

InterGlobe Aviation

Estimate change	↑
TP change	↔
Rating change	↔

CMP: INR3,127 **TP: INR3,300 (+5%)** **Neutral**

Outperforms expectations in a seasonally strong quarter

Bloomberg	INDIGO IN
Equity Shares (m)	385
M.Cap.(INRb)/(USDb)	1206.9 / 14.6
52-Week Range (INR)	3150 / 1810
1, 6, 12 Rel. Per (%)	6/10/23
12M Avg Val (INR M)	2436
Free float (%)	36.9

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Sales	673.9	720.6	781.8
EBITDAR	168.4	181.3	195.2
NP	77.1	90.4	92.2
EPS (INR)	199.9	234.4	239.2
Growth (%)	LP	17.3	2.0
BV/Sh (INR)	36.5	271.6	511.5

Ratios

Net D:E	12.3	1.1	0.2
RoE (%)	-314.6	152.6	61.3
RoCE (%)	36.9	32.6	27.1
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	15.7	13.4	13.1
P/BV (x)	86.1	11.6	6.1
Adj.EV/EBITDAR(x)	8.6	7.6	6.7
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	6.0	6.3	7.8

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	63.1	63.2	71.9
DII	14.7	13.3	8.3
FII	18.7	20.3	17.8
Others	3.5	2.0	2.0

FII Includes depository receipts

- IndiGo reported a PAT of INR30b (vs. our estimate of INR24.6b) in 3QFY24, aided by lower-than-expected operating and fuel costs. Revenue passenger kilometers (RPK) came in at 31.3b. Passenger load factor (PLF) was at 85.8%, with available seat kilometers (ASK) of 36.5b (est. 35.5b) and yield at INR5.5 (est. INR5.3).
- According to **our airfare tracker**, the 30-day domestic forward prices for IndiGo are down 24% QoQ and the 15-day prices are down 23% QoQ in 4QFY24 till date. The management highlighted that the yield declined in Jan'24 due to seasonality; however, it remains steady on a YoY basis. The management has refrained from providing yield guidance for FY25 but expects PLF to remain elevated amid ongoing supply chain issues.
- IndiGo currently operates 136 aircraft on P&W engines and the number of grounded aircraft increased to over 70 in Jan'24 from over 40 in Dec'23. However, the number of total grounded aircraft remained below the management's estimates. The company has taken measures to improve the situation.
- Despite these issues, the company has maintained its capacity guidance for FY25. ASK is expected to grow 12-20% YoY in 4QFY24 due to new damp leases entered by the company during 3QFY24. The management also highlighted that it is too early to conclude anything about the slowdown in air traffic growth in the past couple of months. Also, corporate travel is currently above pre-Covid levels and the trend remains steady.
- While we remain positive on the aviation sector, IndiGo would have to navigate through various challenges in the near to medium term. We reiterate our Neutral rating on the stock with a TP of INR3,300, valuing it at 7.5x Dec'25E EV/EBIDTAR.

Beat led by lower-than-expected fuel cost and employee expenses

- The yield stood at INR5.5 vs. our estimate of INR5.3 (and INR5.4 in 3QFY23).
- RPK was at 31.3b (our est. of 32b, +28% YoY), with PLF at 85.8%. ASK was at 36.5b (our est. of 35.5b, +27% YoY).
- Revenue was in line with our est. at INR194.5b (+30% YoY).
- EBITDAR stood at INR54.4b (est. of INR46.9b), with EBITDA at INR51.4b (our est. of INR44.9b).
- The company paid IGST of INR752.4m in 3QFY24 on the re-import of repaired aircraft, which is under dispute right now.
- PAT was 22% above our estimate at INR30b (up 2.1x YoY).
- For 9MFY24, revenue stood at INR511b (+27% YoY), EBITDA at INR123b (up 3.3x YoY), and PAT at INR62.7b (vs. loss of INR12.3b in 9MFY23).
- PLF improved to 85.8% (81.3% in 9MFY23) with average yield at INR5 (-4% YoY).

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- Free cash stood at INR192b at end of 3QFY24 vs. INR106b at end of 3QFY23.
- Capitalized lease liability stood at INR446b, with total debt of INR512b at end of 3QFY24.

Valuation and View

- IndiGo is working to increase its international presence through strategic partnerships and loyalty programs. The company has added 15 new destinations in its code share with Turkish Airlines, taking total destinations to 42. The company has also recently entered into a codeshare agreement with Qantas for four destinations and has received encouraging response.
- The management has 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 (due to the lower base right now). However, competition in the sector is expected to intensify with the resurgence of Air India and the entry of a new player Akasa Air.
- While we remain positive on the aviation sector, IndiGo would have to navigate through various challenges in the near to medium term. We reiterate our Neutral rating on the stock with a TP of INR3,300, valuing it at 7.5x Dec'25E EV/EBIDTAR.

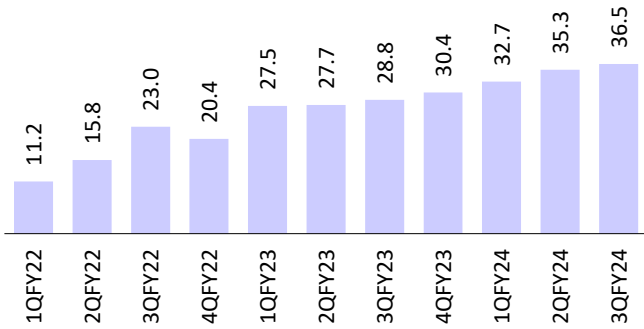
Standalone Quarterly performance

	(INR b)											
Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			3QE	(%)
Net Sales	128.6	125.0	149.3	141.6	166.8	149.4	194.5	163.1	544.5	673.9	139.9	1%
YoY Change (%)	327.5	122.8	60.7	76.5	29.8	19.6	30.3	15.2	110.0	23.8	12.0	
EBITDAR	6.6	0.7	31.8	28.9	51.6	23.9	54.4	38.4	68.1	168.4	11.3	16%
Margin (%)	5.2	0.6	21.3	20.4	30.9	16.0	28.0	23.6	12.5	25.0	8.1	
Net Rentals	0.7	0.5	0.7	1.4	1.9	2.0	3.0	2.1	3.3	9.0	2.0	47%
EBITDA	6.0	0.3	31.1	27.5	49.7	22.0	51.4	36.3	64.8	159.4	9.4	15%
Margin (%)	4.6	0.2	20.9	19.4	29.8	14.7	26.4	22.3	11.9	23.7	6.7	
Depreciation	11.7	12.4	13.4	13.5	14.0	15.5	16.6	17.0	51.0	63.1	14.2	
Interest	6.6	7.3	8.3	9.2	9.5	10.2	11.0	10.7	31.3	41.4	9.6	
Other Income	1.6	3.5	4.8	4.4	4.8	5.6	6.1	5.7	14.3	22.2	4.8	
PBT	-10.7	-15.9	14.2	9.2	30.9	1.9	30.0	14.3	-3.2	77.1	-9.6	22%
Reported PAT	-10.7	-15.9	14.2	9.2	30.9	1.9	30.0	14.3	-3.2	77.1	-9.6	22%
EPS	-27.7	-41.2	36.8	23.8	80.2	4.9	77.9	37.2	-8.2	200.2	-25.0	22%
YoY Change (%)	Loss	Loss	1,004.1	LP	LP	LP	111.4	56.5	LP	LP	Loss	
Operational Data												
ASK (b)	27.5	27.7	28.8	30.4	32.7	35.3	36.5	36.7	114.4	141.2	34.3	3%
YoY Change (%)	146%	75%	25%	49%	19%	27%	27%	21%	63%	23%	24%	0%
Load factor (%)	79.6	79.1	85.1	84.2	88.7	83.3	85.8	94.2	82.1	88.0	83.7	-5%
RPK (b)	21.9	21.9	24.5	25.6	29.0	29.4	31.3	34.5	93.9	124.2	28.7	-2%
YoY Change (%)	232%	96%	34%	64%	32%	34%	28%	35%	82%	32%	31%	0%
Yield (INR/RPK)	5.24	5.07	5.38	4.85	5.18	4.44	5.48	4.10	5.14	4.80	4.31	3%
RASK	4.67	4.51	5.19	4.66	5.10	4.23	5.33	4.45	4.76	4.77	4.08	-2%
CASK	5.06	5.08	4.69	4.36	4.16	4.18	4.51	4.06	4.79	4.23	4.36	-5%
RASK less CASK	-0.39	-0.57	0.49	0.30	0.94	0.05	0.82	0.39	-0.03	0.55	-0.28	18%
CASK ex-Fuel	2.86	2.80	2.66	2.49	2.54	2.50	2.61	2.55	2.70	2.55	2.52	-2%
Fuel Cost	2.20	2.28	2.04	1.87	1.62	1.68	1.90	1.50	2.09	1.68	1.84	-9%

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	1,41,183	1,62,002	1,73,810
ASK YoY (%)	28%	19%	-53%	55%	63%	23%	15%	7%
Load Factor (%)	86%	86%	69%	73%	82%	88%	89%	90%
RPK (million)	69,787	82,600	31,595	51,700	93,900	1,24,241	1,44,182	1,56,429
RPK YoY (%)	26%	18%	-62%	64%	82%	32%	16%	8%
Revenue Calculation								
Ticket Revenue (INR m)	2,51,359	3,14,682	1,18,735	2,19,239	4,81,759	5,96,355	6,05,563	6,57,001
Yield (INR/RPK)	3.60	3.81	3.76	4.24	5.13	4.80	4.20	4.20
Ancillary revenues (incl. others)	33,609	42,878	27,671	40,070	62,706	77,526	1,15,057	1,24,830
Total Revenue (INR m)	2,84,968	3,57,560	1,46,406	2,59,309	5,44,465	6,73,881	7,20,619	7,81,831
Fuel Cost								
Exchange rate (INR/USD)	70	71	74	75	80	83	85	86
ATF Prices (INR/lit)	67	63	43	74	118	102	85	85
YoY (%)	24%	-6%	-32%	71%	60%	-14%	-16%	0%
Aircraft fuel expenses (INR m)	1,20,820	1,26,316	38,868	98,117	2,39,320	2,36,896	2,54,371	2,72,911
Spreads								
RASK	3.5	3.7	3.2	3.7	4.8	4.8	4.4	4.5
CASK	3.5	3.7	4.5	4.6	4.8	4.2	3.9	4.0
RASK-CASK	0.0	0.0	-1.3	-0.9	0.0	0.5	0.6	0.5
CASK-ex fuel	2.0	2.4	3.6	3.2	2.7	2.5	2.3	2.4
RASK-CASK (ex-fuel)	1.5	1.3	-0.4	0.5	2.1	2.2	2.1	2.1

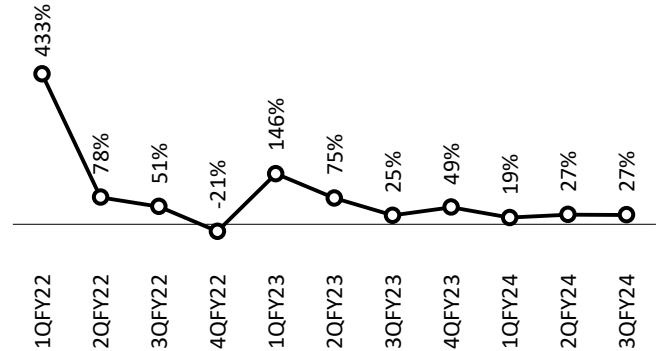
3QFY24 in charts

Exhibit 1: Total ASKs stood at 36.5b...



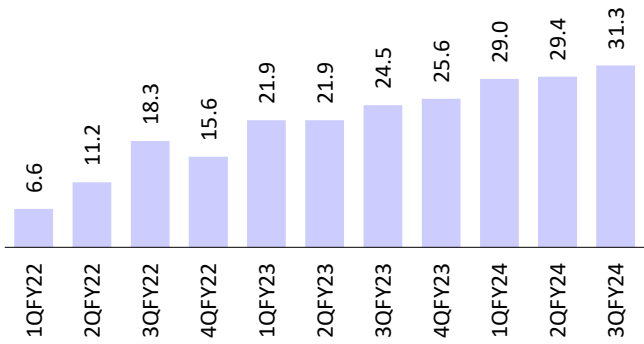
Source: Company, MOFSL

Exhibit 2: ...up 27% YoY in 3QFY24



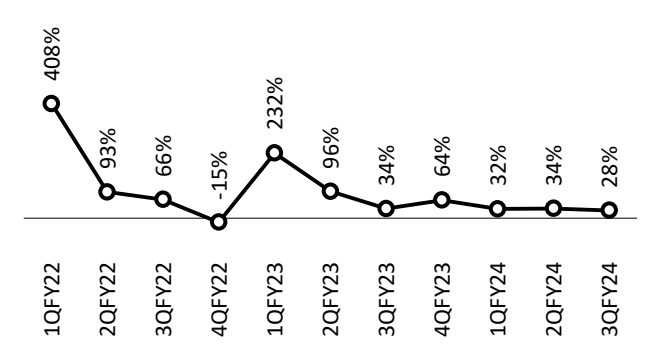
Source: Company, MOFSL

Exhibit 3: Total RPKs stood at 31.3b...



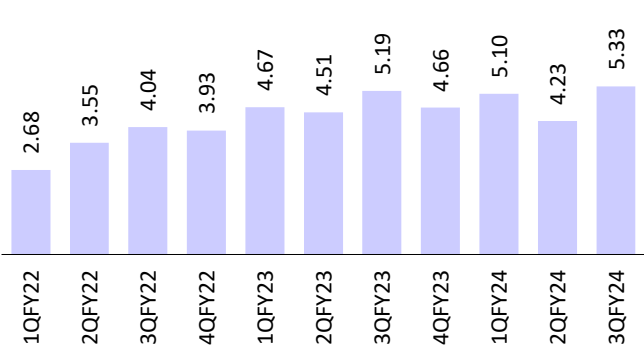
Source: Company, MOFSL

Exhibit 4: ...up 28% YoY in 3QFY24



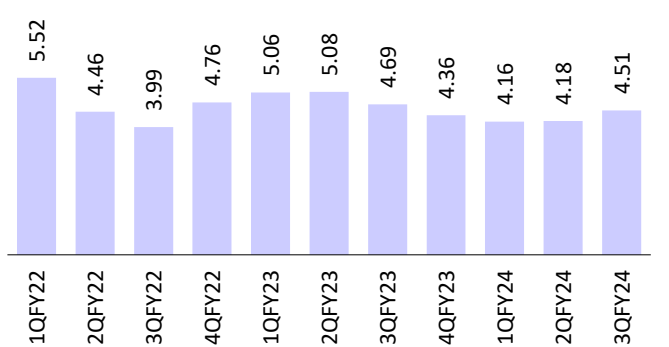
Source: Company, MOFSL

Exhibit 5: RASK stood at INR5.3 (+3% YoY)



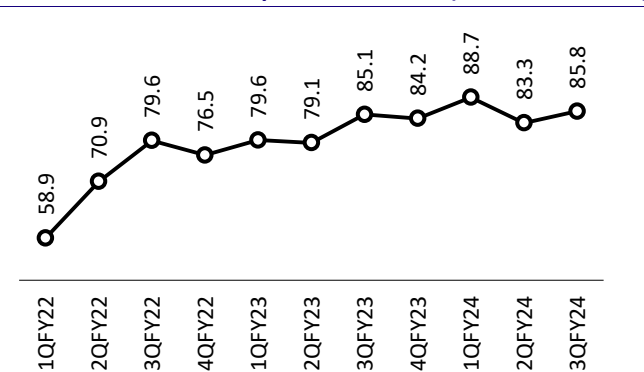
Source: Company, MOFSL

Exhibit 6: CASK stood at INR4.5 (-4% YoY)



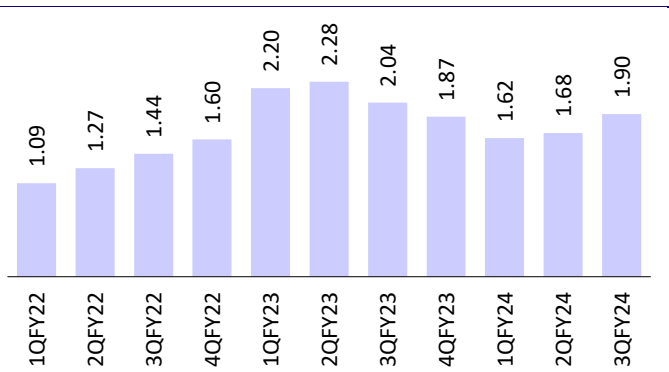
Source: Company, MOFSL

Exhibit 7: Load factor improved to 85.8% (85.1% in 3QFY24)



Source: Company, MOFSL

Exhibit 8: Fuel costs stood at INR1.9 in 3QFY24



Source: Company, MOFSL

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	673.9	720.6	781.8
YoY Chg (%)	23.8	25.5	-59.1	77.1	110.0	23.8	6.9	8.5
EBITDAR	47.9	45.3	2.6	8.4	68.1	168.4	181.3	195.2
Margin (%)	16.8	12.7	1.7	3.2	12.5	25.0	25.2	25.0
Aircraft & Engine Lease Rentals	50.0	5.0	2.8	3.1	3.3	9.0	8.4	9.0
EBITDA	-2.1	40.4	-0.3	5.3	64.8	159.4	172.9	186.1
Margin (%)	-0.7	11.3	-0.2	2.0	11.9	23.7	24.0	23.8
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	96.3	110.4	112.6
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	22.2	21.5	22.0
PBT	-1.5	-2.8	-58.3	-61.7	-3.2	77.1	90.4	92.2
PBT after EO Exp.	-1.5	-2.8	-58.3	-61.7	-3.2	77.1	90.4	92.2
Tax	-3.1	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
Tax Rate (%)	204.5	9.8	0.0	0.0	0.0	0.0	0.0	0.0
Reported PAT	1.6	-2.5	-58.3	-61.7	-3.2	77.1	90.4	92.2
Change (%)	-93.0	PL	Loss	Loss	Loss	LP	17.3	2.0
Margin (%)	0.5	-0.7	-39.8	-23.8	-0.6	11.4	12.5	11.8

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	10.2	100.6	192.8
Net Worth	69.4	58.6	0.7	-60.4	-63.0	14.0	104.4	196.6
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	359.8	450.2	542.4
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	271.7	334.5	417.9
Inventory	2.1	2.9	3.2	4.1	5.9	6.3	6.7	7.3
Account Receivables	3.6	2.6	2.2	3.3	5.2	6.4	6.9	7.5
Cash and Bank Balance	86.1	108.3	112.3	101.2	118.1	172.9	228.9	303.3
Loans and Advances	36.3	42.7	50.4	55.7	69.6	86.1	92.1	99.9
Curr. Liability & Prov.	158.1	202.6	201.2	229.4	308.7	355.1	379.7	412.1
Account Payables	14.6	15.7	15.6	31.5	32.1	34.1	36.4	39.6
Other Current Liabilities	139.2	167.5	164.2	184.6	260.7	321.1	343.3	372.5
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	-83.4	-45.2	5.9
Appl. of Funds	92.0	217.9	228.6	229.2	281.7	359.8	450.2	542.4

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	199.9	234.4	239.2
Cash EPS	23.8	96.9	-29.4	-28.7	124.5	364.6	397.8	431.2
BV/Share	180.7	152.5	1.8	-157.0	-164.0	36.5	271.6	511.5
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	777.3	-488.6	-20.8	-19.6	-382.8	15.7	13.4	13.1
Cash P/E	132.0	32.5	-106.9	-109.6	25.3	8.6	7.9	7.3
P/BV	17.4	20.6	1,704.9	-20.0	-19.2	86.1	11.6	6.1
EV/Sales	4.0	3.5	9.1	5.4	2.6	2.1	1.8	1.6
EV/EBITDAR	23.9	27.8	520.1	166.1	21.1	8.6	7.6	6.7
EV/EBITDA	-557.9	31.2	-5,209.5	263.8	22.2	8.7	7.7	6.7
Dividend Yield (%)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF Yield (%)	2.1	-5.6	-5.9	-4.1	1.1	6.0	6.3	7.8
FCF per share	65.0	-177.5	-185.0	-129.1	33.9	190.0	197.6	246.7
Return Ratios (%)								
RoE	2.2	-3.9	-196.5	206.9	5.1	-314.6	152.6	61.3
RoCE	-4.0	9.3	-16.5	-16.7	11.0	36.9	32.6	27.1
RoIC	-21.9	-2.5	-168.6	-101.7	29.1	177.1	144.5	111.4
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	1.9	1.6	1.4
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	77.1	90.4	92.2
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	19.3	20.0	20.4
Direct Taxes Paid	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Inc)/Dec in WC	17.3	92.5	-3.8	21.4	62.2	29.6	17.7	23.4
CF from Operations	18.3	132.8	-4.0	26.7	127.0	189.0	190.6	209.5
CF from Operating incl EO	18.3	132.8	-4.0	26.7	127.0	189.0	190.6	209.5
(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	73.1	75.9	94.8
(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	22.2	21.5	22.0
CF from Investments	18.3	-215.6	-34.8	-76.5	-134.5	-93.8	-93.2	-92.7
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	54.8	55.9	74.4
Opening Balance	65.8	86.1	108.3	112.3	101.2	118.1	172.9	228.9
Closing Balance	86.1	108.3	112.3	101.2	118.1	172.9	228.9	303.3

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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

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