

June 3, 2020

Q4FY20 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	995		1,200	
Sales (Rs. m)	1,61,184	3,15,963	2,53,662	4,03,512
% Chng.	(36.5)	(21.7)		
EBITDAR (Rs. m)	17,921	81,098	38,911	94,246
% Chng.	(53.9)	(14.0)		
EPS (Rs.)	(78.5)	54.3	(49.4)	65.5
% Chng.	NM	(17.1)		

Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	2,84,968	3,57,560	1,61,184	3,15,963
EBITDAR (Rs. m)	36,556	45,348	17,921	81,098
Margin (%)	12.8	12.7	11.1	25.7
PAT (Rs. m)	1,561	(2,482)	(30,221)	20,888
EPS (Rs.)	4.1	(6.4)	(78.5)	54.3
Gr. (%)	(93.0)	NM	NM	NM
DPS (Rs.)	6.0	5.0	-	-
Yield (%)	0.6	0.5	-	-
RoE (%)	2.2	NM	NM	53.8
RoCE (%)	NM	0.4	NM	12.7
EV/Sales (x)	0.8	0.9	2.7	1.3
EV/EBITDAR (x)	13.8	11.1	32.5	7.3
PE (x)	232.8	NM	NM	17.4
P/BV (x)	5.2	6.2	12.8	7.4

Key Data

INGL.BO | INDIGO IN

52-W High / Low	Rs.1,911 / Rs.765
Sensex / Nifty	33,826 / 9,979
Market Cap	Rs.364bn/ \$ 4,828m
Shares Outstanding	385m
3M Avg. Daily Value	Rs.6019.88m

Shareholding Pattern (%)

Promoter's	74.86
Foreign	13.59
Domestic Institution	9.17
Public & Others	2.39
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.0)	(34.9)	(43.6)
Relative	(5.3)	(21.5)	(33.8)

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To emerge stronger from Covid-19 air pocket

Quick Pointers:

- Jan/Feb Unit revenues up 2.6% YoY. Covid-19 led disruption loss at Rs3.8bn
- Generate Rs30-40bn additional liquidity in 9M based on various cost optimization measures undertaken
- To return 123 A320ceos in 2 years

We cut IndiGo's FY21/FY22 EBITDAR by 53.9% and 14% respectively given 1) staggered removal of restrictions 2) gradual scale up of operations and 3) low consumer confidence

With air traffic demand unlikely to match pre-Covid levels in the near term, IndiGo is focusing on 1) Reducing unit costs by cutting down all possible discretionary expenses 2) Efficient utilization of fleet 3) Right sizing capacity in line with demand and 4) explore new networks and revenue model. Through these initiatives, the management aims to generate additional liquidity to the tune of Rs30-40bn in the coming 9 months. With 123 less efficient A320ceos to be returned over the next 2 years and given the uncertain demand environment, we do not expect the rate of induction of fuel-efficient A320neo family to match the exit of A320ceos. We expect FY21 capacity to decline by 46% YoY while FY22 capacity is likely to be 90% of FY20 capacity. Despite the near term challenges, IndiGo continues to remain better placed than its peers and is likely to emerge stronger from the current crisis given 1) strong balance sheet with Rs203bn cash & equivalents (Rs89bn in free cash) 2) industry leading cost structure and 3) strong management team. We value the stock at 7.5x FY22 adj. EV/EBITDAR. Maintain Accumulate with a TP of Rs995/-.

Sales up by 5.3%; RASK up by 0.5%: Revenues grew by 5.3% YoY to Rs83bn with Passenger revenue/Ancillary revenues growing at 1.3%/30% respectively. EBITDAR excl other income came in at (Rs127mn) as non-Fuel CASK increased by 42.1% YoY. Aided by Rs4.2bn deferred tax credit, IndiGo's loss was limited to Rs8.7bn. RASK grew by 0.5% YoY to Rs3.65 while CASK grew by 25.8% to Rs4.21 Yield saw a moderate growth of 0.9% YoY.

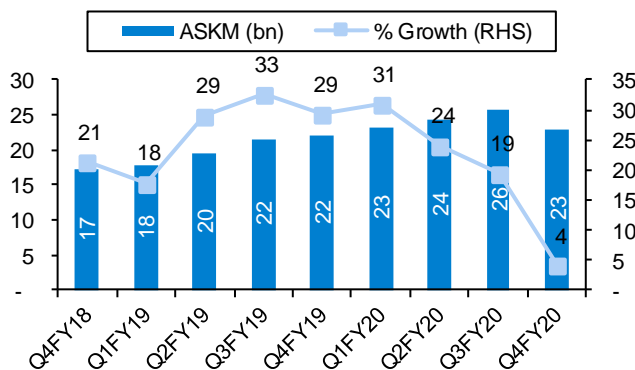
Concall Takeaways: 1) In Jan & Feb Unit revenues were by 2.6% YoY. Covid-19 led disruption led to Rs3.8bn loss in March 2) Cargo business performed well. Have dedicated 10 aircrafts for cargo operations. 3) IndiGo to return 123 A320ceo in next 2 years. Pace of induction of A320/321neo to depend on demand environment. 4) Post reopening of skies, seeing reasonable load factors. 5) In next 9M looking to optimize costs to the tune of Rs30-40bn through savings from supplementary lease rentals, dividend, SLB and negotiations with various vendors 6) Longer term international opportunity remains very attractive given the fragile hub model around India. 7) Lease liability as on March 31st 2020 stands at Rs202bn.

Exhibit 1: Revenues grew by 5.3% YoY; IndiGo reported loss of Rs8.7bn

Y/e March	Q4FY20	Q4FY19	YoY gr.	Q3FY20	FY20	FY19	YoY gr.
Revenue from Operations (Rs mn)	82,991	78,833	5.3%	99,317	3,57,560	2,84,968	25.5%
Aircraft fuel expenses	28,604	27,813	2.8%	33,419	1,24,538	1,19,428	4.3%
Employee Cost	10,509	8,766	19.9%	11,645	43,954	31,378	40.1%
Other expenses	44,005	25,273	74.1%	36,210	1,43,720	97,606	47.2%
EBITDAR	-127	16,980		18,042	45,348	36,556	24.1%
<i>EBITDAR margin %</i>	<i>-0.2%</i>	<i>21.5%</i>		<i>18.2%</i>	<i>12.7%</i>	<i>12.8%</i>	
Aircraft & engine rentals	1,226	11,067	-88.9%	1,343	4,967	38,610	-87.1%
Other Income	3,359	3,765	-10.8%	3,986	15,362	13,249	15.9%
Depreciation & Amortization	10,063	2,185	360.5%	10,377	39,736	7,596	423.1%
Finance Cost	4,877	1,326	267.9%	4,805	18,759	5,090	268.6%
PBT	-12,934	6,168		5,504	-2,751	-1,490	
Tax Expense	-4,200	272		599	-269	-3,052	
Adj PAT	-8,735	5,896		4,905	-2,482	1,561	
<i>PAT margin %</i>	<i>-10.5%</i>	<i>7.5%</i>		<i>4.9%</i>	<i>-0.7%</i>	<i>0.5%</i>	
Reported PAT	-8,735	5,896		4,905	-2,482	1,561	

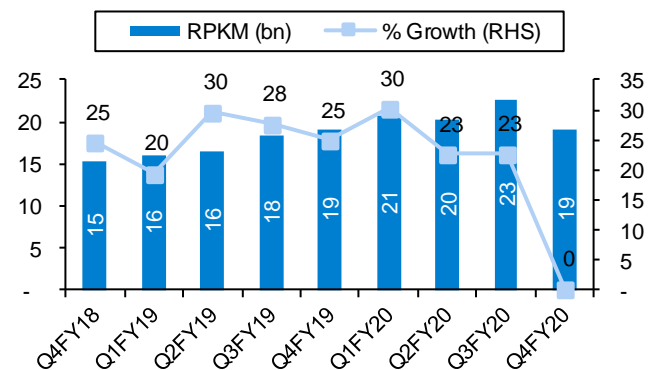
Source: Company, PL

Exhibit 2: ASKM grew by 4.1% YoY



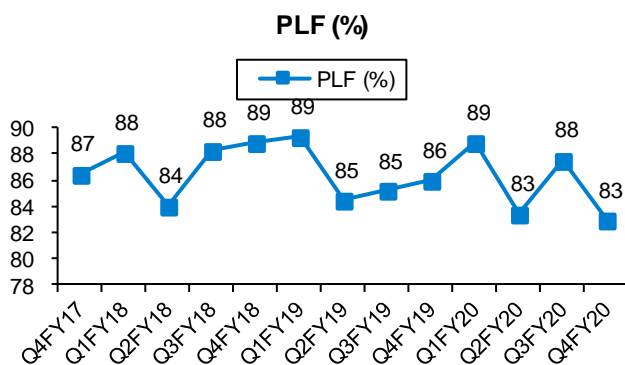
Source: Company, PL

Exhibit 3: RPKM remained flat YoY



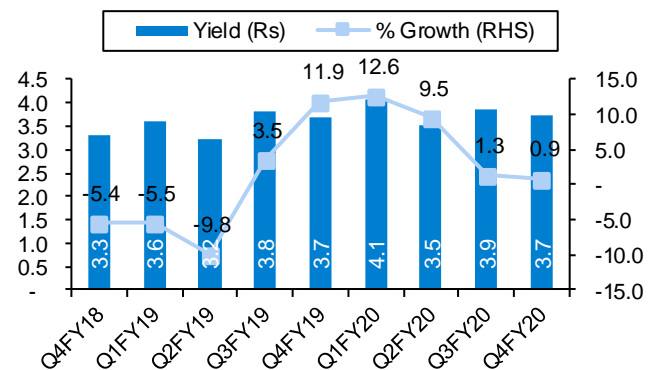
Source: Company, PL

Exhibit 4: PLFs declined by 300bps to 83%



Source: Company, PL

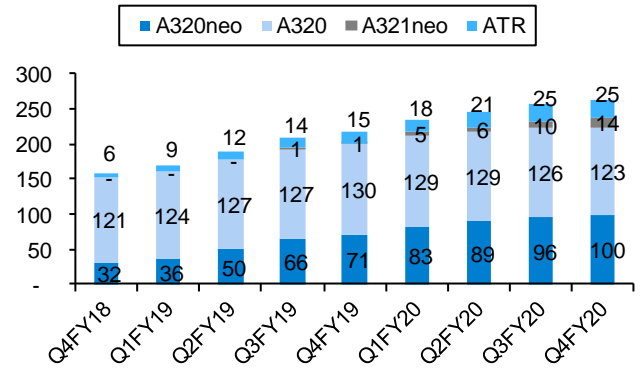
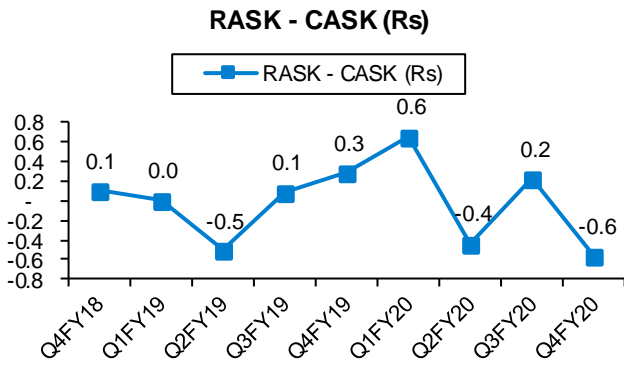
Exhibit 5: 0.9% YoY increase in Yield (Pax rev/RPKM)



Source: Company, PL

Exhibit 6: Spreads impacted by unabsorbed cost/MTM loss

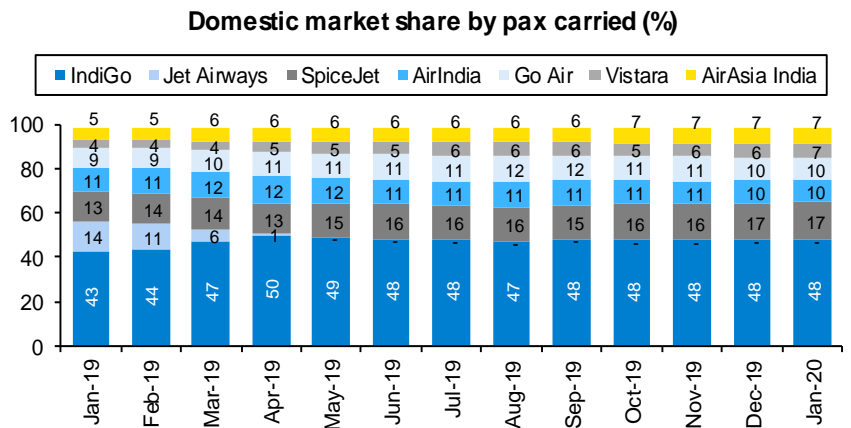
Exhibit 7: Inducted 5 new aircrafts in the quarter



Source: Company, PL

Source: Company, PL

Exhibit 8: IndiGo has steadily gained market share post Jet's grounding



Source: Company, DGCA, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	2,84,968	3,57,560	1,61,184	3,15,963
YoY gr. (%)	23.8	25.5	(54.9)	96.0
Aircraft Fuel Expenses	1,19,428	1,24,538	40,450	89,085
Employee Cost	31,378	43,954	33,207	37,936
Other Expenses	96,215	1,41,942	69,101	1,06,569
EBITDAR	36,556	45,348	17,921	81,098
YoY gr. (%)	(44.3)	24.1	(60.5)	352.5
Margin (%)	12.8	12.7	11.1	25.7
Aircraft Lease Rentals	38,610	4,967	5,041	5,607
Depreciation and Amortization	7,596	39,736	39,187	43,133
EBIT	(9,650)	645	(26,308)	32,358
Margin (%)	(3.4)	0.2	(16.3)	10.2
Net Interest	5,090	18,759	16,814	19,143
Other Income	13,249	15,362	12,901	12,258
Profit Before Tax	(1,490)	(2,751)	(30,221)	25,473
Margin (%)	(0.5)	(0.8)	(18.7)	8.2
Total Tax	(3,052)	(269)	-	4,585
Effective tax rate (%)	204.8	9.8	-	18.0
Profit after tax	1,561	(2,482)	(30,221)	20,888
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,561	(2,482)	(30,221)	20,888
YoY gr. (%)	(93.0)	NM	NM	NM
Margin (%)	0.5	(0.7)	(18.7)	6.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,561	(2,482)	(30,221)	20,888
YoY gr. (%)	(93.0)	NM	NM	NM
Margin (%)	0.5	(0.7)	(18.7)	6.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,561	(2,482)	(30,221)	20,888
Equity Shares O/s (m)	384	385	385	385
EPS (Rs)	4.1	(6.4)	(78.5)	54.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	83,348	2,34,246	3,27,550	3,88,964
Tangibles	81,912	2,32,351	3,25,305	3,86,369
Intangibles	1,436	1,895	2,245	2,595
Acc: Dep / Amortization	26,728	66,464	1,05,651	1,48,785
Tangibles	25,597	64,905	1,03,644	1,46,258
Intangibles	1,131	1,559	2,008	2,527
Net fixed assets	56,620	1,67,782	2,21,899	2,40,179
Tangibles	56,316	1,67,446	2,21,662	2,40,111
Intangibles	305	336	237	68
Capital Work In Progress	236	1,402	300	300
Goodwill	-	-	-	-
Non-Current Investments	7,829	12,802	6,530	11,219
Net Deferred tax assets	(644)	2,949	2,949	2,949
Other Non-Current Assets	4,399	11,434	7,515	7,899
Current Assets				
Investments	65,166	94,992	40,296	72,672
Inventories	2,114	2,861	1,325	2,597
Trade receivables	3,625	2,596	1,656	3,030
Cash & Bank Balance	86,064	1,08,294	96,701	96,330
Other Current Assets	11,470	4,589	5,641	5,213
Total Assets	2,50,117	4,20,485	3,95,290	4,52,341
Equity				
Equity Share Capital	3,844	3,848	3,848	3,848
Other Equity	65,604	54,776	24,555	45,442
Total Network	69,448	58,624	28,403	49,290
Non-Current Liabilities				
Long Term borrowings	21,937	1,59,257	2,05,114	2,26,234
Provisions	2,736	5,533	6,447	6,003
Other non current liabilities	41,489	2,576	26,609	37,035
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	14,552	15,655	11,040	13,850
Other current liabilities	65,432	1,48,451	86,416	86,473
Total Equity & Liabilities	2,50,117	4,20,485	3,95,290	4,52,341

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	(1,490)	(2,751)	(30,221)	25,473
Add. Depreciation	7,596	39,736	39,187	43,133
Add. Interest	5,090	18,759	16,814	19,143
Less Financial Other Income	13,249	15,362	12,901	12,258
Add. Other	(7,433)	825	-	-
Op. profit before WC changes	3,762	56,569	25,780	87,749
Net Changes-WC	28,786	15,927	(64,920)	1,174
Direct tax	(948)	(3,062)	-	(4,585)
Net cash from Op. activities	31,600	69,433	(39,139)	84,338
Capital expenditures	(17,062)	(10,605)	(92,202)	(61,414)
Interest / Dividend Income	5,009	3,693	-	-
Others	(13,308)	(38,757)	75,243	(39,248)
Net Cash from Inv. activities	(25,361)	(45,669)	(16,959)	(1,00,662)
Issue of share cap. / premium	-	245	-	-
Debt changes	(2,078)	(21,661)	45,857	21,120
Dividend paid	(2,780)	(2,318)	-	-
Interest paid	(293)	(340)	(16,814)	(19,143)
Others	(770)	-	25,819	12,176
Net cash from Fin. activities	(5,922)	(24,075)	54,861	14,153
Net change in cash	422	(367)	(1,237)	(2,171)
Free Cash Flow	14,538	58,828	(1,31,341)	22,924

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	94,201	81,052	99,317	82,991
YoY gr. (%)	44.7	31.0	25.5	5.3
Aircraft Fuel Expenses	31,361	31,154	33,419	28,604
Employee Expenses	10,488	11,311	11,645	10,509
Other Expenses	25,830	37,676	36,210	44,005
EBITDAR	26,522	911	18,042	(127)
Margin (%)	28.2	1.1	18.2	(0.2)
Aircraft Lease Rentals	1,288	1,110	1,343	1,226
Depreciation / Depletion	9,009	10,287	10,377	10,063
EBIT	16,225	(10,486)	6,322	(11,415)
Margin (%)	17.2	(12.9)	6.4	(13.8)
Net Interest	4,842	4,235	4,805	4,877
Other Income	3,670	4,347	3,986	3,359
Profit before Tax	15,053	(10,374)	5,504	(12,934)
Margin (%)	16.0	(12.8)	5.5	(15.6)
Total Tax	3,048	283	599	(4,200)
Effective tax rate (%)	20.3	(2.7)	10.9	32.5
Profit after Tax	12,005	(10,656)	4,905	(8,735)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	12,005	(10,656)	4,905	(8,735)
YoY gr. (%)	4219.8	63.4	156.9	(248.1)
Margin (%)	12.7	(13.1)	4.9	(10.5)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,005	(10,656)	4,905	(8,735)
YoY gr. (%)	4219.8	63.4	156.9	(248.1)
Margin (%)	12.7	(13.1)	4.9	(10.5)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,005	(10,656)	4,905	(8,735)
Avg. Shares O/s (m)	385	385	385	385
EPS (Rs)	31.2	-27.7	12.7	-22.7

Source: Company Data, PL Research

Key Financial Metrics

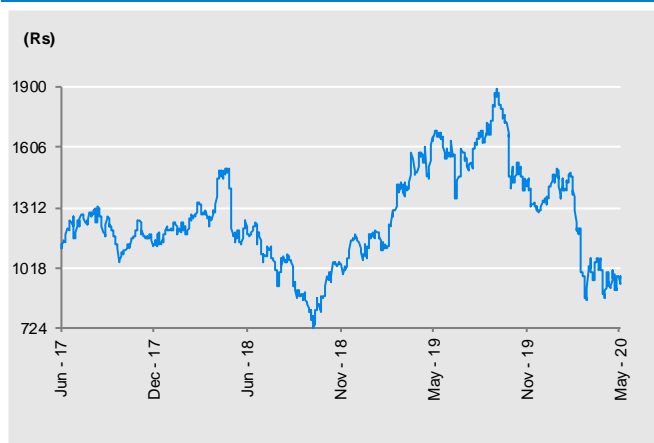
Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	4.1	(6.4)	(78.5)	54.3
CEPS	23.8	96.8	23.3	166.4
BVPS	180.7	152.4	73.8	128.1
FCF	37.8	152.9	(341.3)	59.6
DPS	6.0	5.0	-	-
Return Ratio(%)				
RoCE	NM	0.4	NM	12.7
ROIC	NM	0.3	NM	11.4
RoE	2.2	NM	NM	53.8
Balance Sheet				
Net Debt : Equity (x)	(1.9)	(0.8)	2.4	1.2
Net Working Capital (Days)	(11)	(10)	(18)	(10)
Valuation(x)				
PER	232.8	NM	NM	17.4
P/B	5.2	6.2	12.8	7.4
P/CEPS	39.7	9.8	40.6	5.7
EV/EBITDAR (Adj)	13.8	11.1	32.5	7.3
EV/Sales	0.8	0.9	2.7	1.3
Dividend Yield (%)	0.6	0.5	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
EBITDAR (Rs mn)	36,556	45,348	17,921	81,098
EBITDAR %	12.8	12.7	11.1	25.7
ASK (bn)	81	96	52	87
RPK (bn)	70	83	36	72
PLF %	86	86	70	83
RASK (Rs)	3.6	3.9	3.3	3.8
CASK (Rs)	3.6	3.9	3.9	3.5
RASK-CASK (Rs)	0.0	0.0	(0.6)	0.3
Fleet Size	217.0	259.0	232.0	237.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	14-Apr-20	Accumulate	1,200	1,068
2	27-Jan-20	Hold	1,547	1,496
3	03-Jan-20	Hold	1,553	1,361
4	24-Oct-19	Hold	1,553	1,665
5	03-Oct-19	BUY	1,729	1,826
6	19-Jul-19	BUY	1,729	1,463
7	16-Jul-19	BUY	1,948	1,381
8	04-Jul-19	BUY	1,948	1,636

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	InterGlobe Aviation	Accumulate	1,200	1,068
2	SpiceJet	Hold	48	49

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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