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India | Equity Research | Sector Update

Aviation

YoY drop in Q1 PAT from higher cost is on expected lines; supply tightness may help maintain healthy spreads

We expect PBT of ~INR 20bn for InterGlobe Aviation (IndiGo) in Q1FY25E. While this is 35% lower YoY, it is in line with our expectation of low-single-digit PBT growth for IndiGo in FY25E. Directionally, the benefit of higher capacity in FY25 is likely to be offset by higher costs. However, we continue to expect strong spreads driven by no major increase in supply in short as well as medium term. This, along with the opportunities in international and premium markets, open up strong earnings growth potential for IndiGo on a structural basis leading to our constructive stance on the company.

PLF performance has been strong but weaker YoY in domestic segment; international PLF is higher YoY

In domestic segment, all airlines witnessed a drop in PLF YoY in Apr'24 and May'24. Domestic PLF for IndiGo stood at 86.6%/88.4% in Apr'24/May'24 compared to 87.4%/91.5% in Apr'23/May'23, respectively. Air India and SpiceJet also witnessed YoY decline in PLF in Apr/May'24. Domestic PLF for Air India stood at 84.3%/86.9% in Apr'24/May'24 compared to 87.9%/90.1% in Apr'23/May'23, whereas domestic PLF for SpiceJet stood at 90.9%/94.1% in Apr'24/May'24 compared to 92.2%/94.8% in Apr'23/May'23, respectively.

In international segment, airlines have witnessed higher PLFs on YoY basis in Apr/May'24. International PLF for IndiGo stood at 83.2%/87.5% in Apr/May'24 compared to 81.5%/86.2% in Apr/May'23, whereas international PLF for Air India stood at 86.1%/86.4% in Apr/May'24 compared to 79.5%/83.1% in Apr/May'23. Basis daily PLF trends disclosed by the Ministry of Civil Aviation, we estimate a fall in domestic PLF for airlines in Jun'24 as well on YoY basis.

Market share between IndiGo and Tata Group remains largely stable

IndiGo and Tata Group control ~90% of domestic market share in India and that has largely remained stable in Apr/May'24. IndiGo's domestic market share stood at 60.6%/61.6% with Tata Group at 28.8%/28% in Apr/May'24. In international segment, IndiGo and Tata group control ~95% of market share amongst Indian carriers. IndiGo's international market share stood at 39.4%/40.5% while Tata Group's market share was 55.2%/54.1% in Apr/May'24.

Factor in flattish RASK YoY and flattish cost ex-fuel per ASK QoQ for IndiGo in Q1FY25E

We factor in RASK of INR 5.04 for IndiGo (INR 5.10 in Q1FY24) and cost ex-fuel ASK of INR 3.00 (INR 3.04 in Q4FY24), in Q1FY25E.

Lower ATF prices in Jun'24 could drive 2% lower fuel cost per ASK QoQ in Q1FY25E

Average ATF prices were ~6.5% lower in Jun'24 compared to May which has led to a 2% QoQ decline in average ATF prices in Q1FY25. We estimate fuel cost per ASK to be INR 1.69 in Q1FY25E vs INR 1.72 in Q4FY24.

Expect PBT of INR 20bn in Q1FY25E

We expect PBT of INR 20bn in Q1FY25E. This is based on RASK-CASK spread of INR 0.35 on ASK of 36.9bn with other income of INR 7.2bn.

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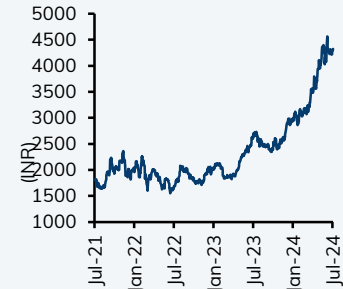


Exhibit 1: IndiGo Q1FY25 preview

INR (mn)	Q1FY25E	Q1FY24	YoY(%)	Q4FY24	QoQ(%)
ASK (bn)	36.9	32.7	12.9%	34.8	6.1%
RPK (bn)	32.2	29	10.9%	30.0	7.2%
PLF (%)	88%	89%		86%	
Pax Revenue (INR mn)	1,64,560	1,49,956	9.7%	1,56,009	5.5%
Ancillary Revenue (INR mn)	21,500	16,875	27.4%	22,244	-3.3%
Total Revenue	1,86,060	1,66,831	11.5%	1,78,253	4.4%
Fuel Cost (INR mn)	62,366	52,281	19.3%	59,791	4.3%
Non-Fuel Cost (INR mn)	70,976	60,303	17.7%	68,876	3.0%
RASK (INR)	5.04	5.10		5.12	
CASK Ex fuel (INR)	3.00	2.74		3.04	
CASK (INR)	4.69	4.34		4.76	
Fuel (INR/ASK)	1.69	1.60		1.72	
RASK – CASK (INR)	0.35	0.76		0.36	
Forex (Gain)/Loss (INR mn)	-	-1,161	-100.0%	1,654	-100.0%
Other Income (INR mn)	7,200	4,778	50.7%	6,798	5.9%
PBT (INR mn)	20,071	30,907	-35.1%	17,710	13.3%
PAT (INR mn)	20,071	30,906	-35.1%	18,948	5.9%
Adjusted PAT (INR mn)	20,071	29,745	-32.5%	20,602	-2.6%

Source: I-Sec research, Company data

Exhibit 2: Domestic PLF trend

PLF trend (%)	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	YoY chg in Apr'24	YoY chg in May'24
Air India	90.1	88.2	84.2	84.5	84.7	85.5	84.8	88.2	87.3	87.1	84.2	84.3	86.9	-3.60	-3.20
SpiceJet	94.8	93.1	88.9	90.9	91.4	90.1	90.8	93.5	93.7	94.5	92.7	90.9	94.1	-1.30	-0.70
Go Air	92.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
IndiGo	91.5	90.9	83.7	83.6	84.7	83.3	85.6	90.7	88.4	88.1	84.9	86.6	88.4	-0.80	-3.10
Air Asia	92.8	91.8	82.3	82.4	82.5	83.4	85.3	89.1	87.6	87.6	85.1	85.8	86.9	-3.60	-5.90
Akasa Air	91.1	91.1	86.6	87.3	88.1	86.6	89.2	93.9	92.4	92.1	88.4	87.9	90.3	3.00	-0.80
Vistara	93.2	93.1	87.0	91.3	92.0	89.2	89.4	93.3	94.2	94.6	92.4	90.9	93.4	-1.20	0.20

Source: I-Sec research, DGCA

Exhibit 3: International PLF trend

PLF trend (%)	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	YoY chg in Apr'24	YoY chg in May'24
Air India	83.1	87.6	85.4	83.9	84.3	84.1	85.0	89.8	89.5	89.7	88.5	86.1	86.4	6.63	3.32
SpiceJet	86.4	82.7	85.0	80.4	80.7	81.2	82.5	87.9	87.9	89.2	88.1	90.4	89.3	11.19	2.87
IndiGo	86.2	85.5	83.9	81.1	78.7	79.7	83.8	87.7	86.0	85.2	81.7	83.2	87.5	1.70	1.32
Vistara	79.3	83.7	83.7	82.3	80.2	80.0	81.9	85.2	82.8	84.1	85.4	78.4	81.0	0.78	1.68

Source: I-Sec research, DGCA

Exhibit 4: Daily domestic PLF trend in Jun'24

	Indigo	Air India	SpiceJet	Vistara	Akasa Air	AIX connect
01-Jun	88.7%	91.0%	94.2%	92.3%	91.1%	89.7%
02-Jun	87.2%	89.5%	93.4%	92.1%	88.5%	88.8%
03-Jun						
04-Jun	82.9%	79.9%	88.0%	84.3%	81.4%	81.6%
05-Jun	86.1%	87.2%	88.5%	89.2%	88.1%	86.4%
06-Jun	87.1%	87.3%	90.1%	88.9%	87.1%	87.2%
07-Jun	89.7%	92.4%	91.3%	91.7%	91.8%	89.1%
08-Jun	91.0%	93.6%	94.8%	93.2%	93.8%	92.4%
09-Jun	90.9%	93.2%	96.6%	92.3%	91.5%	93.4%
10-Jun	88.1%	89.2%	94.4%	90.4%	90.4%	91.8%
11-Jun	86.2%	84.7%	91.5%	88.4%	90.1%	91.3%
12-Jun	87.0%	88.5%	89.1%	87.6%	92.4%	91.0%
13-Jun	87.2%	88.6%	90.5%	88.5%	89.6%	89.5%
14-Jun	90.6%	94.3%	93.0%	91.3%	94.0%	91.8%
15-Jun	91.5%	95.2%	94.2%	92.2%	93.6%	91.4%
16-Jun	89.5%	90.1%	94.3%	90.3%	93.6%	92.4%
17-Jun	88.7%	90.6%	90.6%	89.9%	91.7%	89.9%
18-Jun	85.1%	88.1%	86.0%	88.4%	90.0%	87.9%
19-Jun	86.4%	88.3%	88.5%	88.0%	91.3%	87.7%
20-Jun	87.0%	85.1%	87.0%	90.0%	89.9%	87.3%
21-Jun	88.1%	87.1%	89.5%	90.6%	91.2%	88.6%
22-Jun	88.5%	86.4%	88.2%	89.0%	90.7%	88.8%
23-Jun	89.9%	89.7%	91.1%	91.3%	91.3%	89.7%
24-Jun	86.2%	85.5%	86.0%	88.5%	88.4%	85.1%
25-Jun	84.7%	86.1%	85.4%	87.7%	86.3%	85.0%
26-Jun	84.9%	85.3%	88.0%	86.6%	87.7%	85.1%
27-Jun		87.2%	86.8%	88.0%	84.8%	81.7%
28-Jun	86.6%	90.0%	90.6%	88.9%	87.8%	86.3%
29-Jun	89.3%	89.6%	91.7%	92.0%	89.5%	90.5%
30-Jun						
Jun'24 Average	87.7%	88.7%	90.5%	89.7%	89.9%	88.6%

Source: I-Sec research, MoCA

Exhibit 5: Domestic market share trend

Domestic market share (%)	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Air India	9.7	10.8	10.9	10.9	9.8	9.8	10.5	10.5	11.2	12.2	12.8	13.1	14.2	13.7
SpiceJet	5.8	5.4	4.4	4.2	4.4	4.4	5.0	6.2	5.6	5.6	5.2	5.3	4.7	4.0
Go Air	6.4	0.4	-	-	-	-	-	-	-	-	-	-	-	-
IndiGo	57.5	61.4	63.2	63.4	63.3	63.4	62.6	61.8	61.8	60.2	60.1	60.5	60.6	61.6
Air Asia	7.6	7.9	8.0	7.5	7.1	6.7	6.6	6.6	6.2	6.1	6.1	5.8	5.4	5.1
Vistara	8.7	9.0	8.1	8.4	9.8	10.0	9.7	9.4	9.5	9.9	9.9	9.6	9.2	9.2
Akasa Air	4.0	4.7	4.9	5.2	4.2	4.2	4.2	4.2	4.4	4.5	4.5	4.4	4.4	4.8
Rest	0.3	0.4	0.5	0.4	1.4	1.5	1.4	1.3	1.3	1.5	1.4	1.3	1.5	1.6
Tata Airlines (Air Aisa + Air India+ Vistara)	26.0	27.7	27.0	26.8	26.7	26.5	26.8	26.5	26.9	28.2	28.8	28.5	28.8	28.0

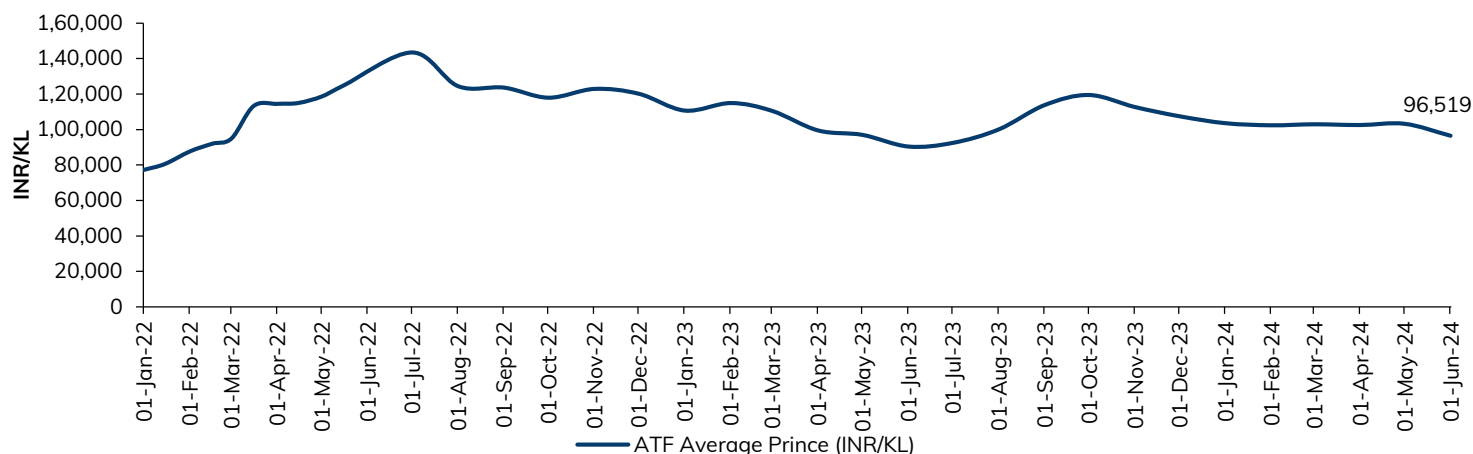
Source: I-Sec research, DGCA

Exhibit 6: International market share trend

Int'l market share (%)	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
IndiGo	39.5	40.9	41.3	41.2	41.5	40.9	41.4	40.4	38.0	38.0	37.8	39.4	40.5
SpiceJet	6.6	4.7	5.6	5.9	5.9	6.2	6.0	6.3	6.8	6.0	5.9	5.2	5.2
Air India	27.9	29.4	28.8	28.3	28.8	29.0	28.4	28.9	29.3	29.8	29.4	27.5	26.6
Air India Express	18.9	17.4	17.0	17.4	16.2	16.2	16.1	15.5	17.0	17.0	17.1	18.3	18.4
GO First	0.2	-	-	-	-	-	-	-	-	-	-	-	-
Vistara	6.9	7.5	7.2	7.1	7.5	7.6	8.0	8.8	8.7	9.1	9.8	9.4	9.1
Rest	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3
Tata Airlines	53.6	54.3	53.0	52.8	52.5	52.8	52.5	53.2	55.1	55.9	56.2	55.2	54.1

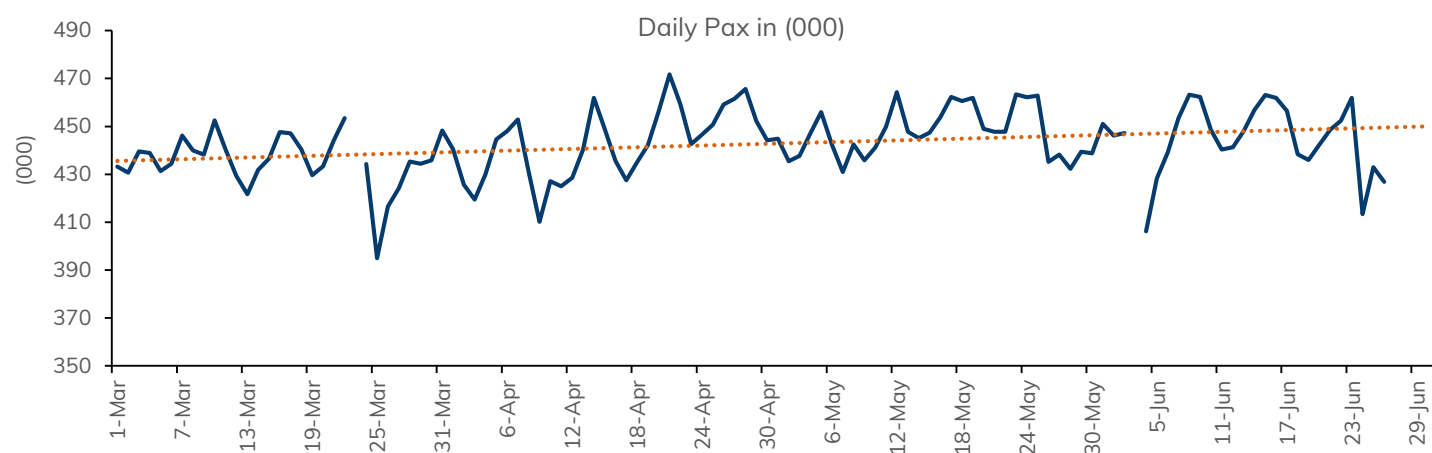
Source: I-Sec research, DGCA

Exhibit 7: ATF prices trend



Source: I-Sec research, IOCL

Exhibit 8: Jun'24 had an average 443k daily domestic passengers



Source: I-Sec research, MoCA

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