

Retail Equity Research

InterGlobe Aviation Ltd.

Aviation

BUY

BSE CODE : 539448 NSE CODE: INDIGO
BLOOMBERG CODE: INDIGO:IN SENSEX : 75,075

12 Months Investment Period Rating as per Large Cap
CMP Rs.4,299 TARGET Rs.4,903 RETURN 14% ↑
(Closing: 06.06-2024)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Strong earnings beat...network expansion to accelerate InterGlobe Aviation Ltd. (Indigo) is one of the most efficient low cost air carriers (LCCs) with a market share of 54% in the Indian aviation sector.

- Q4FY24 revenue grew by 26% YoY, beat expectations, propelled by 14% YoY surge in passengers and strong pricing environment amid capacity constraints.
- Healthy demand from leisure and corporate travel continues to aid revenue growth, Avg. aircraft utilization was healthy at ~86.3%.
- Reported a profit of Rs.1,894cr, with profit growing by 2.1x YoY, driven by higher revenue and other income.
- The net aircraft addition to the fleet was 20, taking the total fleet count to 378. Going forward, with strong passenger demand, faster induction of aircraft, and a stable ticket price environment, we expect earnings momentum to continue.
- Given a healthy cash position and strong outlook, we continue to maintain a positive view on Indigo. We value Indigo at a P/E of 20x (10.5x EV/EBITDA) on FY26E and maintain Buy rating with a target price of Rs. 4,903.

Growth momentum strong.

In Q4FY24, Indigo's revenue demonstrated a robust 26% YoY growth, surpassing our expectations. This achievement was underpinned by strong passenger growth of 14% YoY and an 86.3% load factor. Both leisure and corporate travel continued to play a pivotal role in driving this growth momentum. Indigo's market share expanded significantly to 60.3% YoY from 55.7% in Q4FY23, facilitated by substantial capacity enhancements, as reflected in a 22% YoY rise in ASK. Indigo expanded its fleet by 20 aircraft in the quarter, bringing the total fleet count to 378 aircraft as of the end of Q4FY24. We anticipate sustained robust passenger traffic, driven by the continued resurgence in leisure and corporate travel. Amid ongoing engine issues, more than 70 IndiGo aircraft are currently grounded. The airline's management has secured secondary leases to alleviate capacity shortages to some extent. Going ahead, the focus is on increasing its international footprint, and management is actively pursuing opportunities, including entering into code pacts. Also, in FY25 plans to add business class on select routes, ramp in A321 and wide body in the future, which is in line with penetrating into international. Management has projected a 10-12.0% YoY increase in ASK in Q1 FY25E. We anticipate revenue to grow by 13.1% CAGR over FY24-26E.

Profitability ahead of estimates...outlook positive

In Q4FY24, Indigo achieved robust EBITDA growth driven by strong passenger demand and better pricing environment. EBITDA margins expanded to 22.4%, an increase of 290bps YoY. Fuel cost as a percentage of sales declined by 610bps YoY to 33.5%, largely due to lower ATF prices and cost efficiency. Consequently, the reported PAT was Rs.1,894cr, a 2.1x increase on a YoY basis supported by a 54.7% YoY increase in other income. Looking forward, tailwinds like moderation in ATF prices, healthy ticket pricing, and consistently high load factors instil confidence in sustaining earnings momentum. We expect net profit to grow by 8% from FY24 to FY26E.

Outlook and Valuation

Indigo's market leadership position, ability to leverage its network, cost efficient fleet, and healthy cash position reflect our positive outlook for the stock. Healthy passenger volume, strong ticket prices, and an ease in fuel prices will support earnings momentum in FY25E. We value Indigo at a P/E of 20x on FY26E (10.5x EV/EBITDA) and maintain Buy with a target price of Rs.4,903.

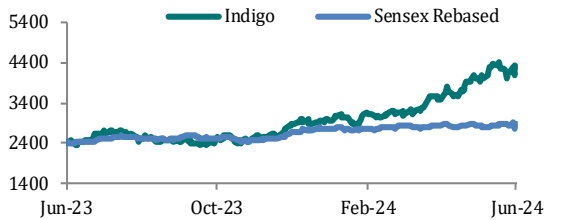
Company Data

Market Cap (cr)	Rs.1,65,434
Enterprise Value (cr)	Rs.1,85,971
Outstanding Shares (cr)	38.5
Free Float (%)	37.0
Dividend Yield (%)	0.0
52 week high	Rs.4,520
52 week low	Rs.2,331
6m average volume (cr)	0.1
Beta	1.2
Face value	Rs.10.0

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	63.2	63.1	57.3
FII's	20.3	18.7	23.7
MFs/Institutions	10.4	14.7	15.1
Public	2.1	2.9	2.8
Others	0.6	0.6	0.1
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	38.5%	48.4%	77.7%
Absolute Sensex	1.3%	7.5%	18.9%
Relative Return*	37.2%	40.9%	58.8%

over or under performance to benchmark index



Standalone (Rs.cr)	FY24A	FY25E	FY26E
Sales	68,904	77,073	88,127
Growth (%)	26.6	11.9	14.3
EBITDA	16,293	17,718	21,045
EBITDA Margin(%)	23.6	23.0	23.9
Adjusted PAT.	8,167	8,135	9,462
Growth (%)	2,679.0	(0.4)	16.3
Adjusted EPS	211.6	210.8	245.1
Growth (%)	2676.0	(0.4)	16.3
P/E	20.3	20.4	17.5
P/B	87.8	16.5	8.5
EV/EBITDA	11.4	8.9	7.3
ROE (%)	374.0	135.6	63.9

Anil R
Research Analyst

Quarterly Financials

Profit & Loss

Rs.cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Sales	17,825	14,161	25.9	19,452	(8.4)	68,904	54,446	26.6
EBITDA	3,984.2	2,751.7	44.8	5,149	(22.6)	16,921	6,489	160.8
EBITDA margin	34.0	19.4	1460bps	35.7	-165bps	24.6	11.9	1264bps
Depreciation	1,795	1,353	32.7	1,666	7.8	6,414	5,102	25.7
EBIT	2,189	1,399	56	3,484	(37.2)	10,507	1,387	(657.4)
Interest	1,099	918	20	1,095	0.4	4,169	3,132	33.1
Other Income	1,090	440	148	610	78.6	4,169	1,433	191.0
Exceptional Items	-	-	-	-	-	-	-	-
PBT	17,696	920	1,823.9	2,999	490.2	8,664	(312)	2,879.3
Tax	(1,242.4)	-	-	-	-	-	-	-
Share of profit from Associate	(124.2)	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	1,894	920	105.9	2,999	(36.8)	8,788	(312)	2,919.2
Adjustments	-	-	-	-	-	-	-	-
Adjusted PAT	1,894	920	105.9	2,999	(36.8)	8,788	(312)	2,919.2
No. of Shares	38.6	38.6	-	38.6	-	38.6	38.6	-
EPS (Rs)	49.3	23.9	105.9	78.0	(36.8)	228.6	(8.1)	2,919.2

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	66,028	76,478	77,073	88,127	16.7	15.2
EBITDA	15,191	18,448	17,718	21,045	16.6	14.1
Margins (%)	23.0	24.1	23.0	23.9	-	(10bps)
Adj. PAT	7,065	7,072	8,135	9,462	15.1	33.8
EPS	183.8	184.0	210.8	245.1	14.7	33.2

Standalone Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	25,931	54,446	68,904	77,073	88,127
% change	77.1	110.0	26.6	11.9	14.3
EBITDA	530	6,485	16,293	17,718	21,045
% change	2,183.2	1,122.9	151.2	8.7	18.8
Depreciation	5,049	5,088	6,406	7,267	8,565
EBIT	(4,538)	1,384	9,887	10,451	12,479
Interest	2,358	3,132	4,169	4,768	5,136
Other Income	725	1,431	2,326	2,790	2,942
PBT	(6,171)	(317)	8,043	8,474	10,285
% change	(5.9)	94.9	2,639.6	5.3	21.4
Tax	-	-	(124)	339	823
Tax Rate (%)	0.0%	0.0%	-1.5%	4.0%	8.0%
Reported PAT	(6,171)	(317)	8,167	8,135	9,462
Adj.*	-	-	-	-	-
Adj. PAT	(6,171)	(317)	8,167	8,135	9,462
% change	(5.9)	94.9	2,678.8	(0.4)	16.3
No. of shares (cr)	38.5	38.6	38.6	38.6	38.6
Adj EPS (Rs)	(160.2)	(8.2)	211.6	210.8	245.1
% change	(5.8)	94.9	2,675.9	(0.4)	16.3
DPS (Rs)	-	-	-	-	-
CEPS (Rs)	(29)	124	378	399	467

BALANCE SHEET

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	1,012	1,244	689	14,915	19,192
Accounts Receivable	333	520	643	739	845
Inventories	408	591	625	735	827
Other Cur. Assets	14,372	17,208	27,202	24,917	28,491
Investments	8,033	11,514	16,453	20,453	24,453
Gross Fixed Assets	33,095	43,052	57,807	70,807	87,807
Net Fixed Assets	21,261	27,639	35,989	41,722	50,157
CWIP	119	-	0	10	10
Intangible Assets	27	31	49	49	49
Def. Tax (Net)	295	295	419	419	419
Other Assets	(0)	0	-	-	-
Total Assets	45,860	59,043	82,069	1,03,960	1,24,444
Current Liabilities	6,522	8,318	9,653	17,150	19,308
Provisions	1,325	1,591	2,774	2,534	2,897
Debt Funds	25,475	32,225	37,935	42,935	49,935
Other Liabilities	18,574	23,213	29,775	31,275	32,775
Equity Capital	385	386	386	386	386
Reserves & Surplus	(6,421)	(6,689)	1,546	9,681	19,143
Shareholder's Fund	(6,035)	(6,303)	1,932	10,067	19,529
Total Liabilities	45,860	59,043	82,069	103,960	1,24,444
BVPS	(157.0)	(164.0)	50.3	261.9	508.0

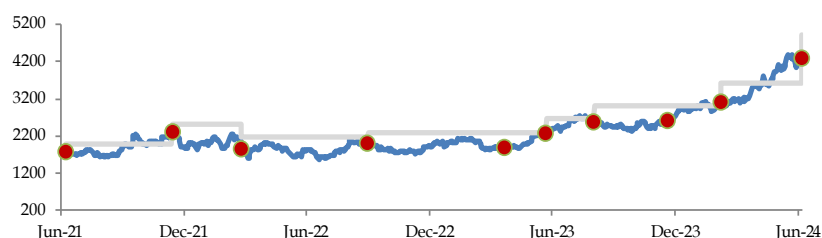
CASH FLOW

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	849	7,418	18,049	15,401	18,027
Non-cash adj.	327	1,902	(1,603)	1,978	2,194
Changes in W.C	746	3,120	4,338	9,335	(1,250)
C.F. Operation	2,064	12,703	21,183	26,714	18,971
Capital exp.	(339)	(532)	(992)	(13,010)	(17,000)
Change in inv.	1,173	(4,354)	(11,932)	(4,000)	(4,000)
Other invest.CF	92	157	575	2,790	2,942
C.F - Investment	1,526	(4,055)	(11,756)	(14,220)	(18,058)
Issue of equity	28	22	42	-	-
Issue/repay debt	(1,091)	(5,764)	#REF!	6,500	8,500
Dividends paid	-	-	-	-	-
Other finance.CF	(46)	(34)	(61)	(4,768)	(5,136)
C.F - Finance	(3,088)	(8,432)	(9,979)	1,732	3,364
Chg. in cash	503	232	(555)	14,226	4,277
Closing cash	1,012	1,244	689	14,915	19,192

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab & Return					
EBITDA margin (%)	2.0	11.9	23.6	23.0	23.9
EBIT margin (%)	(17.5)	2.5	14.3	13.6	14.2
Net profit mgn.(%)	(23.8)	(0.6)	11.9	10.6	10.7
ROE (%)	206.9	5.1	373.7	135.6	63.9
ROCE (%)	(10.1)	6.5	20.8	16.5	15.2
W.C & Liquidity					
Receivables (days)	3.9	2.9	3.1	3.3	3.3
Inventory (days)	7.1	5.1	5.6	5.6	5.7
Payables (days)	97.4	75.3	82.2	109.4	132.2
Current ratio (x)	2.1	2.0	2.3	2.1	2.2
Quick ratio (x)	0.2	0.1	0.1	0.9	1.0
Turnover & Leverage					
Gross asset T.O (x)	0.9	1.4	1.4	1.2	1.1
Total asset T.O (x)	0.6	1.0	1.0	0.8	0.8
Int. covge. ratio (x)	NA	0.4	2.4	2.2	2.4
Adj. debt/equity (x)	(7.3)	(8.8)	NA	7.4	4.2
Valuation					
EV/Sales (x)	6.9	3.4	2.7	2.0	1.7
EV/EBITDA (x)	339.0	28.5	11.4	8.9	7.3
P/E (x)	NA	NA	20.3	20.4	17.5
P/BV (x)	NA	NA	87.8	16.5	8.5

Recommendation summary (Last 3 Years)



Dates	Rating	Target
15-September-2020	Accumulate	1,465
24-February-2021	Buy	1,804
09-June-2021	Accumulate	1,984
25-February-2022	Buy	2,188
01-September-2022	Buy	2,281
23-March-2023	Buy	2,282
24-May 2023	Buy	2,679
04-August 2023	Buy	3,005
20-November 2023	Buy	3,008
08-February-2024	Buy	3,624
07-June 2024	Buy	4,903

Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral	-	-	-

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated /Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not Rated/Neutral- The analyst has no investment opinion on the stock under review

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