

InterGlobe Aviation

Estimate change



TP change



Rating change



CMP: INR2,509

TP: INR2,800 (+12%)

Neutral

Profitability continues despite seasonality

Bloomberg	INDIGO IN
Equity Shares (m)	385
M.Cap.(INRb)/(USD\$b)	968 / 11.6
52-Week Range (INR)	2746 / 1676
1, 6, 12 Rel. Per (%)	5/10/33
12M Avg Val (INR M)	2228
Free float (%)	36.8

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	544.5	664.1	718.1
EBITDAR	68.1	178.4	165.8
NP	-3.2	90.2	84.8
EPS (INR)	-8.2	233.8	220.0
Growth (%)	Loss	LP	-5.9
BV/Sh (INR)	-164.0	70.6	291.2

Ratios

Net D:E	-3.6	6.1	1.0
RoE (%)	5.1	-502.1	122.0
RoCE (%)	11.0	39.9	29.0
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	-305.0	10.7	11.4
P/BV (x)	-15.3	35.5	8.6
Adj.EV/EBITDAR(x)	17.5	6.6	6.8
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	1.4	8.3	6.7

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	63.2	67.8	71.9
DII	13.3	10.5	7.8
FII	20.3	19.8	18.1
Others	3.2	2.0	2.2

FII Includes depository receipts

- InterGlobe Aviation (IndiGo) posted a PAT of INR1.9b (v/s our estimated net loss of INR9.6b) in 2QFY24 driven by lower-than-expected fuel costs and supplementary rentals. Revenue passenger kilometers (RPK) were at 29.4b. Passenger load factor (PLF) was at 83.3% with available seat kilometers (ASK) of 35.3b (est. of 34.3b) and yield of INR4.4 (v/s est. of INR4.3) in 2QFY24.
- Supplemental rentals were down QoQ due to provisions of a reversal of ~INR1.5b taken by the company during 2QFY24. Rentals are likely to rebound to 1QFY24 levels from 3Q onwards. Currently, over 40 aircraft of IndiGo are grounded due to P&W engine issues. P&W has now identified a new issue with powder metal, and an incremental number of engines will be removed for inspections from Jan'24 onwards, thereby hurting operating fleet further.
- That being said, according to **our airfare tracker**, the 30-day domestic forward prices for IndiGo are up by 30% QoQ and the 15-day prices are up by 37% QoQ in 3QFY24 to date. Management highlighted that it has made adjustments to the base fare after introducing the fuel surcharge and would continue to have it to offset the increases in ATF prices in the past 3-4 months. Demand has remained stable, with IndiGo serving 26.3m passengers in 2Q and it is on track to raise this to 100m in FY24 from 85m in FY23.
- To harness the expected demand growth, the company plans to increase its fleet size to 350 in FY24 from 306 in FY23, while also adding 10-15 new destinations (both domestic and international). The long-term guidance of doubling the capacity stays intact, with the management highlighting that it would be difficult to give a number for FY25 because of the P&W-related issues. Management would prefer to wait and watch on this as of now.
- Due to the outperformance in 2QFY24, we raise our EBITDA/PAT estimates by 9%/13% for FY24, while keeping our FY25E broadly unchanged. While we remain positive on the industry as a whole, IndiGo would have to navigate through various challenges in the near to medium term. Reiterate Neutral with a TP of INR2,800 (premised on 7.5x FY25E EV/EBIDTAR).

Beat on steady demand for air travel, sequential decline in PLF and yield

- IndiGo's yield stood at INR4.4 vs. our estimate of INR4.3 (and INR5.1 in 2QFY23). RPK was at 29.4b (our est. of 28.7b, +34% YoY), with PLF at 83.3%. ASK was at 35.3b (our est. of 34.3b, +27% YoY) during the quarter.
- Thus, revenue stood at INR149b (+7% est., +20% YoY). EBITDAR stood at INR23.9b (est. of INR11.3b) with EBITDA at INR22b (our est. of INR9.4b). The company has paid an IGST of INR927m in 2QFY24 on re-import of a repaired aircraft, which is under dispute right now.
- PAT was at INR1.9b vs. our est. loss of INR9.6b. Depreciation charge was higher by INR692m on reassessment of estimated useful life for 14 CEO aircraft from 20 years to 13-16 years, and consequent residual value.

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

- Free cash was at INR180b in 2QFY24 vs. INR82b in 2QFY23. Capitalized lease liability stood at INR455b with a total debt of INR494b in 2QFY24.
- For 1HFY24, revenue was at INR316b (+25% YoY), EBITDA was at INR71.6b (+10x YoY) and PAT stood at INR32.8b (loss of INR26.5b in 1HFY23). PLF improved to 85.9% (79.3% in 1HFY23) with average yield at INR4.8 (-7% YoY)

Valuation and View

- IndiGo is working to increase its international presence through strategic partnerships (codeshare agreement with Turkish Airlines) and loyalty programs. The company's loyalty program subscriber base has increased 4.5 times from FY21 levels. The company also plans to add more routes and strengthen its own network of international routes it is operating.
- Management has 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 (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 industry as a whole, IndiGo would have to navigate through various challenges in the near to medium term. Reiterate Neutral with a TP of INR2,800 (premised on 7.5x FY25E EV/EBIDTAR).

Standalone Quarterly performance

Y/E March	(INR b)											
	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	128.6	125.0	149.3	141.6	166.8	149.4	191.8	156.0	544.5	664.1	139.9	7%
YoY Change (%)	327.5	122.8	60.7	76.5	29.8	19.6	28.4	10.2	110.0	22.0	12.0	
EBITDAR	6.6	0.7	31.8	28.9	51.6	23.9	72.1	30.7	68.1	178.4	11.3	111%
Margin (%)	5.2	0.6	21.3	20.4	30.9	16.0	37.6	19.7	12.5	26.9	8.1	
Net Rentals	0.7	0.5	0.7	1.4	1.9	2.0	2.0	2.1	3.3	8.0	2.0	-1%
EBITDA	6.0	0.3	31.1	27.5	49.7	22.0	70.1	28.7	64.8	170.4	9.4	135%
Margin (%)	4.6	0.2	20.9	19.4	29.8	14.7	36.5	18.4	11.9	25.7	6.7	
Depreciation	11.7	12.4	13.4	13.5	14.0	15.5	15.6	16.1	51.0	61.2	14.2	
Interest	6.6	7.3	8.3	9.2	9.5	10.2	10.3	10.3	31.3	40.4	9.6	
Other Income	1.6	3.5	4.8	4.4	4.8	5.6	5.6	5.4	14.3	21.4	4.8	
PBT	-10.7	-15.9	14.2	9.2	30.9	1.9	49.8	7.6	-3.2	90.2	-9.6	LP
Reported PAT	-10.7	-15.9	14.2	9.2	30.9	1.9	49.8	7.6	-3.2	90.2	-9.6	LP
EPS	-27.7	-41.2	36.8	23.8	80.2	4.9	129.4	19.8	-8.2	234.2	-25.0	LP
YoY Change (%)	Loss	Loss	1,004.1	LP	LP	LP	251.1	-16.9	LP	LP	Loss	
Operational Data												
ASK (b)	27.5	27.7	28.8	30.4	32.7	35.3	35.5	35.7	114.4	139.1	34.3	3%
YoY Change (%)	146%	75%	25%	49%	19%	27%	23%	17%	63%	22%	24%	0%
Load factor (%)	79.6	79.1	85.1	84.2	88.7	83.3	92.4	87.7	82.1	88.0	83.7	0%
RPK (b)	21.9	21.9	24.5	25.6	29.0	29.4	32.8	31.3	93.9	122.4	28.7	2%
YoY Change (%)	232%	96%	34%	64%	32%	34%	34%	22%	82%	30%	31%	0%
Yield (INR/RPK)	5.24	5.07	5.38	4.85	5.18	4.44	5.18	4.40	5.14	4.80	4.31	3%
RASK	4.67	4.51	5.19	4.66	5.10	4.23	5.41	4.38	4.76	4.77	4.08	4%
CASK	5.06	5.08	4.69	4.36	4.16	4.18	4.00	4.16	4.79	4.13	4.36	-4%
RASK less CASK	-0.39	-0.57	0.49	0.30	0.94	0.05	1.40	0.21	-0.03	0.65	-0.28	LP
CASK ex-Fuel	2.86	2.80	2.66	2.49	2.54	2.50	2.65	2.68	2.70	2.59	2.52	-1%
Fuel Cost	2.20	2.28	2.04	1.87	1.62	1.68	1.35	1.48	2.09	1.53	1.84	-8%

Key assumptions for IndiGo

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Capacity								
ASK (million)	63,510	81,016	96,300	45,471	70,400	1,14,400	1,39,130	1,61,356
ASK YoY (%)	16%	28%	19%	-53%	55%	63%	22%	16%
Load Factor (%)	87%	86%	86%	69%	73%	82%	88%	88%
RPK (million)	55,524	69,787	82,600	31,595	51,700	93,900	1,22,435	1,41,994
RPK YoY (%)	20%	26%	18%	-62%	64%	82%	30%	16%
Revenue Calculation								
Ticket Revenue (INR m)	1,99,433	2,51,359	3,14,682	1,18,735	2,19,239	4,81,759	5,87,687	6,03,473
Yield (INR/RPK)	3.59	3.60	3.81	3.76	4.24	5.13	4.80	4.25
Ancillary revenues (incl. others)	30,776	33,609	42,878	27,671	40,070	62,706	76,399	1,14,660
Total Revenue (INR m)	2,30,209	2,84,968	3,57,560	1,46,406	2,59,309	5,44,465	6,64,086	7,18,132
Fuel Cost								
Exchange rate (INR/USD)	64	70	71	74	75	80	83	85
ATF Prices (INR/lit)	54	67	63	43	74	118	95	90
YoY (%)	7%	24%	-6%	-32%	71%	60%	-20%	-5%
Aircraft fuel expenses (INR m)	78,853	1,20,820	1,26,316	38,868	98,117	2,39,320	2,13,211	2,68,261
Spreads								
RASK	3.6	3.5	3.7	3.2	3.7	4.8	4.8	4.5
CASK	3.1	3.5	3.7	4.5	4.6	4.8	4.1	3.9
RASK-CASK	0.5	0.0	0.0	-1.3	-0.9	0.0	0.6	0.5
CASK-ex fuel	1.9	2.0	2.4	3.6	3.2	2.7	2.6	2.3
RASK-CASK (ex-fuel)	1.7	1.5	1.3	-0.4	0.5	2.1	2.2	2.2

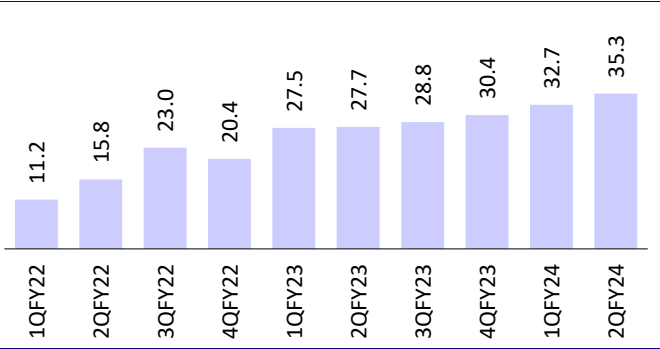


Conference call highlights

- Company has reported PAT for the past four consecutive quarters
- Profit in a seasonally weak quarter after five years
- 26.3m passengers served in 2Q (+33% YoY) and flew 52m passengers in 1HFY24
- On track to serve 100m passengers in FY24
- Operations started in four new domestic destinations
- Three new destinations to be initiated in the next few quarters
- To significantly boost connectivity to these cities
- Total destinations to be 86 after these additions
- International strategy for IndiGo
- Strengthen own network in the international routes
- Recently resumed operations in HK and would be further adding two new routes in international cities, taking the total count to 34
- To add more routes (have added 24 routes in the last one year)
- Share of ASK in the international market is now 26% management aspires for 30%
- To sign more code share agreements
- Capacity growth guidance of mid-teen level in FY24 stays intact
- Capacity to double by CY30
- Operating fleet to be grounded more from 4QFY24
- In constant discussion with OEMs to find a solution for the same
- Estimating 25% capacity addition on YoY basis in 3Q
- Supply chain issues persist
- INR1.5b reversal in airport rentals with supplementary fees in line with 1Q numbers
- 200-300days to be taken by P&W for the inspection to be completed
- A total of 40 IndiGo aircraft has been grounded. The powder metal issue is new and there would be further groundings for the same
- Adjustments made to the base fare after introducing the fuel surcharge
- Would continue to keep the fuel surcharge to offset the ATF price increases in the past 3-4 months

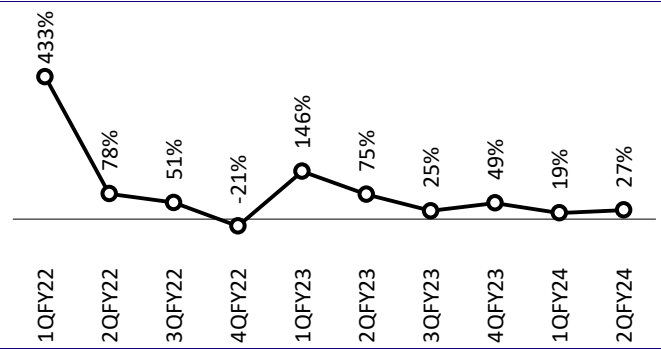
2QFY24 in charts

Exhibit 1: Total ASKs stood at 35.3b...



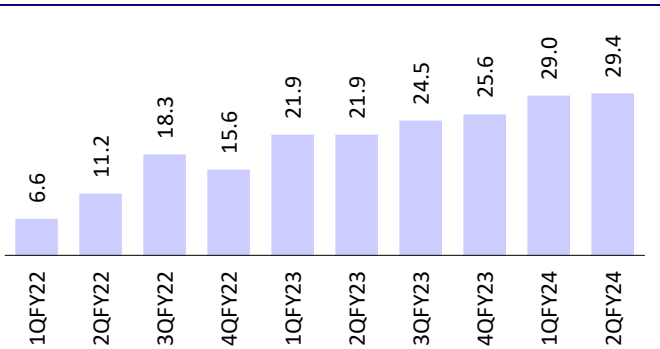
Source: Company, MOFSL

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



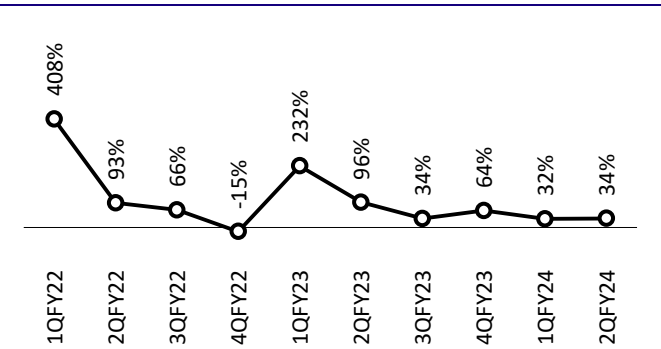
Source: Company, MOFSL

Exhibit 3: Total RPKs stood at 29.4b...



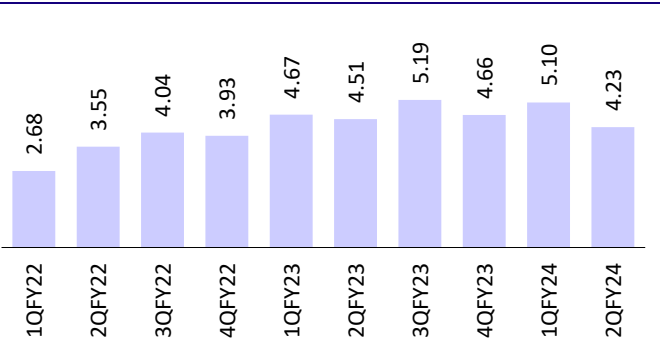
Source: Company, MOFSL

Exhibit 4: ...up 34% YoY in 2QFY24



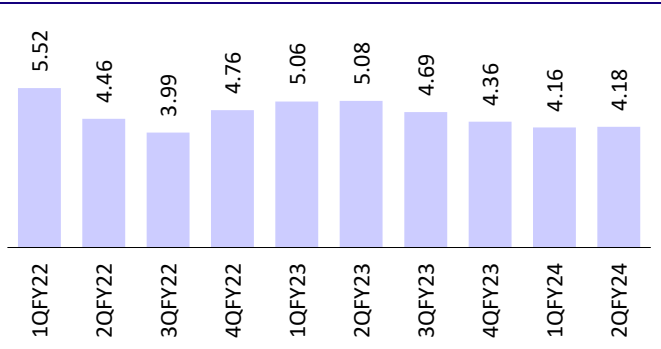
Source: Company, MOFSL

Exhibit 5: RASK stood at INR4.2 (-17% YoY)



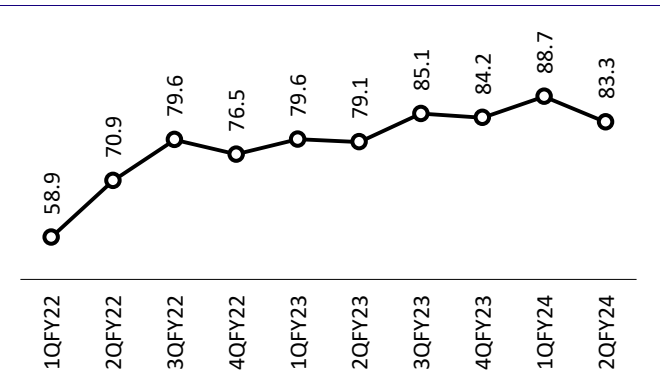
Source: Company, MOFSL

Exhibit 6: CASK stood at INR4.2 (+1% YoY)



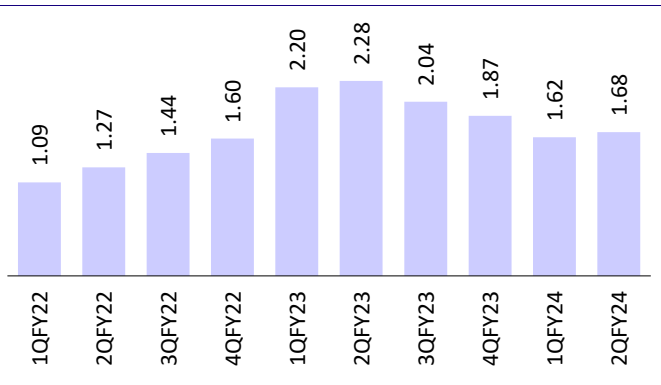
Source: Company, MOFSL

Exhibit 7: Load factor declined to 83.3% (88.7% in 2QFY24)



Source: Company, MOFSL

Exhibit 8: Fuel cost stood at INR1.7 in 2QFY24



Source: Company, MOFSL

Financials and Valuation

Standalone - Income Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	230.2	285.0	357.6	146.4	259.3	544.5	664.1	718.1
YoY Chg (%)	23.9	23.8	25.5	-59.1	77.1	110.0	22.0	8.1
EBITDAR	65.7	47.9	45.3	2.6	8.4	68.1	178.4	165.8
Margin (%)	28.5	16.8	12.7	1.7	3.2	12.5	26.9	23.1
Aircraft & Engine Lease Rentals	36.1	50.0	5.0	2.8	3.1	3.3	8.0	8.4
EBITDA	29.6	-2.1	40.4	-0.3	5.3	64.8	170.4	157.5
Margin (%)	12.8	-0.7	11.3	-0.2	2.0	11.9	25.7	21.9
Depreciation	4.4	7.6	39.7	47.0	50.7	51.0	61.2	62.5
EBIT	25.2	-9.7	0.6	-47.2	-45.4	13.8	109.2	94.9
Int. and Finance Charges	3.4	5.1	18.8	21.4	23.6	31.3	40.4	35.4
Other Income	9.5	13.2	15.4	10.4	7.2	14.3	21.4	25.3
PBT	31.3	-1.5	-2.8	-58.3	-61.7	-3.2	90.2	84.8
PBT after EO Exp.	31.3	-1.5	-2.8	-58.3	-61.7	-3.2	90.2	84.8
Tax	8.8	-3.1	-0.3	0.0	0.0	0.0	0.0	0.0
Tax Rate (%)	28.3	204.5	9.8	0.0	0.0	0.0	0.0	0.0
Reported PAT	22.4	1.6	-2.5	-58.3	-61.7	-3.2	90.2	84.8
Change (%)	35.1	-93.0	PL	Loss	Loss	Loss	LP	-5.9
Margin (%)	9.7	0.5	-0.7	-39.8	-23.8	-0.6	13.6	11.8

Standalone - Balance Sheet

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	3.8	3.8	3.8	3.8	3.9	3.9	3.9	3.9
Total Reserves	66.9	65.6	54.8	-3.1	-64.2	-66.9	23.3	108.1
Net Worth	70.8	69.4	58.6	0.7	-60.4	-63.0	27.1	111.9
Total Loans	22.4	21.9	159.3	227.9	289.6	344.8	345.8	345.8
Capital Employed	96.9	92.0	217.9	228.6	229.2	281.7	372.9	457.7
Gross Block	57.9	77.1	228.0	295.3	370.7	485.4	588.6	701.0
Less: Accum. Deprn.	12.9	20.5	60.2	107.2	157.9	208.9	270.1	332.6
Net Fixed Assets	45.0	56.6	167.8	188.2	212.8	276.5	318.5	368.4
Capital WIP	0.3	0.2	1.3	0.7	1.2	0.0	11.5	13.8
Total Investments	63.4	65.2	95.0	72.9	80.3	115.1	115.1	115.1
Curr. Assets, Loans&Adv.	102.5	128.1	156.4	168.0	164.3	198.8	276.9	339.8
Inventory	1.8	2.1	2.9	3.2	4.1	5.9	6.0	6.9
Account Receivables	2.3	3.6	2.6	2.2	3.3	5.2	6.3	6.9
Cash and Bank Balance	65.8	86.1	108.3	112.3	101.2	118.1	179.7	234.4
Loans and Advances	32.6	36.3	42.7	50.4	55.7	69.6	84.9	91.8
Curr. Liability & Prov.	114.4	158.1	202.6	201.2	229.4	308.7	349.1	379.4
Account Payables	10.0	14.6	15.7	15.6	31.5	32.1	32.8	37.3
Other Current Liabilities	101.4	139.2	167.5	164.2	184.6	260.7	316.4	342.1
Provisions	3.0	4.4	19.5	21.4	13.2	15.9	0.0	0.0
Net Current Assets	-11.9	-30.0	-46.2	-33.1	-65.1	-109.9	-72.2	-39.6
Appl. of Funds	96.9	92.0	217.9	228.6	229.2	281.7	372.9	457.7

Financials and Valuation

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	58.2	4.0	-6.4	-151.2	-160.1	-8.2	233.8	220.0
Cash EPS	69.7	23.8	96.9	-29.4	-28.7	124.5	393.8	383.3
BV/Share	184.1	180.7	152.5	1.8	-157.0	-164.0	70.6	291.2
DPS	6.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout incl. tax (%)	12.4	148.3	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	43.1	619.2	-389.2	-16.6	-15.7	-305.0	10.7	11.4
Cash P/E	35.9	105.2	25.9	-85.1	-87.3	20.1	6.4	6.5
P/BV	13.6	13.9	16.4	1,358.2	-16.0	-15.3	35.5	8.6
EV/Sales	4.0	3.2	2.8	7.4	4.4	2.2	1.7	1.5
EV/EBITDAR	14.0	18.8	22.4	423.5	136.9	17.5	6.6	6.8
EV/EBITDA	31.1	-438.1	25.1	-4,242.2	217.4	18.4	6.6	6.8
Dividend Yield (%)	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
FCF Yield (%)	3.6	2.6	-7.1	-7.4	-5.2	1.4	8.3	6.7
FCF per share	89.4	65.0	-177.5	-185.0	-129.1	33.9	207.1	168.5
Return Ratios (%)								
RoE	41.3	2.2	-3.9	-196.5	206.9	5.1	-502.1	122.0
RoCE	31.0	-4.0	9.3	-16.5	-16.7	11.0	39.9	29.0
RoIC	-68.2	-21.9	-2.5	-168.6	-101.7	29.1	189.8	117.9
Working Capital Ratios								
Fixed Asset Turnover (x)	4.0	3.7	1.6	0.5	0.7	1.1	1.1	1.0
Asset Turnover (x)	2.4	3.1	1.6	0.6	1.1	1.9	1.8	1.6
Inventory (Days)	4	3	3	8	6	5	3	3
Debtor (Days)	4	5	3	5	5	3	11	9
Creditor (Days)	22	22	18	39	46	25	18	19
Working Cap. Turnover (Days)	-123	-149	-158	-363	-234	-153	-138	-139

Standalone - Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	31.3	-1.5	-2.8	-58.3	-61.7	-3.2	90.2	84.8
Depreciation	4.4	7.6	39.7	47.0	50.7	51.0	61.2	62.5
Interest & Finance Charges	-6.1	-8.2	3.4	11.1	16.3	17.0	19.0	10.1
Direct Taxes Paid	-7.9	3.0	0.0	0.0	0.0	0.0	0.0	0.0
(Inc)/Dec in WC	20.1	17.3	92.5	-3.8	21.4	62.2	25.2	22.0
CF from Operations	41.8	18.3	132.8	-4.0	26.7	127.0	195.6	179.4
CF from Operating incl EO	41.8	18.3	132.8	-4.0	26.7	127.0	195.6	179.4
(Inc)/Dec in FA	-7.4	6.8	-201.2	-67.2	-76.4	-114.0	-115.9	-114.7
Free Cash Flow	34.4	25.0	-68.3	-71.2	-49.7	13.1	79.6	64.8
(Pur)/Sale of Investments	-26.3	-1.7	-29.8	22.1	-7.4	-34.8	0.0	0.0
Others	9.5	13.2	15.4	10.4	7.2	14.3	21.4	25.3
CF from Investments	-24.2	18.3	-215.6	-34.8	-76.5	-134.5	-94.6	-89.4
Inc/(Dec) in Debt	-1.5	-0.5	137.3	68.6	61.7	55.2	1.0	0.0
Interest Paid	-3.4	-5.1	-18.8	-21.4	-23.6	-31.3	-40.4	-35.4
Dividend Paid	-2.8	-2.3	0.0	0.0	0.0	0.0	0.0	0.0
CF from Fin. Activity	1.9	-16.3	105.0	42.7	38.8	24.4	-39.4	-35.4
Inc/Dec of Cash	19.5	20.3	22.2	4.0	-11.1	16.9	61.6	54.7
Opening Balance	46.3	65.8	86.1	108.3	112.3	101.2	118.1	179.7
Closing Balance	65.8	86.1	108.3	112.3	101.2	118.1	179.7	234.4

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