

Retail Equity Research

InterGlobe Aviation Ltd.

Aviation

BSE CODE : 539448

NSE CODE: INDIGO

BLOOMBERG CODE: INDIGO:IN

SENSEX : 65,795

BUY

12 Months Investment Period

Rating as per Large Cap

CMP Rs. 2,608 TARGET Rs. 3,008 RETURN 15% ↑

(Closing: 17-11-2023)

KEY CHANGES:
TARGET ↑

RATING ↔

EARNINGS ↔

Strong performance...engine issues key monitorable

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.

- Q2FY24 revenue grew by 20% YoY, inline with expectations, propelled by 34% YoY surge in passengers, defying historical Q2 softness.
- Healthy demand from leisure and corporate travel continues to aid revenue growth, Avg. aircraft utilization was healthy at ~83.3%.
- Reported a profit of Rs.188cr, a turnaround from Rs.1,586cr loss, driven by higher revenue and other income, but was tempered by a forex loss.
- Net aircraft addition to the fleet was 18, taking the total fleet count to 334. Going ahead, led by festive, with higher capacity utilization, cost rationalization and a stable ticket price, we expect earnings momentum to continue.
- From Q4FY24, the phased removal of P&W engines will impact operations throughout CY2024. Management aims to mitigate risks via strategic secondary market leasing.
- Given healthy cash position and strong earnings outlook, we value Indigo at a P/E of 20x (9.0x EV/EBITDA), on FY25E and maintain Buy rating with a target price of Rs. 3,008.

Revenue growth...despite a seasonally soft quarter

In Q2FY24, Indigo's revenue demonstrated a robust 20% YoY growth, surpassing expectations despite a soft quarter due to seasonality. This achievement was underpinned by strong passenger growth of 34% YoY and an 83.3% load factor. Both leisure and corporate travel continued to play a pivotal role in driving this growth momentum. Indigo's market share expanded significantly from 60.7% to 63.4%, facilitated by substantial capacity enhancements, as reflected in a 28% YoY rise in ASK. Indigo expanded its fleet by 12 aircraft in the quarter, bringing the total fleet count to 334 aircraft as of the end of Q2FY24. We anticipate sustained robust passenger traffic, driven by the continued resurgence in leisure and corporate travel. However, the Pratt & Whitney (P&W) metal powder issue will start to impact the overall AKS in the near future. Management has indicated that the company will access the secondary market for the mitigation of engine-related issues. Management has projected an 18.5% YoY increase in ASK for FY24E. We anticipate revenue to grow by 18.5% CAGR over FY23-25E.

Strong profitability...

In Q2FY24, Indigo achieved robust EBITDA growth driven by strong passenger demand and ticket pricing. But forex losses to the tune of Rs.617cr impacted overall profitability. While there was a sequential increase in and on a YoY basis, EBITDA margins expanded to 18.8% from 0.2%. This performance culminated in a reported PAT of Rs. 188cr. Looking forward, tailwinds like moderation in ATF prices, steady ticket pricing, and consistently high load factors instil confidence in sustaining earnings momentum.

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 FY24E. We value Indigo at a P/E of 20x on FY25E (9.0x EV/EBITDA) and maintain Buy with a target price of Rs.3,008.

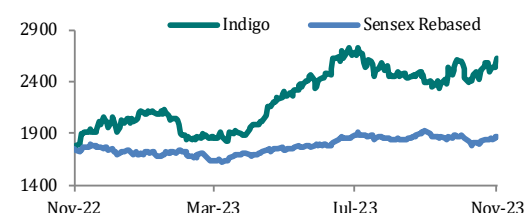
Company Data

Market Cap (cr)	Rs.1,00,371
Enterprise Value (cr)	Rs.1,19,586
Outstanding Shares (cr)	38.5
Free Float %	36.8
Dividend Yield %	0.0
52 week high	Rs.2,746
52 week low	Rs.1,751
6m average volume (cr)	0.1
Beta	1.2
Face value	Rs.10.0

Shareholding (%)	Q4FY23	Q1FY24	Q2FY24
Promoters	71.9	67.8	63.2
FII's	19.4	19.8	20.3
MFs/Institutions	10.5	10.4	10.4
Public	1.8	1.2	2.1
Others	0.4	0.8	0.6
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	7.2%	14.9%	50.4%
Absolute Sensex	1.5%	6.4%	6.8%
Relative Return*	5.6%	8.4%	43.6%

over or under performance to benchmark index



Standalone (Rs.cr)	FY23A	FY24E	FY25E
Sales	54,446	65,852	76,420
Growth (%)	110.0	20.9	6.0
EBITDA	6,485	14,437	16,782
EBITDA Margin(%)	11.9	21.9	22.0
Adjusted PAT.	(317)	6,337	5,781
Growth (%)	95.0	2100.8	(8.8)
Adjusted EPS	(8.2)	164.8	150.4
Growth (%)	95.0	2100.8	(8.8)
P/E	NA	15.8	17.3
P/B	NA	NA	17.3
EV/EBITDA	18.2	7.6	6.5
ROE (%)	5.1	NA	NA

Anil R
 Research Analyst

Quarterly Financials

Profit & Loss

Rs.cr	Q2FY24	Q2FY23	YoY Growth (%)	Q1FY24	QoQ Growth (%)	H1FY24	H1FY23	YoY Growth (%)
Sales	14,944	12,498	19.6	16,683	(10.4)	31,627	25,353	24.7
EBITDA	2,813.5	25.4	10,981.0	4,974	(43.4)	7,788	624	1,148.0
EBITDA margin	39.7	0.2	3953bps	31.8	795bps	24.6	2.5	2216bps
Depreciation	1,545	1,237	24.9	1,408	9.8	2,953	2,407	22.7
EBIT	1,268	(1,212)	205	3,567	(64.4)	4,835	(1,783)	371.1
Interest	1,021	728	40	954	7.1	1,975	1,384	42.7
Other Income	247	354	(30)	478	(48.4)	1,975	517	281.7
Exceptional Items	-	-	-	-	-	-	-	-
PBT	8,050	(1,585)	608	3,091	160.5	3,896	(2,650)	247.0
Tax	-	-	-	-	-	-	-	-
Share of profit from Associate	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	805	(1,585)	151	3,091	(74.0)	3,896	(2,650)	247.0
Adjustments	-	-	-	-	-	-	-	-
Adjusted PAT	805	(1,585)	151	3,091	(74.0)	3,896	(2,650)	247.0
No. of Shares	38.6	38.6	-	38.6	-	38.6	38.6	-
EPS (Rs)	20.9	(41.2)	150.8	80.4	(74.0)	101.3	(41.2)	345.7

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	65,213	76,263	65,852	76,420	1.0	0.2
EBITDA	14,807	17,037	14,437	16,782	(2.5)	(1.5)
Margins (%)	22.7	22.3	21.9	22.0	(80bps)	(30bps)
Adj. PAT	6,227	5,777	6,337	5,781	1.8	0.1
EPS	162.0	150.3	164.8	150.4	1.8	0.1

Standalone Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Sales	14,641	25,931	54,446	65,852	76,420
% change	(59.1)	77.1	110.0	20.9	16.0
EBITDA	(25)	530	6,485	14,437	16,782
% change	(100.6)	2,183.2	1,122.9	122.6	16.2
Depreciation	4,678	5,049	5,088	6,006	6,818
EBIT	(4,724)	(4,538)	1,384	8,431	9,964
Interest	2,142	2,358	3,132	3,980	4,424
Other Income	1,036	725	1,431	1,886	1,988
PBT	(5,830)	(6,171)	(317)	6,337	7,527
% change	2,019.2	(5.9)	94.9	2,100.8	18.8
Tax	-	-	-	-	1,746
Tax Rate (%)	0.0%	0.0%	0.0%	0.0%	23.2%
Reported PAT	(5,830)	(6,171)	(317)	6,337	5,781
Adj.*	-	-	-	-	-
Adj. PAT	(5,830)	(6,171)	(317)	6,337	5,781
% change	2,249.2	(5.9)	94.9	2,100.8	(8.8)
No. of shares (cr)	38.5	38.5	38.6	38.6	38.6
Adj EPS (Rs)	(151.7)	(160.5)	(8.2)	164.8	150.4
% change	2,249.2	(5.9)	94.9	2,100.8	(8.8)
DPS (Rs)	-	-	-	-	-
CEPS (Rs)	(29)	(29)	124	320	327

BALANCE SHEET

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	508	1,012	1,244	3,926	5,214
Accounts Receivable	219	333	520	631	733
Inventories	316	408	591	661	767
Other Cur. Assets	15,458	14,372	17,208	21,289	24,706
Investments	7,290	8,033	11,514	15,514	19,514
Gross Fixed Assets	27,670	33,095	43,052	56,052	69,052
Net Fixed Assets	18,782	21,261	27,639	34,634	40,815
CWIP	66	119	-	50	50
Intangible Assets	39	27	31	31	31
Def. Tax (Net)	295	295	295	295	295
Other Assets	-	(0)	0	0	0
Total Assets	42,974	45,860	59,043	77,032	92,125
Current Liabilities	3,354	6,522	10,849	15,427	17,892
Provisions	2,144	1,325	1,591	2,165	2,512
Debt Funds	20,662	25,475	32,270	37,270	42,270
Other Liabilities	16,743	18,574	20,636	22,136	23,636
Equity Capital	385	385	386	386	386
Reserves & Surplus	(314)	(6,421)	(6,689)	(352)	5,429
Shareholder's Fund	71	(6,035)	(6,303)	34	5,815
Total Liabilities	42,974	45,860	59,043	77,032	92,125
BVPS	1.8	(157.0)	(164.0)	0.9	151.3

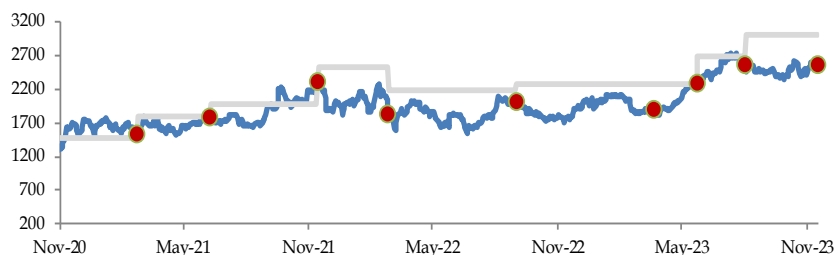
CASH FLOW

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	489	849	7,418	12,343	12,599
Non-cash adj.	(1,414)	327	1,902	2,094	2,436
Changes in W.C	(1,093)	746	3,120	889	(811)
C.F. Operation	(1,620)	2,064	12,703	15,326	14,224
Capital exp.	(420)	(339)	(532)	(13,050)	(13,000)
Change in inv.	1,645	1,173	(4,354)	(4,000)	(4,000)
Other invest.CF	137	92	157	1,886	1,988
C.F - Investment	3,246	1,526	(4,055)	(15,164)	(15,012)
Issue of equity	9	28	22	-	-
Issue/repay debt	(153)	(1,091)	(5,764)	6,500	6,500
Dividends paid	-	-	-	-	-
Other finance.CF	(29)	(46)	(34)	(3,980)	(4,424)
C.F - Finance	(1,775)	(3,088)	(8,432)	2,520	2,076
Chg. in cash	(168)	503	232	2,682	1,288
Closing cash	508	1,012	1,244	3,926	5,214

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
Profitab & Return					
EBITDA margin (%)	(0.2)	2.0	11.9	21.9	22.0
EBIT margin (%)	(32.3)	(17.5)	2.5	12.8	13.0
Net profit mgn.(%)	(39.8)	(23.8)	(0.6)	9.6	7.6
ROE (%)	(196.5)	206.9	5.1	202.2	197.7
ROCE (%)	(10.1)	(10.1)	6.7	19.5	14.0
W.C & Liquidity					
Receivables (days)	6.0	3.9	2.9	3.2	3.3
Inventory (days)	11.0	7.1	5.1	5.7	5.6
Payables (days)	140.2	97.4	88.2	119.2	130.4
Current ratio (x)	3.0	2.1	1.6	1.5	1.5
Quick ratio (x)	0.2	0.2	0.1	0.3	0.3
Turnover & Leverage					
Gross asset T.O (x)	0.6	0.9	1.4	1.3	1.2
Total asset T.O (x)	0.3	0.6	1.0	1.0	0.9
Int. covge. ratio (x)	NA	NA	0.4	2.1	2.3
Adj. debt/equity (x)	527.5	(7.3)	(8.4)	NA	11.3
Valuation					
EV/Sales (x)	7.5	4.4	2.2	1.7	1.5
EV/EBITDA (x)	NA	216.3	18.4	7.7	6.6
P/E (x)	NA	NA	NA	15.8	17.3
P/BV (x)	NA	NA	NA	NA	17.3

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

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.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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

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