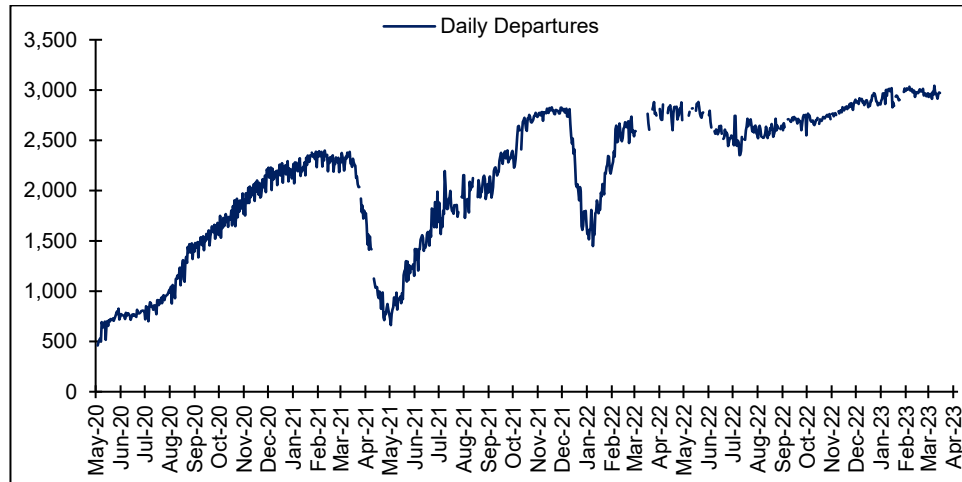
	Q4FY23	Q4FY22	Y-Y(%)	Q3FY23	Q-Q(%)
Total ASK (000)	3,00,00,000	2,04,00,000	47.1	2,88,00,000	4.2
PLF (%)	85.0	76.7		85.1	
PAX Revenue (Rs mn)	1,21,241	68,847	76.1	1,31,624	(7.9)
Ancillary revenue (Rs mn)	16,821	10,960	53.5	17,706	(5.0)
PAX RASK	4.04	3.37	20	4.57	(11.6)
Fare (Rs)	5,230	4,729	10.6	5,902	(11.4)
Passengers(mn)	23.2	14.6	59.2	22.3	4.0
Ancillary Revenue (% share)	12.2%	13.7%		11.9%	
<b>Operating RASK</b>	<b>4.60</b>	<b>3.93</b>	<b>17.0</b>	<b>5.19</b>	<b>(11.2)</b>
PAX	23.18	14.56	59.2	22.30	4.0
Fuel CASK	1.97	1.58	24.5	2.01	(2.1)
Total CASK (ex-Fuel)	2.69	2.97	(9.5)	2.64	1.6

Source: Company, I-Sec Research

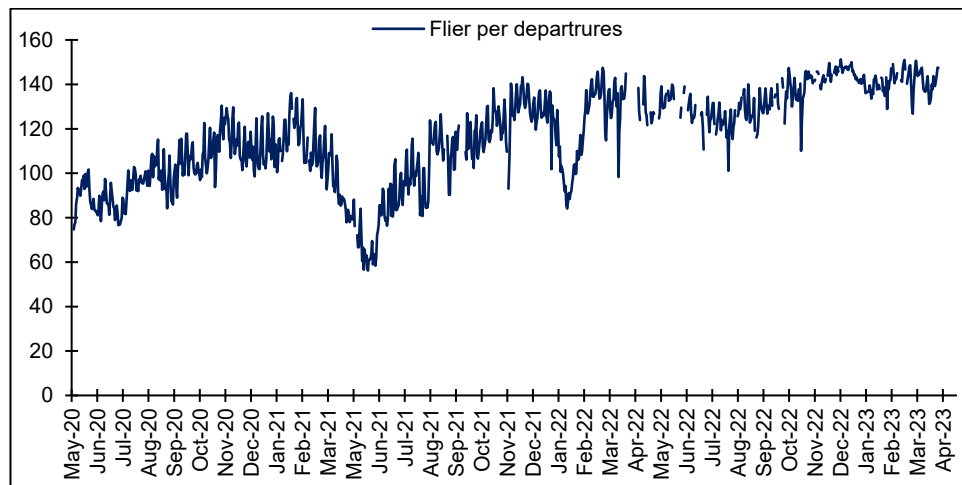
Chart 1: Average daily PAX count has increased in Apr-23TD



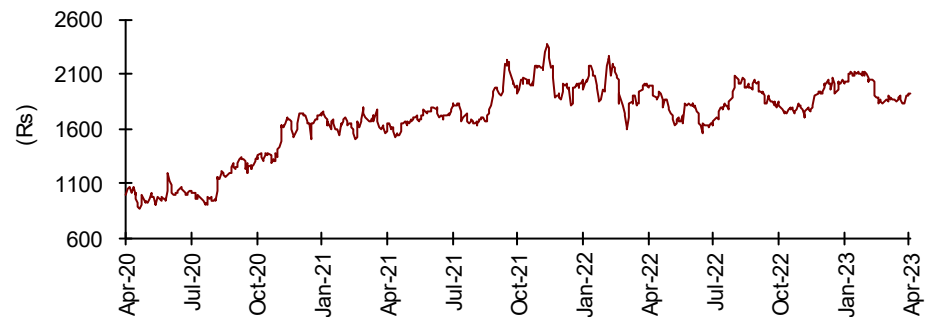
Source: MOCA

**Chart 2: Daily departures have largely remained flat in Apr'23-TD**

Source: MOCA

**Chart 3: Flier per departure has increased in Apr'23TD**

Source: MOCA

**Price chart**

Source: Bloomberg

## Financial summary

**Table 2: Profit and Loss statement**
*(Rs mn, year ending March 31)*

	FY21	FY22	FY23E	FY24E
<b>Operating Income</b>	<b>1,46,406</b>	<b>2,59,309</b>	<b>5,40,920</b>	<b>6,62,488</b>
<b>Operating Expenses</b>	<b>1,46,542</b>	<b>2,53,836</b>	<b>4,79,602</b>	<b>5,34,727</b>
<b>EBITDA</b>	<b>(136)</b>	<b>5,473</b>	<b>61,317</b>	<b>1,27,761</b>
% margins	(0.1)	2.1	11.3	19.3
<b>EBITDAR</b>	<b>2,669</b>	<b>8,590</b>	<b>64,155</b>	<b>1,31,024</b>
% margins	1.8	3.3	11.9	19.8
Depreciation & Amortization	46,994	50,686	51,497	60,000
Gross Interest	21,420	23,580	30,528	34,000
Other Income	10,370	7,256	14,454	16,000
<b>PBT (ex-forex)</b>	<b>(58,181)</b>	<b>(61,537)</b>	<b>(6,253)</b>	<b>49,761</b>
Add: Extra ordinaries	5,230	(9,408)	(29,125)	-
Less: Taxes	(116)	82	-	12,540
Less: Minority	-	-	-	-
<b>Adjusted Net Income#</b>	<b>(63,294)</b>	<b>(52,210)</b>	<b>22,872</b>	<b>37,221</b>

Source: Company data, I-Sec research

#does not include MTM impact.

**Table 3: Balance sheet**
*(Rs mn, year ending March 31)*

	FY21	FY22	FY23E	FY24E
<b>Assets</b>				
Total Current Assets	2,05,400	2,02,289	2,83,238	3,23,261
<i>Cash and Current Investments</i>	<i>1,85,671</i>	<i>1,82,266</i>	<i>2,42,562</i>	<i>2,74,580</i>
Total Current Liabilities	81,178	1,02,539	1,19,034	73,077
<b>Net Current Assets</b>	<b>1,24,221</b>	<b>99,750</b>	<b>1,64,204</b>	<b>2,50,183</b>
Deferred tax asset (net)	3,027	2,949	2,949	2,949
Long-term loans and advances	17,093	20,911	20,911	20,911
Other non-current assets	14,654	19,386	19,386	19,386
Non-Current Investments	1	0	0	0
<b>Net Fixed Assets with CWIP</b>	<b>1,88,884</b>	<b>2,14,090</b>	<b>2,32,225</b>	<b>2,39,330</b>
<b>Total Assets</b>	<b>3,49,333</b>	<b>3,57,087</b>	<b>4,39,676</b>	<b>5,32,760</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>51,347</b>	<b>72,403</b>	<b>72,403</b>	<b>72,403</b>
Deferred Tax Liability	-	-	-	-
Lease Liability	2,73,540	3,29,811	4,18,653	4,74,515
Provisions and Incentives	23,337	14,754	14,754	14,754
Equity Share Capital	3,849	3,853	3,853	3,853
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	(2,741)	(63,733)	(69,987)	(32,765)
<b>Net Worth</b>	<b>1,109</b>	<b>(59,881)</b>	<b>(66,134)</b>	<b>(28,913)</b>
<b>Total Liabilities</b>	<b>3,49,333</b>	<b>3,57,087</b>	<b>4,39,676</b>	<b>5,32,760</b>

Source: Company data, I-Sec research

**Table 4: Cashflow statement**
*(Rs mn, year ending March 31)*

	FY21	FY22	FY23E	FY24E
<b>Operating Cashflow ex WC</b>	<b>(5,214)</b>	<b>13,290</b>	<b>56,572</b>	<b>1,08,782</b>
Working Capital Changes	(10,928)	7,616	17,053	(63,203)
Capital Commitments	4,369	3,402	2,000	2,000
<b>Free Cashflow</b>	<b>(20,510)</b>	<b>17,504</b>	<b>71,624</b>	<b>43,578</b>
<b>Cashflow from Investing Activities</b>	<b>31,970</b>	<b>15,025</b>	<b>12,454</b>	<b>14,000</b>
Issue of Share Capital	93	277	-	-
Inc. (Dec) in Borrowings	18,342	13,713	-	-
Dividend paid	-	-	-	-
Cash from financing	(17,931)	(30,878)	(25,782)	(27,560)
<b>Chg. in Cash &amp; Bank balance</b>	<b>(2,102)</b>	<b>5,052</b>	<b>60,296</b>	<b>32,018</b>

Source: Company data, I-Sec research

**Table 5: Key ratios**
*(Year ending March 31)*

	FY21	FY22	FY23E	FY24E
<b>Per Share Data (in Rs)</b>				
EPS(Basic Recurring)	(164.4)	(135.5)	59.4	96.6
Diluted Recurring EPS	(164.4)	(135.5)	59.4	96.6
Recurring Cash EPS	(42.3)	(4.0)	193.0	252.4
Dividend per share (DPS)	-	-	-	-
Book Value per share	2.9	(155.4)	(171.7)	(75.0)
<b>Growth Ratios (%)</b>				
EBITDA	nm	nm	nm	108.4
EBITDAR	(95.6)	221.9	646.8	104.2
Recurring Net Income	nm	nm	nm	62.7
Revenue	(59.1)	77.1	108.6	22.5
<b>Valuation Ratios (x)</b>				
P/E	nm	nm	32.1	19.7
P/CEPS	nm	nm	9.9	7.6
P/BV	661.8	nm	nm	nm
EV / EBITDA	nm	nm	15.7	7.7
EV / EBITDAR	nm	nm	15.0	7.5
EV / FCF	nm	53.4	13.5	22.7
<b>Operating Ratios (%)</b>				
Fuel/Sales	26.2	37.4	44.2	40.7
Net Rentals/Sales	1.9	1.2	0.5	0.5
Other Income / PBT	(17.8)	(11.8)	(231.1)	32.2
Effective Tax Rate	25.2	25.2	25.2	25.2
NWC / Total Assets	35.6	27.9	37.3	47.0
Inventory Days	7.9	7.9	7.9	7.9
Receivables (days)	5.5	5.5	5.5	5.5
Payables (days)	38.7	15.0	30.0	10.0
Net D/E Ratio (x)	nm	nm	nm	nm
<b>Return/Profitability Ratios (%)</b>				
Recurring Net Income Margins	(43.2)	(20.1)	4.2	5.6
RoCE	(10.5)	(10.6)	5.5	15.7
RoNW	nm	nm	nm	nm
Dividend Payout Ratio	-	-	-	-
EBITDA Margins	(0.1)	2.1	11.3	19.3

Source: Company data, I-Sec research

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