

InterGlobe Aviation

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR4,493 **TP: INR4,420 (-2%)** **Neutral**

Capacity guidance and outlook remain intact

Bloomberg	INDIGO IN
Equity Shares (m)	386
M.Cap.(INRb)/(USDb)	1735.2 / 20.7
52-Week Range (INR)	4610 / 2333
1, 6, 12 Rel. Per (%)	2/41/51
12M Avg Val (INR M)	4217
Free float (%)	44.7

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	689.0	770.0	814.7
EBITDAR	173.7	189.7	212.4
NP	81.7	77.3	78.7
EPS (INR)	211.8	200.3	204.0
Growth (%)	LP	-5.5	1.9
BV/Sh (INR)	50.3	251.4	456.2

Ratios

Net D:E	11.9	2.4	1.2
RoE (%)	-373.7	133.3	57.9
RoCE (%)	35.5	29.2	26.9
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	21.2	22.4	22.0
P/BV (x)	89.2	17.8	9.8
Adj.EV/EBITDAR(x)	11.3	10.8	9.4
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	11.5	0.7	2.6

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	55.3	57.3	67.8
DII	15.4	15.1	10.5
FII	24.4	23.7	19.8
Others	4.8	4.0	2.0

FII Includes depository receipts

- InterGlobe Aviation (INDIGO) reported an EBITDA growth of 4% YoY to INR51.5b in 1QFY25, while PAT declined 12% YoY to INR27.3b (vs. our est. of INR15.7b). Revenue passenger kilometers (RPK) was 31.5b. The passenger load factor (PLF) was 86.8% with available seat kilometers (ASK) at 36.3b (est. of 35.5b) and yield at INR5.24 (vs. est. of INR4.72, +1% YoY) in 1QFY25.
- Currently, INDIGO's ~70+ aircraft are grounded due to P&W engine issues, and the management believes this number would be range-bound. INDIGO added incremental 17 destinations (10 domestic and 7 international) YoY in 1QFY25 while highlighting the fact that the Indian market is still underpenetrated both in terms of domestic and international travel.
- According to **our airfare tracker**, the 30-day domestic forward prices for INDIGO are down 6% QoQ at INR5,609 and the 15-day prices are down by 19% QoQ to INR5,072 in 2QFY25 to date. Management highlighted that 2QFY25 capacity in terms of ASKs is expected to increase by high single digits vs. 2QFY24. Stable revenue (RASK) is likely in 2QFY25 compared to 2QFY24.
- For Jul'24, INDIGO is witnessing healthy demand; hence, capacity guidance and outlook do not change as of now. Its long-term guidance of doubling the capacity remains intact, despite short-term headwinds in terms of supply and inflationary trends in costs, as per the management. Maintenance and airport charges are seeing inflationary trends.
- Due to the outperformance in 1QFY25, we raise our EPS estimates for FY25/26 by 7%/12%. The stock is trading at ~22x FY26E EPS of INR200 and FY26E EV/ EBITDAR of ~11x. **We reiterate our Neutral rating on the stock with a TP of INR4,420, based on 9x FY26E EV/EBITDAR.**

Beat led by higher revenue, yield, and lower supplementary rentals

- INDIGO's yield was INR5.24 vs. our estimate of INR4.72 (up 1% YoY). RPK was at 31.5b (our est. of 30.9b, +9% YoY), with PLF at 86.8%. ASK was 36.3b (our est. of 35.5b, +11% YoY)
- Thus, revenue stood at INR195.7b (+13% est., +17% YoY) – this included a compensation from International Aero Engines, LLC (IAE) for Aircraft on Ground (AOG) situation due to unavailability of engines.
- EBITDAR stood at INR57.7b (est. of INR38.7b, +12% YoY) with EBITDA at INR51.5b (our est. of INR36.7b, +4% YoY). The company has paid an IGST of INR802m in 1QFY25 on re-import of repaired aircraft, which is under dispute right now.
- INDIGO's PAT stood at INR27.3b (est. of INR15.7b, -12% YoY).

Other highlights

- Free cash stood at INR221b in 1QFY25 vs. INR157b in 1QFY24. Capitalized operating lease liability was INR450b with a total debt of INR525b in 1Q.
- As of Jun'24, INDIGO had a fleet of 382 aircraft including 38 A320 CEOs, 196 A320 NEOs, 98 A321 NEOs, 45 ATRs, 3 A321 freighters, and 2 B777 (damp lease) – there was a net increase of 15 passenger aircraft in 1QFY25; eight from the original order book and seven from the secondary market to mitigate AOG.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Valuation and view

- INDIGO is striving to improve its international presence through strategic partnerships and loyalty programs. It served 106.7m customers in FY24, with a net increase of nine passenger aircraft. The company has eight strategic partners with a 27% international share in terms of ASKs in FY24.
- Management has also been taking several preemptive 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. INDIGO is further enhancing its international travel and working relentlessly to adjust schedules to reassure customers.
- The stock is trading at ~22x FY26E EPS of INR200 and FY26E EV/EBITDAR of ~11x. **We reiterate our Neutral rating on the stock with a TP of INR4,420, based on 9x FY26E EV/EBITDAR.**

Standalone Quarterly performance

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE	(%)	
Net Sales	166.8	149.4	194.5	178.3	195.7	175.8	220.0	178.5	689.0	770.0	173.3	13
<i>YoY Change (%)</i>	29.8	19.6	30.3	25.9	17.3	17.7	13.1	0.1	26.6	11.8	3.9	
EBITDAR	51.6	23.9	54.4	43.7	57.7	27.8	73.9	30.4	173.7	189.7	38.7	49
<i>Margin (%)</i>	30.9	16.0	28.0	24.5	29.5	15.8	33.6	17.0	25.2	24.6	22.3	
Net Rentals	1.9	2.0	3.0	3.9	6.2	2.0	2.0	2.0	10.8	12.3	2.0	2.2
EBITDA	49.7	22.0	51.4	39.8	51.5	25.8	71.8	28.4	162.9	177.4	36.7	40
<i>Margin (%)</i>	29.8	14.7	26.4	22.4	26.3	14.7	32.7	15.9	23.6	23.0	21.2	
Depreciation	14.0	15.5	16.6	18.0	18.7	18.8	18.9	10.9	64.1	67.2	16.8	
Interest	9.5	10.2	11.0	11.0	11.6	11.6	11.7	7.4	41.7	42.3	10.6	
Other Income	4.8	5.6	6.1	6.8	6.8	6.8	6.9	6.4	23.3	26.9	6.4	
PBT	30.9	1.9	30.0	17.7	28.0	2.2	48.2	16.5	80.4	94.9	15.7	78
Reported PAT	30.9	1.9	30.0	18.9	27.3	1.7	36.0	12.3	81.7	77.3	15.7	74
EPS	80.0	4.9	77.7	49.1	70.6	4.3	93.4	32.0	211.6	200.3	40.7	74
<i>YoY Change (%)</i>	LP	LP	111.4	106.8	-11.7	-11.9	20.2	-34.9	LP	-5.4	-49.1	
Operational Data												
ASK (b)	32.7	35.3	36.5	34.8	36.3	38.1	39.4	40.8	139.3	154.7	35.5	2
<i>YoY Change (%)</i>	19%	27%	27%	14%	11%	8%	8%	17%	22%	11%	9%	0
Load factor (%)	88.7	83.3	85.8	86.2	86.8	84.6	89.4	94.7	85.9	89.0	87.0	0
RPK (b)	29.0	29.4	31.3	30.0	31.5	32.2	35.3	38.7	119.7	137.7	30.9	2
<i>YoY Change (%)</i>	32%	34%	28%	17%	9%	10%	13%	29%	27%	15%	6%	0
Yield (INR/RPK)	5.18	4.44	5.48	5.19	5.24	4.59	5.24	3.74	5.07	4.70	4.72	11
RASK	5.10	4.23	5.33	5.12	5.39	4.61	5.58	4.37	4.95	4.98	4.88	10
CASK	4.16	4.18	4.51	4.61	4.62	4.56	4.36	3.97	4.37	4.36	4.44	4
RASK less CASK	0.94	0.05	0.82	0.51	0.77	0.06	1.22	0.40	0.58	0.61	0.44	74
CASK ex-Fuel	2.54	2.50	2.61	2.87	2.83	2.67	2.70	2.31	2.63	2.62	2.61	9
Fuel Cost	1.62	1.68	1.90	1.74	1.79	1.89	1.66	1.66	1.74	1.75	1.83	-2



Conference call highlights

- The company has reported seven consecutive quarters of profit
- 28m customers served during in 1QFY25
- Some of the initiatives that INDIGO is undertaking
 - Launching tailored-made projects for select routes
 - Hotel booking option added on the website and the mobile app
 - Inflight entertainment on the mobile device being tested on only route, and decision to commercialize it would be taken later
 - Having a separate web check-in portal for women customers
- The Indian market is still underpenetrated when it comes to domestic and international travel for Indian customers
- Have added 17 new routes
- It is enhancing international travel further
 - Since mid-August, it would be flying daily to three new destinations
- Code share networks have been beneficial till now for INDIGO
 - Code share agreement announced with Japan airlines for Delhi and Bengaluru
- Working relentlessly to adjust schedules to reassure customers
- Recent canopy collapse at Delhi Terminal 1 and massive IT outage have been dealt with swiftly
- Management remains confident as the opportunity size is huge
- 2QFY25 capacity in terms of ASKs is expected to increase by high single digits as compared to 2QFY24
 - Stable revenue (RASK) expected in 2QFY25 compared to 2QFY24
- RASK was higher because of the finalization of the compensation related to Aircraft on Ground (AOG)
 - Current AOG in mid-70s; would start reducing from early next CY
- For Jul'24, management is seeing solid demand and capacity and outlook guidance do not change as of now
- Average domestic fare for INDIGO is in the range of INR5-6K for the previous two quarters
- Expenses have been going up
 - With respect to air fuel expenses, some of the states have started increasing VAT on ATF
 - Airport charges have started to climb upwards and are in discussion with its airport partners
- Maintenance is going through an inflationary cycle

Operational metrics

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Capacity								
ASK (million)	81,016	96,300	45,471	70,400	1,14,400	1,39,300	1,54,694	1,65,371
ASK YoY (%)	28%	19%	-53%	55%	63%	22%	11%	7%
Load Factor (%)	86%	86%	69%	73%	82%	86%	89%	90%
RPK (million)	69,787	82,600	31,595	51,700	93,900	1,19,700	1,37,677	1,48,834
RPK YoY (%)	26%	18%	-62%	64%	82%	27%	15%	8%
Revenue Calculation								
Ticket Revenue (INR m)	2,51,359	3,14,682	1,18,735	2,19,239	4,81,759	6,07,980	6,47,084	6,84,635
Yield (INR/RPK)	3.60	3.81	3.76	4.24	5.13	5.08	4.70	4.60
Ancillary revenues (incl. others)	33,609	42,878	27,671	40,070	62,706	81,063	1,22,946	1,30,081
Total Revenue (INR m)	2,84,968	3,57,560	1,46,406	2,59,309	5,44,465	6,89,043	7,70,030	8,14,715
Fuel Cost								
Exchange rate (INR/USD)	70	71	74	75	80	83	84	85
ATF Prices (INR/lit)	67	63	43	74	118	102	93	91
YoY (%)	24%	-6%	-32%	71%	60%	-14%	-9%	-3%
Aircraft fuel expenses (INR m)	1,20,820	1,26,316	38,868	98,117	2,39,320	2,42,468	2,70,363	2,78,054
Spreads								
RASK	3.5	3.7	3.2	3.7	4.8	4.9	5.0	4.9
CASK	3.5	3.7	4.5	4.6	4.8	4.4	4.4	4.3
RASK-CASK	0.0	0.0	-1.3	-0.9	0.0	0.6	0.6	0.6
CASK-ex fuel	2.0	2.4	3.6	3.2	2.7	2.6	2.6	2.6
RASK-CASK (ex-fuel)	1.5	1.3	-0.4	0.5	2.1	2.3	2.4	2.3

1QFY25 in charts

Exhibit 1: Total ASK stood at 36.3b...

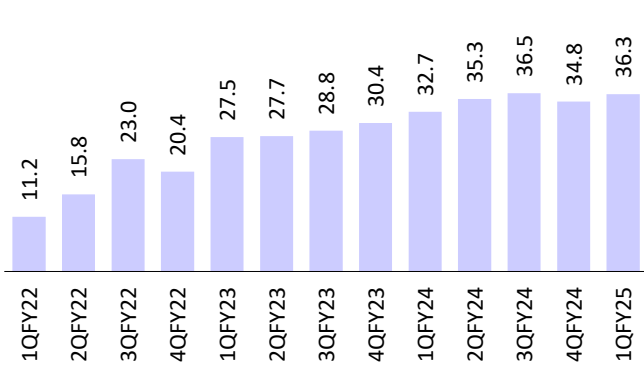


Exhibit 2: ...up 11% YoY in 1QFY25

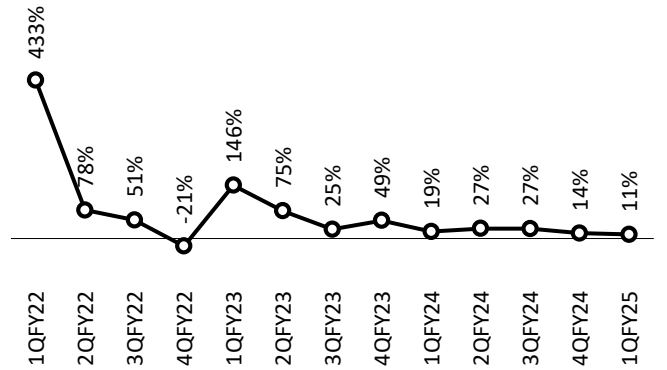


Exhibit 3: Total RPK stood at 31.5b...

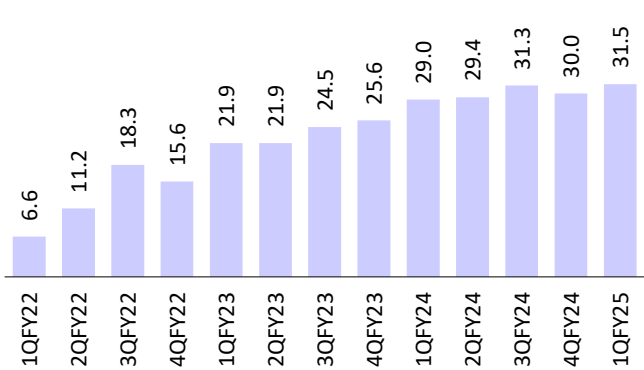


Exhibit 4: ...up 9% YoY in 1QFY25

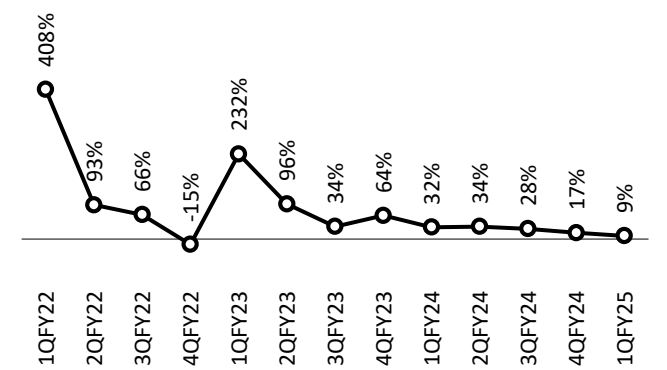


Exhibit 5: RASK stood at INR5.39 (+6% YoY)

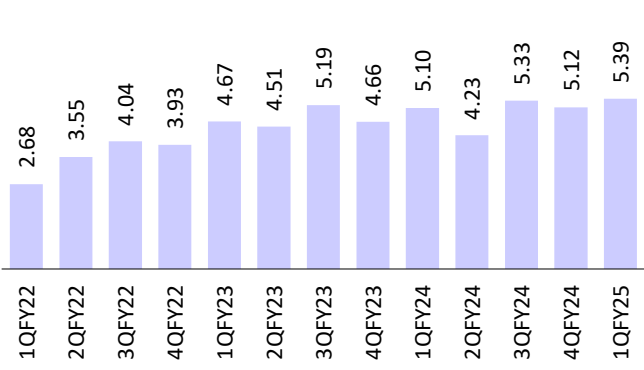


Exhibit 6: CASK stood at INR4.62 (+11% YoY)

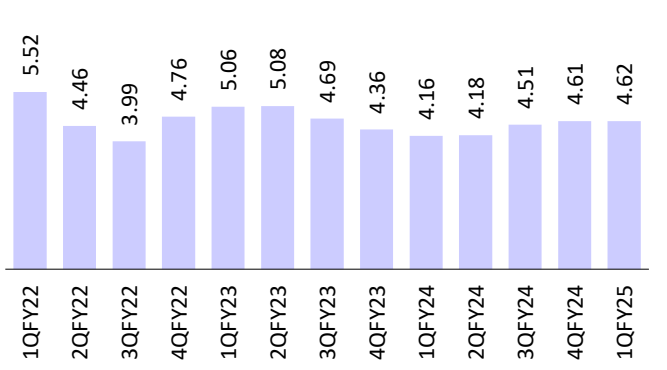


Exhibit 7: Load factor declined to 86.8% (88.7% in 1QFY24)

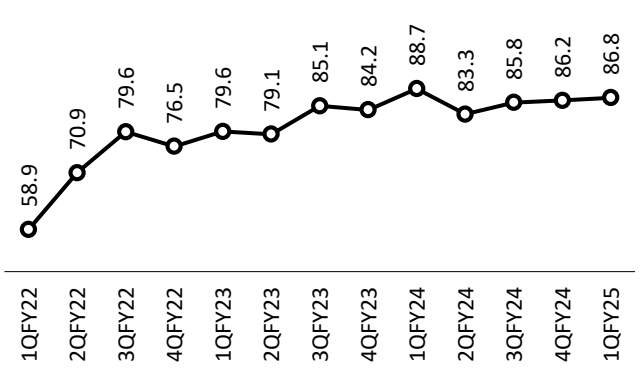
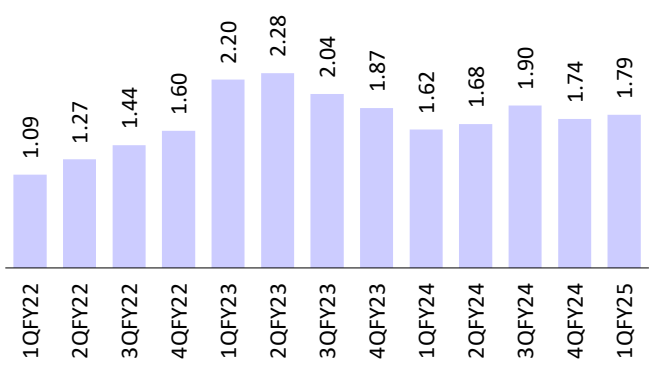


Exhibit 8: Fuel cost stood at INR1.79 in 1QFY25 (+10% YoY)



Source: Company, MOFSL

Source: Company, MOFSL

Financials and Valuation

Standalone - Income Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	285.0	357.6	146.4	259.3	544.5	689.0	770.0	814.7
<i>YoY Chg (%)</i>	23.8	25.5	-59.1	77.1	110.0	26.6	11.8	5.8
EBITDAR	47.9	45.3	2.6	8.4	68.1	173.7	189.7	212.4
<i>Margin (%)</i>	16.8	12.7	1.7	3.2	12.5	25.2	24.6	26.1
Aircraft & Engine Lease Rentals	50.0	5.0	2.8	3.1	3.3	10.8	12.3	8.6
EBITDA	-2.1	40.4	-0.3	5.3	64.8	162.9	177.4	203.8
<i>Margin (%)</i>	-0.7	11.3	-0.2	2.0	11.9	23.6	23.0	25.0
Depreciation	7.6	39.7	47.0	50.7	51.0	64.1	67.2	81.4
EBIT	-9.7	0.6	-47.2	-45.4	13.8	98.9	110.3	122.4
Int. and Finance Charges	5.1	18.8	21.4	23.6	31.3	41.7	42.3	44.0
Other Income	13.2	15.4	10.4	7.2	14.3	23.3	26.9	26.8
PBT	-1.5	-2.8	-58.3	-61.7	-3.2	80.4	94.9	105.2
PBT after EO Exp.	-1.5	-2.8	-58.3	-61.7	-3.2	80.4	94.9	105.2
Tax	-3.1	-0.3	0.0	0.0	0.0	-1.2	17.6	26.5
<i>Tax Rate (%)</i>	204.5	9.8	0.0	0.0	0.0	-1.5	18.5	25.2
Reported PAT	1.6	-2.5	-58.3	-61.7	-3.2	81.7	77.3	78.7
<i>Change (%)</i>	-93.0	PL	Loss	Loss	Loss	Loss	-5.4	1.9
<i>Margin (%)</i>	0.5	-0.7	-39.8	-23.8	-0.6	11.9	10.0	9.7

Standalone - Balance Sheet

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	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	15.5	92.8	171.5
Net Worth	69.4	58.6	0.7	-60.4	-63.0	19.3	96.6	175.4
Total Loans	21.9	159.3	227.9	289.6	344.8	397.6	427.4	410.3
Capital Employed	92.0	217.9	228.6	229.2	281.7	416.9	524.0	585.6
Gross Block	77.1	228.0	295.3	370.7	485.4	633.3	766.4	911.4
Less: Accum. Deprn.	20.5	60.2	107.2	157.9	208.9	272.9	340.1	421.5
Net Fixed Assets	56.6	167.8	188.2	212.8	276.5	360.4	426.3	489.9
Capital WIP	0.2	1.3	0.7	1.2	0.2	0.0	14.8	17.8
Total Investments	65.2	95.0	72.9	80.3	115.1	164.5	164.5	164.5
Curr. Assets, Loans&Adv.	128.1	156.4	168.0	164.3	198.6	295.8	338.0	356.8
Inventory	2.1	2.9	3.2	4.1	5.9	6.2	7.0	7.3
Account Receivables	3.6	2.6	2.2	3.3	5.2	6.4	7.2	7.6
Cash and Bank Balance	86.1	108.3	112.3	101.2	118.1	167.1	194.2	204.7
Loans and Advances	36.3	42.7	50.4	55.7	69.4	116.0	129.6	137.2
Curr. Liability & Prov.	158.1	202.6	201.2	229.4	308.7	403.8	419.7	443.3
Account Payables	14.6	15.7	15.6	31.5	32.1	31.9	35.9	37.2
Other Current Liabilities	139.2	167.5	164.2	184.6	260.7	344.2	383.8	406.1
Provisions	4.4	19.5	21.4	13.2	15.9	27.7	0.0	0.0
Net Current Assets	-30.0	-46.2	-33.1	-65.1	-110.1	-108.0	-81.7	-86.6
Appl. of Funds	92.0	217.9	228.6	229.2	281.7	416.9	524.0	585.6

Financials and Valuation

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	4.0	-6.4	-151.2	-160.1	-8.2	211.8	200.3	204.0
Cash EPS	23.8	96.9	-29.4	-28.7	124.5	379.1	375.9	416.5
BV/Share	180.7	152.5	1.8	-157.0	-164.0	50.3	251.4	456.2
DPS	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout incl. tax (%)	148.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	1,108.1	-696.5	-29.6	-28.0	-545.7	21.2	22.4	22.0
Cash P/E	188.2	46.3	-152.4	-156.2	36.0	11.8	11.9	10.8
P/BV	24.8	29.4	2,430.3	-28.6	-27.3	89.2	17.8	9.8
EV/Sales	5.8	5.0	12.6	7.4	3.6	2.8	2.5	2.4
EV/EBITDAR	34.8	39.3	723.9	227.9	28.7	11.3	10.8	9.4
EV/EBITDA	-810.9	44.1	-7,251.5	361.8	30.2	12.0	11.1	9.5
Dividend Yield (%)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF Yield (%)	1.4	-3.9	-4.1	-2.9	7.4	11.5	0.7	2.6
FCF per share	64.8	-177.0	-184.5	-128.7	332.8	514.6	32.7	116.2
Return Ratios (%)								
RoE	2.2	-3.9	-196.5	206.9	5.1	-373.7	133.3	57.9
RoCE	-4.0	9.3	-16.5	-16.7	11.0	35.5	29.2	26.9
RoIC	-21.9	-2.5	-168.6	-101.7	29.2	150.4	76.2	52.5
Working Capital Ratios								
Fixed Asset Turnover (x)	3.7	1.6	0.5	0.7	1.1	1.1	1.0	0.9
Asset Turnover (x)	3.1	1.6	0.6	1.1	1.9	1.7	1.5	1.4
Inventory (Days)	3	3	8	6	5	4	3	3
Debtor (Days)	5	3	5	5	3	3	10	10
Creditor (Days)	22	18	39	46	25	23	17	17
Working Cap. Turnover (Days)	-149	-158	-363	-234	-153	-146	-131	-130

Standalone - Cash Flow Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	-1.5	-2.8	-58.3	-61.7	-3.2	80.4	94.9	105.2
Depreciation	7.6	39.7	47.0	50.7	51.0	64.1	67.2	81.4
Interest & Finance Charges	-8.2	3.4	11.1	16.3	31.1	41.7	15.4	17.2
Direct Taxes Paid	3.0	0.0	0.0	0.0	-3.9	-5.1	-17.6	-26.5
(Inc)/Dec in WC	17.3	92.5	-3.8	21.4	31.2	43.4	1.5	15.4
CF from Operations	18.3	132.8	-4.0	26.7	106.2	224.5	161.3	192.8
CF from Operating incl EO	18.3	132.8	-4.0	26.7	127.0	211.8	161.3	192.8
(Inc)/Dec in FA	6.8	-201.2	-67.2	-76.4	1.4	-13.2	-148.7	-147.9
Free Cash Flow	25.0	-68.3	-71.2	-49.7	128.4	198.6	12.6	44.8
(Pur)/Sale of Investments	-1.7	-29.8	22.1	-7.4	-43.5	-109.1	0.0	0.0
Others	13.2	15.4	10.4	7.2	1.6	4.8	26.9	26.8
CF from Investments	18.3	-215.6	-34.8	-76.5	-40.6	-117.6	-121.8	-121.2
Inc/(Dec) in Debt	-0.5	137.3	68.6	61.7	-16.7	-2.8	29.8	-17.1
Interest Paid	-5.1	-18.8	-21.4	-23.6	-26.7	-35.0	-42.3	-44.0
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	-84.3	-99.8	-12.5	-61.1
Inc/Dec of Cash	20.3	22.2	4.0	-11.1	2.2	-5.5	27.1	10.5
Opening Balance	65.8	86.1	108.3	112.3	10.1	12.4	6.9	34.0
Closing Balance	86.1	108.3	112.3	101.2	12.4	6.9	34.0	44.5

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NOTES

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