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India | Equity Research | Sector Update

## Aviation

### Expect stronger than usual Q4 boosting FY26 outlook

We believe InterGlobe Aviation (IndiGo) should benefit from a better-than-expected combination of fares, crude, PLF to post a strong Q4FY25E PAT of INR 23bn and ultimately enabling PBT (ex-forex) of INR 86bn in FY25E. We have been structurally positive on the company driven by business moats of cost competitiveness, robust orderbook and strong balance sheet but profitability has been strong, also aided by favourable supply-demand situation which should continue in FY26. International market expansion and premiumisation are additional tailwinds. Crude/currency present positive/negative risks while particular downside risk could come from any sudden demand shock.

#### Expect total passenger at 31.5mn for IndiGo in Q4FY25E

Total passengers for IndiGo in Jan'25 stood at 10.91mn, split between 9.52mn for domestic and 1.39mn for international while in Feb'25, domestic passengers stood at 8.94mn. We assume total passengers for Q4FY25E to be 31.5mn, which is in line with the guidance of 118mn passengers in FY25 (97.5mn in 10MFY25). Domestic PLF has continued to be strong at 89.8% in Jan'25 and 91.7% in Feb'25 (88.4% in Jan'24 and 88.1% in Feb'24). This, coupled with IndiGo's guidance of ~20% YoY ASK growth in Q4FY25, forms the premise of our volume assumption for the company for Q4FY25. Our Q4/FY25E ASK estimates stand at 41.8/157.1bn, respectively.

#### We factor in passenger RASK to be flat YoY at INR 4.48 for Q4FY25E

Management, in Q3FY25 earnings call indicated possible low single digit YoY decline in passenger yields in Q4FY25 which could trend better driven by strong travel demand. We factor in pax RASK to be flat YoY at INR 4.48 while RASK estimate stands at INR 5.12, assuming non-passenger revenue of INR 26.5bn in Q4FY25E (~2bn lower QoQ). There is a component of compensation within non-passenger revenue which directionally should go down with lower Aircraft on Ground (AoG).

#### Fuel CASK expected to increase marginally in line with ATF

Average ATF increased by 4% QoQ in Q4FY25 to ~INR 94k/KL. Accordingly, we factor in fuel CASK at INR 1.64 in Q4FY25E.

#### Q4FY25 CASK (ex-fuel) expected to be largely flattish at INR 3.1

CASK (ex-fuel) increased 2.4%/23.6% QoQ/YoY in Q2FY25 to INR 3.09 due to grounding of aircraft, AoG mitigation-related costs and annual contractual inflation in airport charges driven by new control period and enhanced annual escalations. There was also higher depreciation due to finance leases. Post this increase in Q2FY25, CASK (ex-fuel) remained flat at INR 3.09 in Q3FY25. We expect CASK (ex-fuel) to be largely flattish at INR 3.10 in Q4FY25E.

#### We expect adjusted PAT (ex of forex loss) of INR 23bn in Q4FY25; negligible forex overhead expected in Q4

Q4FY25 has seen INR depreciation of 0.1% vs 2% in Q3FY25. Due to this, we do not expect any material forex loss/gain in Q4FY25E for IndiGo. We expect PAT of INR 23bn in Q4FY25E.

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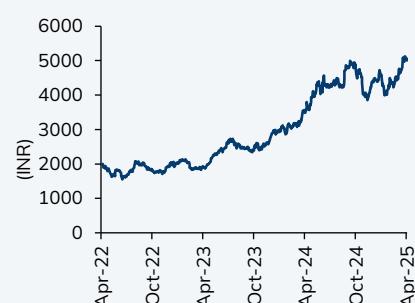
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#### IndiGo



**Exhibit 1: IndiGo Q4FY25 preview**

	Q4FY25E	Q4FY24	Y-Y(%)	Q3FY25	Q-Q(%)
ASK (bn)	41.8	34.8	20.0%	40.8	2.4%
Passengers (mn)	31.5	26.7	18.0%	31.1	1.3%
PRASK (INR)	4.48	4.48	-0.1%	4.72	-5.1%
RASK (INR)	5.12	5.12	-0.1%	5.42	-5.6%
CASK Ex fuel (INR)	3.10	3.04	1.9%	3.09	0.5%
Fuel CASK (INR)	1.64	1.72	-4.6%	1.57	4.1%
CASK (INR)	4.74	4.76	-0.5%	4.66	1.7%
RASK – CASK	0.38	0.36	4.5%	0.76	-50.4%
PAT (INR mn)	23,304	18,948	23.0%	24,488	-4.8%
PAT ex forex (INR mn)	23,304	20,602	13.1%	39,052	-40.3%

Source: I-Sec research, Company data

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