

InterGlobe Aviation

BSE SENSEX

74,483

S&P CNX

22,605



Stock Info

Bloomberg	INDIGO IN
Equity Shares (m)	385
52-Week Range (INR)	1537.1 / 18.4
1, 6, 12 Rel. Per (%)	11/42/72
M.Cap. (INR b)	1537.1
M.Cap. (USD b)	18.4
Avg Val, INRm	3280
Free float (%)	42.7

Financials Snapshot (INR b)

Y/E March	FY24E	FY25E	FY26E
Sales	676.0	721.2	798.8
EBITDAR	176.9	181.5	201.0
NP	86.4	72.1	72.3
EPS (INR)	224.1	187.1	187.5
Growth (%)	LP	-16.5	0.2
BV/Sh (INR)	60.8	248.5	436.6

Ratios

Net D:E	7.0	1.3	0.4
RoE (%)	-436.0	121.3	54.9
RoCE (%)	39.3	32.5	29.1
Payout (%)	0.0	0.0	0.0

Valuations

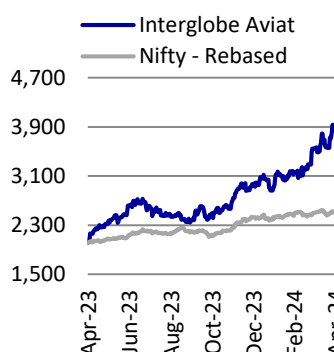
P/E (x)	17.8	21.3	21.3
P/BV (x)	65.5	16.0	9.1
Adj.EV/EBITDAR(x)	9.9	9.5	8.3
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	5.4	3.8	5.4

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	57.3	63.1	67.9
DII	15.1	14.7	10.5
FII	23.7	18.7	19.4
Others	4.0	3.5	2.2

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR3,982 TP: INR4,065 (+2%)

Neutral

All set to expand international operations

- **INDIGO**, in the last week of Apr'24, placed its first order for wide-body aircraft with the aim of expanding its long-haul international operations starting in CY27. The company has placed an order for 30 Firm Airbus A350-900 aircraft powered by Rolls Royce's Trent XWB engine.
- In a conference call held on 30th Apr'24, the management noted that this strategic order will help **INDIGO** enhance connectivity from India to Southern Europe and potentially to the US and EU, responding to the growing aspirations of Indian traveler
- The Indian aviation market is currently underpenetrated, offering substantial growth opportunities for domestic airlines. This potential will be supported by expanding airport infrastructure and significant aircraft orders, positioning India to become the third-largest aviation market globally.
- The stock is trading at ~21x FY26E EPS of INR188 and 8.3x FY26E EV/EBITDAR. We reiterate our Neutral rating on the stock with a TP of INR4,065, valuing it at 8.5x FY26E EV/EBITDAR.

Wide-body aircraft would help to expand in international footprint

- Last week, **INDIGO** announced its plan to foray into the wide-body aircraft space by placing an order for 30 Firm Airbus A350-900 aircraft, along with the purchase rights of additional 70 A350 Family aircraft at its discretion for future needs under certain conditions. The aircraft will be powered by Rolls Royce's Trent XWB engine. The exact configuration of the aircraft will be decided at a later stage. The deliveries of the aircraft would start in CY27.
- The plan to induct wide-body aircraft was a well-thought-out decision. There are only ~70 wide-body aircraft in India and Indian carriers are under-represented in the nonstop long-haul international segment. During a conference call, **INDIGO** management highlighted that the company's expansion could help Indian travelers connect to southern parts of Europe. However, it reiterated that it would be too early to comment whether this would also enable the airline to operate along the EU and US routes.
- The rationale behind the order: 1) rapid economic development of the country, 2) aspirations and needs of Indian travelers to travel to global destinations, and 3) natural growth of **INDIGO** as an airline. The management said that **INDIGO** also plans to operate A321XLR aircraft, which were ordered last year and would be arriving in CY25, for international flights to strengthen its position in the international markets.

Indian aviation set for robust growth

- The Indian aviation market is highly underpenetrated with one of the lowest domestic and international seats per capita in the world. This provides huge headroom for growth with only 6.5% Indians holding a valid passport. Aviation research firm CAPA estimates that the Indian aviation passenger traffic will increase from 225m in FY24 (70m international) to 510m by FY30 (160m int'l).

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- This growth would be enabled by accelerated infrastructure expansions, with the number of airports likely to reach 220 from 140 in CY19. Various greenfield and brownfield airport expansions are underway. Jewar (Noida) and Navi Mumbai airports will be operational in CY24-end and CY25, respectively.
- Indian players also have robust aircraft addition plans, with domestic players accounting for ~32% of the total aircraft orders placed in CY23 (only for Boeing and Airbus). INDIGO, which aims to operate 550-600 aircraft by CY30, alone placed an order of 500 aircraft in CY23, accounting for ~44% of the 1,124 aircraft ordered by domestic airlines. India is expected to be the third-largest country in terms of fleet size by CY35.

Valuation and view

- INDIGO is working to increase its international presence through strategic partnerships and loyalty programs. The company added seven new destinations and 19 routes in FY24. It has eight strategic partners with 27% international share in terms of ASKs in FY24.
- The management has also been taking several pre-emptive measures to increase its global brand awareness, as it expects to capture a bigger share of growth from its international market in the coming years.
- However, competition in the sector is expected to intensify with the resurgence of Air India and the entry of a new player. The stock is trading at ~21x FY26E EPS of INR188 and 8.3x FY26E EV/ EBITDAR. We reiterate our Neutral rating on the stock with a TP of INR4,065, valuing it at 8.5x FY26E EV/EBIDTAR.

Exhibit 1: India remains one of the most underpenetrated markets...

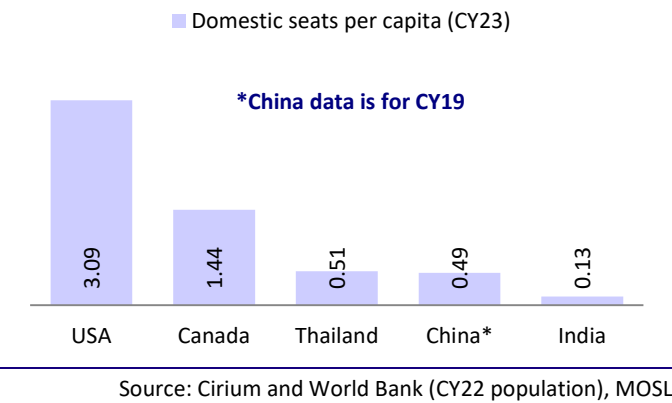


Exhibit 2: ...both in terms of domestic and international travel

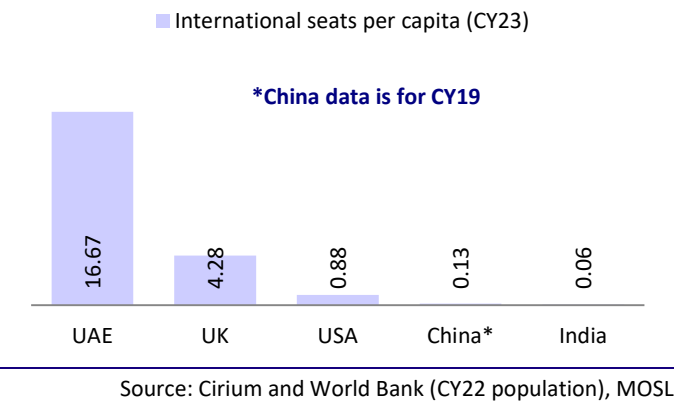


Exhibit 3: Indian passenger traffic estimated to double by FY30

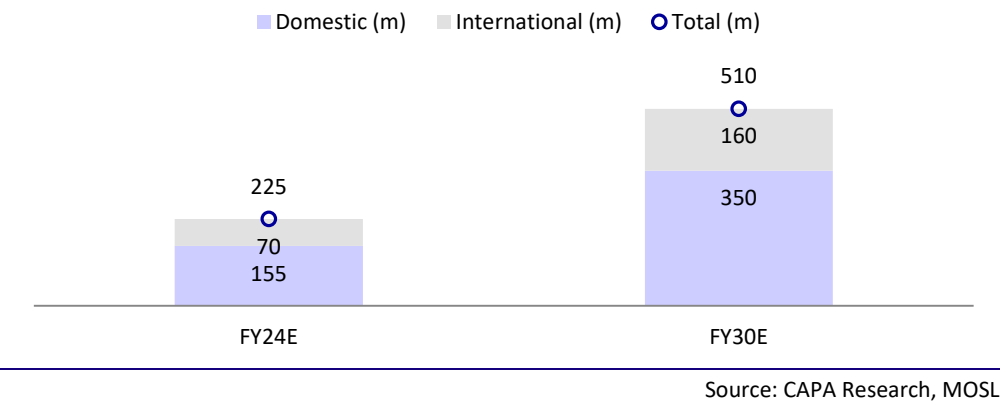
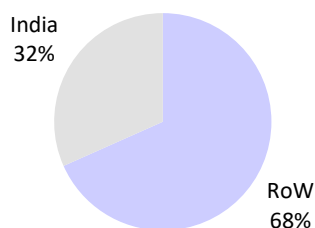
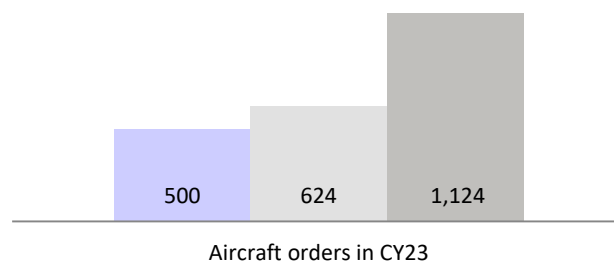


Exhibit 4: India accounted for 32% of aircraft orders in CY23**Aircraft orders in CY23**

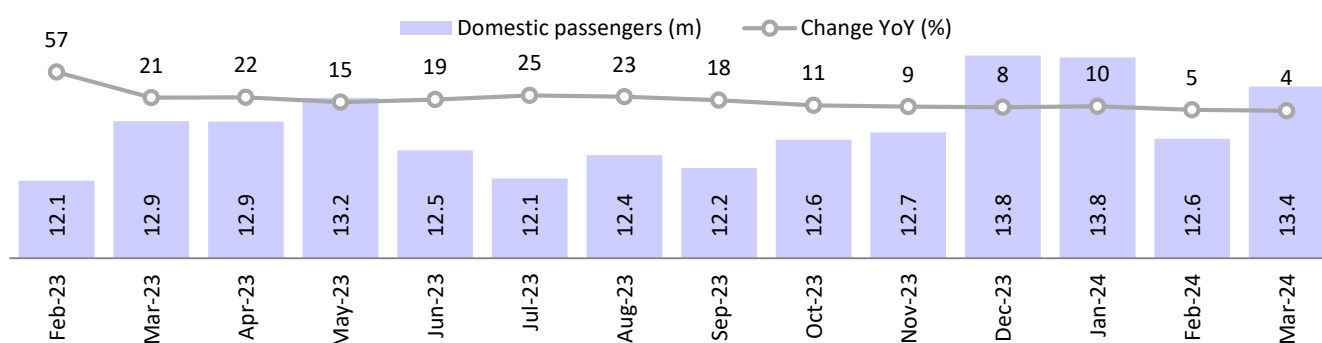
Source: Boeing and Airbus, MOSL

Exhibit 5: With IndiGo accounting for 44% of Indian orders

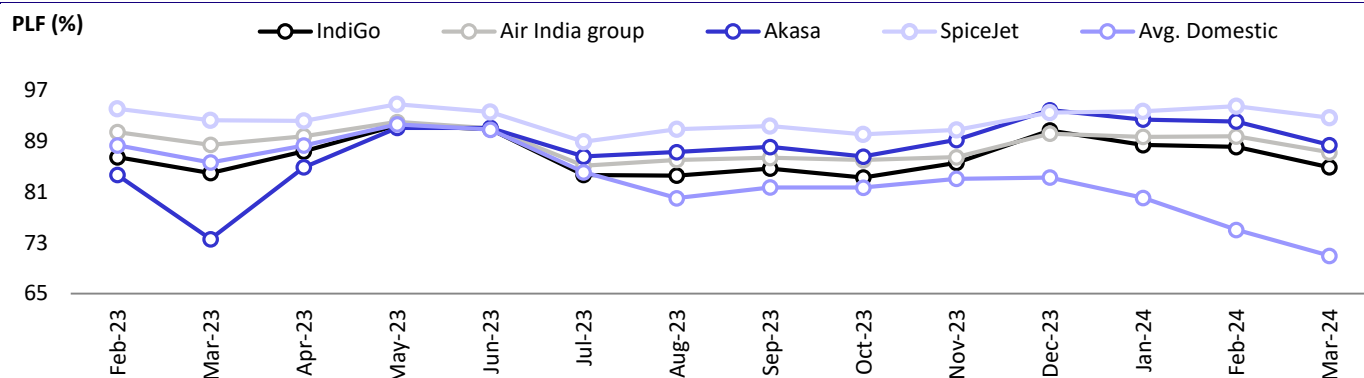
IndiGo Other Indian carriers India Total



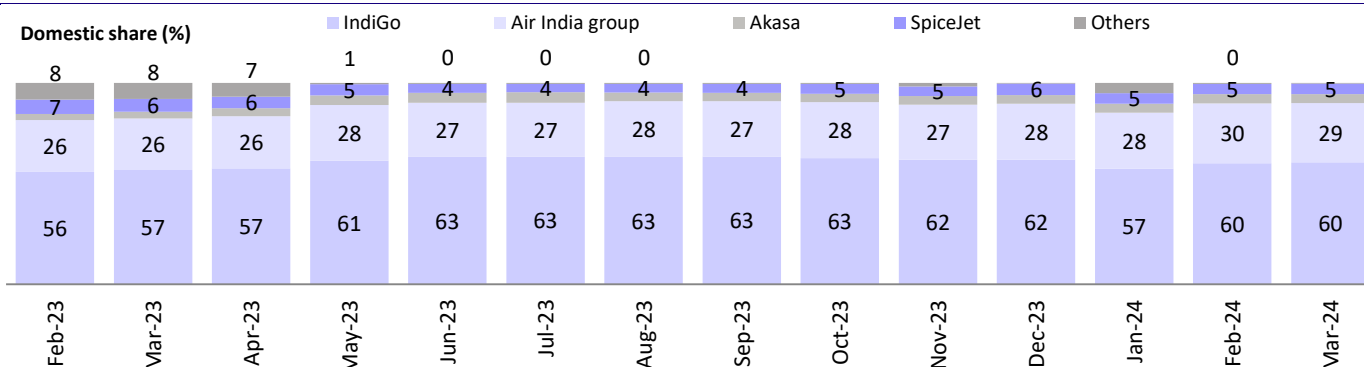
Source: Boeing and Airbus, MOSL

Exhibit 6: Historical domestic passenger trend (m)

Source: DGCA, MOSL

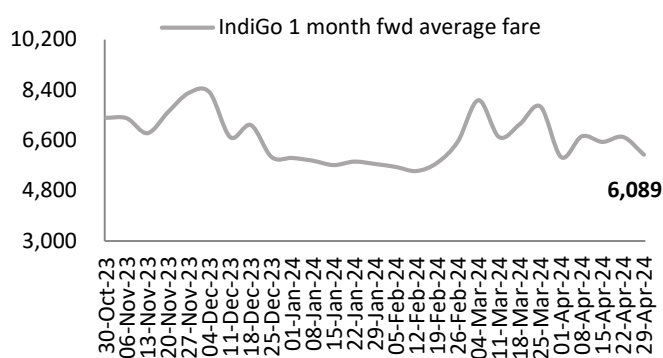
Exhibit 7: PLF snapshot of top domestic airlines

Source: DGCA, MOSL

Exhibit 8: IndiGo's market shares

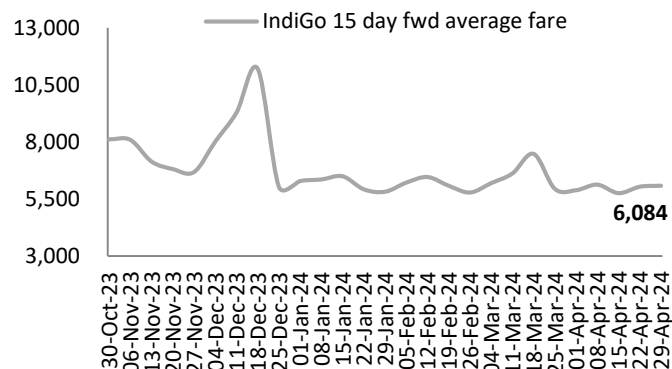
Source: DGCA, MOSL

Exhibit 9: IndiGo fares on 1-month forward basis



Source: MakeMyTrip, MOSL

Exhibit 10: IndiGo fares on 15-day forward basis



Source: MakeMyTrip, MOSL

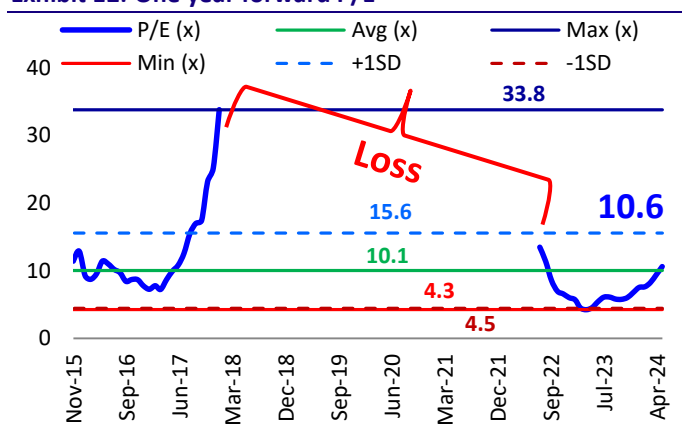
Highlights from the concall

- Entered into the agreement with Airbus for wide-body aircraft.
- Deliveries are expected to start in CY27.
- India currently has only ~70 wide-body aircraft and Indian carriers are under-represented in the nonstop long-haul international markets.
- Four customer promises will not change for the company even though the Indian aviation landscape is changing: 1) courteous hassle-free service, 2) OTP, 3) affordable rates, and 4) an unparalleled network
- **Rationale behind ordering A350 aircraft**
- Economic development of the country is taking place at a rapid pace
- Growing aspirations of Indian consumers to travel not only in the region but to global destinations.
- Development of INDIGO as an airline company as a whole; it would be completing 18 years of operations this year.
- Damp lease that has started in the Istanbul route has given a lot of insights to the company.
- Has been helpful in managing capacity shortage and supply chain challenges.
- XLRs that would be arriving earlier than the wide-body aircraft would also be flying in the international market.
- This would help solidify INDIGO's position in the international market.
- No clarification w.r.t. whether it would be full-service aircraft or a decision would be taken at a later stage.
- By CY30, INDIGO is expected to operate 550-600 aircraft (single aircraft type).
- Last year's order gives the management visibility for operations well into the next decade.
- The A350 aircraft could help travelers connect from India to southern parts of Europe.
- The management said it would be too early to comment on the launch of EU and US routes.
- The plan to place an order for A350 family of aircraft is a long-drawn thought process.
- A350 aircraft are all powered by the Rolls Royce engine throughout the globe
- Would be a new strategic relationship for INDIGO.

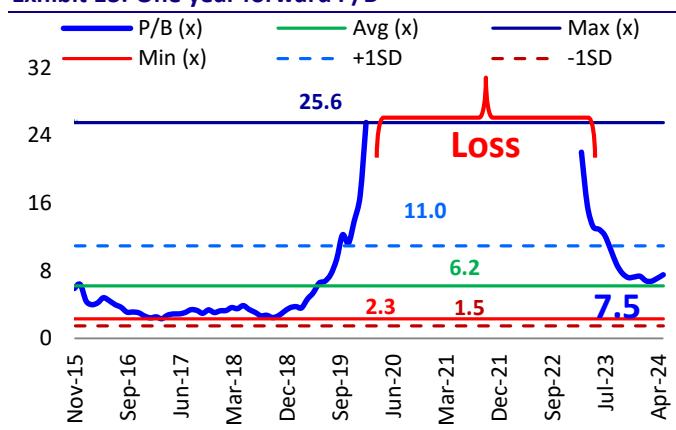
Exhibit 11: INDIGO – Key assumptions

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Capacity								
ASK (million)	81,016	96,300	45,471	70,400	1,14,400	1,38,445	1,62,138	1,77,586
YoY (%)	28%	19%	-53%	55%	63%	21%	17%	10%
Load Factor	86%	86%	69%	73%	82%	86%	89%	90%
RPK (million)	69,787	82,600	31,595	51,700	93,900	1,19,409	1,44,303	1,59,827
YoY (%)	26%	18%	-62%	64%	82%	27%	21%	11%
Revenue Calculation								
Ticket Revenue (INR m)	2,51,359	3,14,682	1,18,735	2,19,239	4,81,759	5,98,238	6,06,072	6,71,274
Yield (INR/RPK)	3.60	3.81	3.76	4.24	5.13	5.01	4.20	4.20
Ancillary revenues (incl. others)	33,609	42,878	27,671	40,070	62,706	77,771	1,15,154	1,27,542
Total Revenue (INR m)	2,84,968	3,57,560	1,46,406	2,59,309	5,44,465	6,76,009	7,21,226	7,98,816
Fuel Cost								
Exchange rate (INR/USD)	70	71	74	75	80	83	84	85
ATF Prices (INR/lit)	67	63	43	74	118	102	85	85
YoY (%)	24%	-6%	-32%	71%	60%	-14%	-17%	0%
Aircraft fuel expenses (INR m)	1,20,820	1,26,316	38,868	98,117	2,39,320	2,34,791	2,54,585	2,78,840
Spreads								
RASK	3.5	3.7	3.2	3.7	4.8	4.9	4.4	4.5
CASK	3.5	3.7	4.5	4.6	4.8	4.3	3.9	4.0
RASK-CASK	0.0	0.0	-1.3	-0.9	0.0	0.6	0.6	0.5
CASK-ex fuel	2.0	2.4	3.6	3.2	2.7	2.6	2.3	2.4
RASK-CASK (ex-fuel)	1.5	1.3	-0.4	0.5	2.1	2.3	2.1	2.1

Source: Company, MOFSL

Exhibit 12: One year forward P/E

Source: Company, MOSL

Exhibit 13: One year forward P/B

Source: Company, MOSL

Financials and Valuation

Standalone - Income Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	285.0	357.6	146.4	259.3	544.5	676.0	721.2	798.8
YoY Chg. (%)	23.8	25.5	-59.1	77.1	110.0	24.2	6.7	10.8
EBITDAR	47.9	45.3	2.6	8.4	68.1	176.9	181.5	201.0
Margin (%)	16.8	12.7	1.7	3.2	12.5	26.2	25.2	25.2
Aircraft & Engine Lease Rentals	50.0	5.0	2.8	3.1	3.3	8.8	8.4	9.2
EBITDA	-2.1	40.4	-0.3	5.3	64.8	168.0	173.1	191.7
Margin (%)	-0.7	11.3	-0.2	2.0	11.9	24.9	24.0	24.0
Depreciation	7.6	39.7	47.0	50.7	51.0	63.1	62.5	73.5
EBIT	-9.7	0.6	-47.2	-45.4	13.8	104.9	110.6	118.2
Int. and Finance Charges	5.1	18.8	21.4	23.6	31.3	41.4	41.5	42.4
Other Income	13.2	15.4	10.4	7.2	14.3	22.9	21.0	20.8
PBT	-1.5	-2.8	-58.3	-61.7	-3.2	86.4	90.0	96.6
PBT after EO Exp.	-1.5	-2.8	-58.3	-61.7	-3.2	86.4	90.0	96.6
Tax	-3.1	-0.3	0.0	0.0	0.0	0.0	17.9	24.3
Tax Rate (%)	204.5	9.8	0.0	0.0	0.0	0.0	19.9	25.2
Reported PAT	1.6	-2.5	-58.3	-61.7	-3.2	86.4	72.1	72.3
Change (%)	-93.0	PL	Loss	Loss	Loss	LP	-16.5	0.2
Margin (%)	0.5	-0.7	-39.8	-23.8	-0.6	12.8	10.0	9.1

Standalone - Balance Sheet

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	3.8	3.8	3.8	3.9	3.9	3.9	3.9	3.9
Total Reserves	65.6	54.8	-3.1	-64.2	-66.9	19.5	91.7	164.0
Net Worth	69.4	58.6	0.7	-60.4	-63.0	23.4	95.5	167.8
Total Loans	21.9	159.3	227.9	289.6	344.8	345.8	345.8	345.8
Capital Employed	92.0	217.9	228.6	229.2	281.7	369.2	441.3	513.6
Gross Block	77.1	228.0	295.3	370.7	485.4	588.6	701.0	815.2
Less: Accum. Deprn.	20.5	60.2	107.2	157.9	208.9	272.0	334.5	408.0
Net Fixed Assets	56.6	167.8	188.2	212.8	276.5	316.6	366.5	407.2
Capital WIP	0.2	1.3	0.7	1.2	0.0	11.5	13.8	14.2
Total Investments	65.2	95.0	72.9	80.3	115.1	115.1	115.1	115.1
Curr. Assets, Loans&Adv.	128.1	156.4	168.0	164.3	198.8	281.7	325.9	398.0
Inventory	2.1	2.9	3.2	4.1	5.9	6.2	6.7	7.4
Account Receivables	3.6	2.6	2.2	3.3	5.2	6.5	6.9	7.6
Cash and Bank Balance	86.1	108.3	112.3	101.2	118.1	182.6	220.2	280.9
Loans and Advances	36.3	42.7	50.4	55.7	69.6	86.4	92.2	102.1
Curr. Liability & Prov.	158.1	202.6	201.2	229.4	308.7	355.7	380.0	420.9
Account Payables	14.6	15.7	15.6	31.5	32.1	33.7	36.4	40.3
Other Current Liabilities	139.2	167.5	164.2	184.6	260.7	322.1	343.6	380.6
Provisions	4.4	19.5	21.4	13.2	15.9	0.0	0.0	0.0
Net Current Assets	-30.0	-46.2	-33.1	-65.1	-109.9	-74.1	-54.1	-22.9
Appl. of Funds	92.0	217.9	228.6	229.2	281.7	369.2	441.3	513.6

Financials and Valuation

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	4.0	-6.4	-151.2	-160.1	-8.2	224.1	187.1	187.5
Cash EPS	23.8	96.9	-29.4	-28.7	124.5	388.9	350.4	379.4
BV/Share	180.7	152.5	1.8	-157.0	-164.0	60.8	248.5	436.6
DPS	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout incl. tax (%)	148.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	985.3	-619.4	-26.4	-24.9	-485.3	17.8	21.3	21.3
Cash P/E	167.4	41.1	-135.5	-138.9	32.0	10.2	11.4	10.5
P/BV	22.1	26.1	2,161.1	-25.4	-24.3	65.5	16.0	9.1
EV/Sales	5.2	4.4	11.3	6.6	3.2	2.5	2.3	2.0
EV/EBITDAR	30.7	35.0	647.1	204.6	25.9	9.9	9.5	8.3
EV/EBITDA	-715.5	39.3	-6,481.8	324.9	27.2	10.1	9.6	8.3
Dividend Yield (%)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF Yield (%)	1.6	-4.5	-4.6	-3.2	0.9	5.4	3.8	5.4
FCF per share	65.0	-177.5	-185.0	-129.1	33.9	213.4	151.1	213.9
Return Ratios (%)								
RoE	2.2	-3.9	-196.5	206.9	5.1	-436.0	121.3	54.9
RoCE	-4.0	9.3	-16.5	-16.7	11.0	39.3	32.5	29.1
RoIC	-21.9	-2.5	-168.6	-101.7	29.1	193.6	116.5	90.4
Working Capital Ratios								
Fixed Asset Turnover (x)	3.7	1.6	0.5	0.7	1.1	1.1	1.0	1.0
Asset Turnover (x)	3.1	1.6	0.6	1.1	1.9	1.8	1.6	1.6
Inventory (Days)	3	3	8	6	5	3	3	3
Debtor (Days)	5	3	5	5	3	10	10	10
Creditor (Days)	22	18	39	46	25	18	18	18
Working Cap. Turnover (Days)	-149	-158	-363	-234	-153	-139	-139	-139

Standalone - Cash Flow Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	-1.5	-2.8	-58.3	-61.7	-3.2	86.4	90.0	96.6
Depreciation	7.6	39.7	47.0	50.7	51.0	63.1	62.5	73.5
Interest & Finance Charges	-8.2	3.4	11.1	16.3	17.0	18.5	20.5	21.6
Direct Taxes Paid	3.0	0.0	0.0	0.0	0.0	0.0	-17.9	-24.3
(Inc)/Dec in WC	17.3	92.5	-3.8	21.4	62.2	30.0	17.6	29.5
CF from Operations	18.3	132.8	-4.0	26.7	127.0	198.0	172.8	196.9
CF from Operating incl EO	18.3	132.8	-4.0	26.7	127.0	198.0	172.8	196.9
(Inc)/Dec in FA	6.8	-201.2	-67.2	-76.4	-114.0	-115.9	-114.7	-114.7
Free Cash Flow	25.0	-68.3	-71.2	-49.7	13.1	82.0	58.1	82.2
(Pur)/Sale of Investments	-1.7	-29.8	22.1	-7.4	-34.8	0.0	0.0	0.0
Others	13.2	15.4	10.4	7.2	14.3	22.9	21.0	20.8
CF from Investments	18.3	-215.6	-34.8	-76.5	-134.5	-93.0	-93.7	-93.9
Inc/(Dec) in Debt	-0.5	137.3	68.6	61.7	55.2	1.0	0.0	0.0
Interest Paid	-5.1	-18.8	-21.4	-23.6	-31.3	-41.4	-41.5	-42.4
Dividend Paid	-2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from Fin. Activity	-16.3	105.0	42.7	38.8	24.4	-40.4	-41.5	-42.4
Inc/Dec of Cash	20.3	22.2	4.0	-11.1	16.9	64.5	37.6	60.7
Opening Balance	65.8	86.1	108.3	112.3	101.2	118.1	182.6	220.2
Closing Balance	86.1	108.3	112.3	101.2	118.1	182.6	220.2	280.9

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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