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India | Equity Research | Sector Update

## Aviation

### IndiGo maintaining market share even with lower PLFs; aircraft grounding is a transient issue

Higher ATF prices and lower PLFs points toward the likelihood of an overall weaker spread in Q2FY24. However, IndiGo being able to maintain higher passenger market share despite lower PLFs indicates better operational aircraft availability than peers. The headlines [\[Link\]](#) have also been dominated by the possible increase in aircraft on ground based on the outlook shared by PW. IndiGo may mitigate the impact through secondary leases, as per media articles [\(Link\)](#). Additionally, OEM compensation might take care of incremental cost burden of secondary leases. As such, we remain positive on InterGlobe Aviation basis structurally favourable supply demand equation in India and the vantage position of IndiGo.

#### Monthly domestic traffic at ~12-12.5mn in Jun-Aug'23

Aug'23 saw growth in total PAX to 12.4mn vs 12.1/12.5mn in Jul/Jun'23. Sep'23 too has seen strong traffic till date (if we extrapolate the recent trends, Sep'23 traffic would be 12.2mn).

#### IndiGo maintains more than 63% market share

IndiGo's market share stood at 63.4% (+20bps MoM), while Tata Group's combined market share stood at 26.8% in Aug'23.

#### PLF remains muted for IndiGo in Aug'23

PLF for IndiGo remained muted for the second month in a row at 83.6%. SpiceJet/ Vistara saw an increase of 2.0/4.3% to 90.9/91.3%, respectively, in Aug'23. [IndiGo being able to maintain domestic market share despite lower PLFs indicates better aircraft/pilot availability for it vs other airlines.](#)

#### Average ATF prices in Q2FY24TD are 6.8% higher than Q1

Lower PLFs and higher ATF may lead to lower spreads in Q2 but profit contribution from seasonally weak Q2 is normally low (average 12.9% over FY16-FY18).

#### IndiGo could explore secondary markets in the wake of increased grounding

Pratt & Whitney indicated that fleet groundings will 'average' 350 at any given time through 2026, while it could ground 650 Airbus A320neos at one time early next year. Lufthansa indicated that the accelerated GTF removals are likely to result in the grounding of 20 of its A320neos on average in 2024. IndiGo's possible grounded aircraft count in such a scenario could rise. To manage the deficit at all points of time, the average grounded fleet may not be the right parameter but the peak grounding quantum should also be a consideration. As such, IndiGo could resort to A320 ceos from the second hand market as of now ([Link 1](#), [Link 2](#), [Link 3](#)).

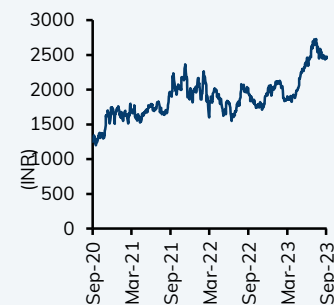
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#### InterGlobe Aviation (BUY)



**Exhibit 1: Monthly market share movement (%) -- IndiGo's maintaining more than 63%**

	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	MoM chg
Air India	9.7	10.4	10.4	10.3	10.5	10.3	10.0	9.8	9.7	10.8	10.9	10.9	9.8	- 110.0
SpiceJet	7.9	7.3	7.3	7.5	7.6	7.3	7.1	6.4	5.8	5.4	4.4	4.2	4.4	20.0
Go Air	8.6	7.9	7.0	7.5	7.5	8.4	8.0	6.9	6.4	0.4	-	-	-	-
IndiGo	57.7	57.7	56.7	55.7	54.9	54.6	55.9	56.8	57.5	61.4	63.2	63.4	63.3	- 10.0
Air Asia	5.8	5.9	7.6	7.6	7.6	7.4	7.0	7.6	7.6	7.9	8.0	7.5	7.1	- 40.0
Vistara	9.7	9.6	9.2	9.3	9.2	8.8	8.7	8.9	8.7	9.0	8.1	8.4	9.8	140.0
Akasa Air	0.2	0.9	1.4	1.8	2.3	2.8	3.0	3.3	4.0	4.7	4.9	5.2	4.2	- 100.0
Rest	0.4	0.3	0.4	0.3	0.4	0.4	0.3	0.3	0.3	0.4	0.5	0.4	1.4	100.0
<b>Tata Airlines</b>	<b>25.2</b>	<b>25.9</b>	<b>27.2</b>	<b>27.2</b>	<b>27.3</b>	<b>26.5</b>	<b>25.7</b>	<b>26.3</b>	<b>26.0</b>	<b>27.7</b>	<b>27.0</b>	<b>26.8</b>	<b>26.7</b>	<b>- 10.0</b>

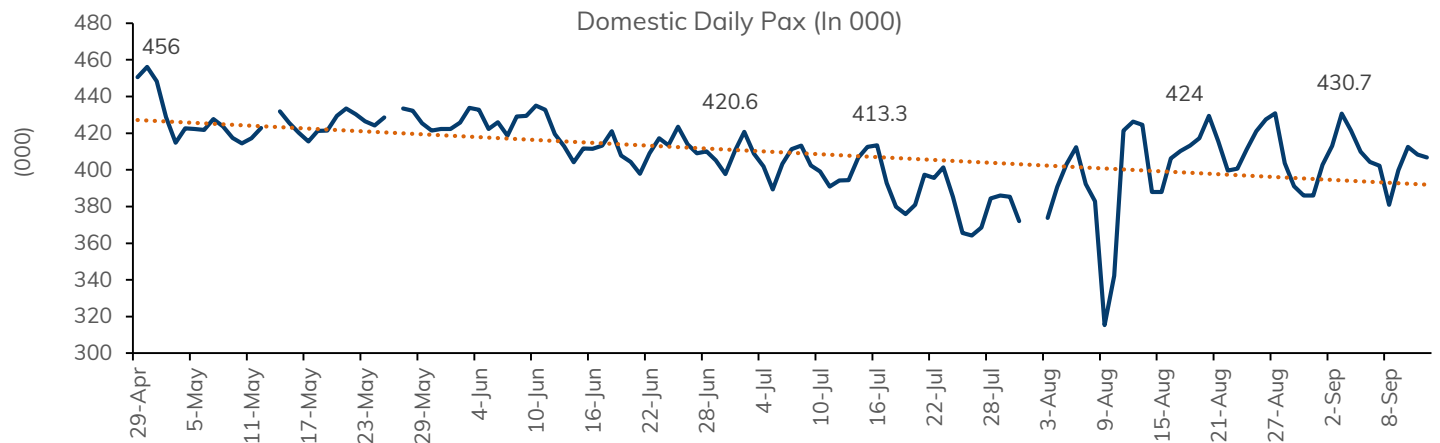
Source: I-Sec research, Company data

**Exhibit 2: Low PLF in Jul/Aug'23 underlines lower demand indicating lower fares**

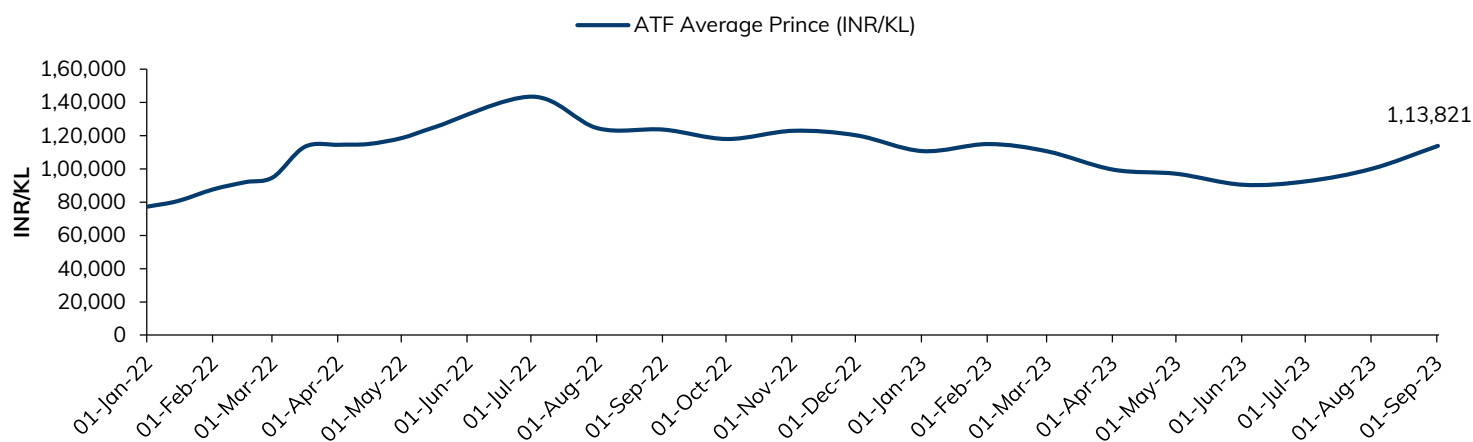
PLF trend (%)	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Chg in PLF MoM
Air India	73.6	79.6	82.7	85.7	89.3	87.5	89.0	85.0	87.9	90.1	88.2	84.2	84.5	30
SpiceJet	84.6	85.8	88.1	92.0	92.7	91.0	94.0	92.0	92.2	94.8	93.1	88.9	90.9	200
Go Air	81.6	83.2	86.7	91.3	92.6	90.9	93.0	90.0	91.2	92.4	0.0	0.0	0.0	-
IndiGo	78.3	81.4	82.1	86.9	87.5	82.0	86.5	84.0	87.4	91.5	90.9	83.7	83.6	-10
Air Asia	74.9	77.0	84.2	87.3	89.8	87.0	89.5	88.6	89.4	92.8	91.8	82.3	82.4	10
Akasa Air	52.9	81.2	77.5	79.2	83.8	82.8	83.7	73.6	84.9	91.1	91.1	86.6	87.3	70
Vistara	84.3	85.4	85.5	91.7	91.9	89.4	92.8	91.6	92.1	93.2	93.1	87.0	91.3	430

Source: I-Sec research, Company data

**Exhibit 3: Daily passengers broadly stable around 400k**



Source: I-Sec research, Company data

**Exhibit 4: ATF price is averaging ~100k/92k in Jul/Aug'23 vs 95k in Q1FY24**


Source: I-Sec research, Company data

**Exhibit 5: IndiGo delivered best on-time performance in Aug'23 (%)**

OTP at 4 metros	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Go Air	50.7	54.2	49.2	41.7	45.5			
Air India (Dom)	75.7	80.2	82.1	91.1	82.5	69.4	70.2	81
SpiceJet	58.9	56.1	63.6	69.2	60.9	59.5	65.4	77.6
IndiGo	84.6	88.8	92.0	89.6	90.3	87.6	86.8	89.0
Vistara	76.6	79.3	83.7	86.5	89.5	88.3	83.6	83.4
Air Asia	61.1	69.7	76.6	82.9	84.8	81.7	83.2	87.1
Alliance Air	54.6	66.1	69.1	67.9	61.9	47.6	59.6	70.9
Akasa Air	76.9	87.0	94.2	94.0	92.6	87.6	80.6	81.4
Best	IndiGo	IndiGo	Akasa Air	Akasa Air	Akasa Air	Vistara	IndiGo	IndiGo

Source: I-Sec research, Company data

**Exhibit 6: IndiGo had least complaints per 1,000 passengers in Aug'23**

Complaints / 10,000 pax	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Go Air	0.0	0.0		0.8	44.1			
Air India (Dom)	1.3	1.4	0.9	0.6	0.6	0.6	0.8	0.5
SpiceJet	0.6	0.6	1.2	0.9	1.6	2.1	2.2	1.3
Jet								
IndiGo	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Vistara	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Air Asia	0.2	0.2	0.1	0.1	0.2	0.1	0.1	0.1
Alliance Air	6.9	4.1	2.4	3.8	2.4	2.9	3.2	3.1
Fly Big	1.4	1.6	2.4	1.5	1.8	1.3	1.2	1.3
Star Air	3.7	0.0	3.3	4.2	2.0	0.8	1.1	1.3
Akasa Air	0.4	0.4	0.3	0.3	0.3	0.3	0.4	0.6
<b>Total domestic</b>	<b>0.33</b>	<b>0.30</b>	<b>0.27</b>	<b>0.28</b>	<b>0.42</b>	<b>0.28</b>	<b>0.29</b>	<b>0.23</b>
Best	Go Air	Star Air	Vistara	Vistara	Vistara	Vistara	Vistara	IndiGo

Source: I-Sec research, Company data

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