

Estimate change	↓
TP change	↔
Rating change	↔

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Bloomberg	INDIGO IN
Equity Shares (m)	384
M.Cap.(INRb)/(USD\$b)	675 / 9.3
52-Week Range (INR)	1851 / 873
1, 6, 12 Rel. Per (%)	1/-14/-5
12M Avg Val (INR M)	2673
Free float (%)	25.2

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	146.4	196.5	386.7
EBITDAR	2.6	12.0	110.5
NP	-58.3	-52.9	30.9
EPS (INR)	-151.7	-137.6	80.5
BV/Sh (INR)	1.8	-135.8	-55.3

Ratios

Net D:E	163.0	-3.2	-8.1
RoE (%)	-196.5	205.5	-84.2
RoCE (%)	-16.5	-13.7	34.8
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	-11.6	-12.8	21.8
P/BV (x)	951.4	-12.9	-31.7
Adj.EV/EBITDAR(x)	310.2	70.3	7.7
Div. Yld(%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	74.8	74.9	74.9
DII	4.8	5.6	9.2
FII	18.3	17.3	13.6
Others	2.0	2.2	2.4

FII Includes depository receipts

CMP: INR1,754 **TP: INR1,575 (-10%)** **Neutral**

Second COVID wave delays recovery by a year

- INDIGO reported an in line ASK (19.2b), PLF (70%), RPK (13.5b), and yield (INR3.7), while miss to our estimates was led by higher fuel cost.
- Air passenger demand touched a record high in Feb'21 after the lifting of COVID-related restrictions, although the second wave impacted demand in May'21. Cash burn rose to INR190m in 4Q (from INR150m in 3QFY21).
- Cash burn is expected to be higher in 1QFY22 as daily passenger demand falls to ~80,000 passengers from the highs of ~300,000 at the end of Feb'21. **INDIGO expects Feb'21 demand to return by the end of 3QFY22.**
- The second COVID wave has impacted recovery by three quarters. Factoring in the same and due to higher crude cost (at USD60/bbl in FY22E v/s USD44 in FY21), we estimate losses of INR53b in FY22.
- **The company had free cash of INR71b at the end of FY21. Amid potential losses, it plans to generate additional liquidity of INR45b in FY22 via sale and lease back and credit lines.** The board of directors has approved a QIP of up to INR30b (shareholder approval process has already started).
- Starting Jun'21, MoCA lowered the domestic airline capacity cap to 50% (from 80% earlier), in line with the sharp drop in demand. The ministry also increased the airfare floor bands by ~15% (in addition to the ~15% increase announced over Feb-Mar'21). Thus, as per our airfare tracker, there is an increase of 13-16% since the start of Jun'21; as airfares in May'21 tumbled to last year levels and were hovering around average floor bands.
- The management said yields are very low right now and should improve going forward. Fuel cost fell ~10% YoY in FY21. Company expects a further fall with the addition of NEO aircrafts (**share of NEO aircrafts in its total fleet increased to 56% in FY21 from 43.5% in FY20**).
- The biggest concern is a low customer load factor due to lack of demand, which is likely to reverse with the increase in the pace of vaccination. For instance, pent up demand led to a sharp increase in daily passengers in the first week of Jun'21. **Despite the current state of uncertainty in the industry, the stock is up ~30% compared to Jan'20 (pre-COVID) levels. We maintain our Neutral rating with a TP of INR1,575/share.**

Operational parameters in line; EBITDA miss on higher fuel cost

- Operational parameters were in line, with ASK/RPK at 19.2/13.5b (-17%/-29% YoY). PLF stood at 70.3% (v/s 72% in 3QFY21). Yield at INR3.7/RPK (3% higher than our estimate, flat YoY and QoQ).
- RASK stood at INR3.24 (6% higher than our estimate). Revenue fell 25% YoY to INR62.2b. CASK was 10% higher than our estimate at INR3.84 (-8% YoY) due to higher fuel cost. Fuel-cost/ASK stood at INR1.01 (v/s INR0.76 in 3QFY21). CASK ex-fuel, stood at INR2.83 (6% higher than our estimate).

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- EBITDAR stood at INR6.2b (-32% QoQ), with EBITDA at INR5.5b (-34% QoQ and a loss in 4QFY20). RASK less CASK stood at -INR0.6 (+38% est. estimate) as other income stood lower at INR1.4b (-59% YoY, -40% QoQ). This resulted in a loss of INR11.6b (est. loss of INR8.5b; -33% YoY, -85% QoQ).

ASK/RPK fell 53%/62% YoY in FY21

- ASK/RPK fell 53%/62% YoY to 45.5b/31.6b, with PLF at 69.5% (v/s 85.8% in FY20). Yield stood lower YoY at INR3.76 (v/s INR3.81 in FY20), despite the imposition of airfare bands since the resumption of operations in FY21.
- RASK/CASK was INR3.2/INR4.5 in FY21 (v/s INR3.7/INR3.7 in FY20). CASK, excluding fuel, was INR3.65 in FY21 (v/s INR2.4 in FY20).
- EBITDAR stood at INR2.6b (-94% YoY), with EBITDA loss of INR0.3b (v/s gains of INR40b in FY20). This resulted in loss of INR58.3b (v/s -INR2.5b in FY20).

Valuation and view

- The company had a total cash of INR185.7b (free cash fell 21% YoY at INR71b, restricted cash flat YoY at INR115b) at the end of FY21.
- Debt, excluding capitalized operating lease liability, increased 69% YoY to INR41b. Capitalized lease liability up 27% YoY to INR257b.
- INDIGO added nine new A231neo aircraft and retired 11 A320ceo aircraft in 4QFY21. **Thus, net aircraft additions fell by two aircraft QoQ to 285 planes as of 31st Mar'21.** On a YoY basis, the company added 23 net new aircraft, retiring ~23 A320ceo aircraft in FY21.
- The management said the total fleet count would remain flat over the next two years as older CEO aircraft (~111) are retired by Dec'22. It expects total number of seats to rise with the induction of A321neo planes.**
- Cargo business recorded an increase of ~10% YoY in FY21 and is becoming an important piece in the company's overall business. Four dedicated cargo freighters are expected to join the cargo fleet, with induction of the first freighter expected in 1HFY22.
- Risk to our call could be a sharp turnaround in domestic passenger market demand, which would expedite the recovery. Maintain Neutral.**

Quarterly performance

Y/E March	FY20				FY21				FY20	FY21	FY21	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QE	vs est	
Net Sales	94,201	81,052	99,317	82,991	7,667	27,410	49,100	62,229	357,560	146,406	59,209	5%
YoY Change (%)	44.7	31.0	25.5	5.3	-91.9	-66.2	-50.6	-25.0	25.5	-59.1	-28.7	
EBITDAR	26,522	911	18,042	-127	-15,443	2,806	9,030	6,156	45,348	2,550	7,402	-17%
Margins (%)	28.2	1.1	18.2	-0.2	-201.4	10.2	18.4	9.9	12.7	1.7	12.5	
Net Rentals	1,288	1,110	1,343	1,226	757	743	642	662	4,967	2,805	814	-19%
EBITDA	25,234	-199	16,699	-1,353	-16,200	2,063	8,388	5,495	40,382	-255	6,588	-17%
Margins (%)	26.8	-0.2	16.8	-1.6	-211.3	7.5	17.1	8.8	11.3	-0.2	11.1	
Depreciation	9,009	10,287	10,377	10,063	10,964	11,264	11,565	13,195	39,736	46,987	11,906	11%
Interest	4,842	4,235	4,805	4,877	5,097	5,625	5,415	5,282	18,759	21,420	5,362	-1%
Other Income	3,670	4,347	3,986	3,359	3,768	2,878	2,326	1,392	15,362	10,363	2,209	-37%
PBT	15,053	-10,373	5,504	-12,934	-28,494	-11,948	-6,266	-11,590	-2,751	-58,298	-8,471	37%
Rate (%)	20.3	-2.7	10.9	32.5	0.0	0.0	0.0	0.0	9.8	0.0	0.0	
Reported PAT	12,005	-10,656	4,905	-8,735	-28,494	-11,948	-6,266	-11,590	-2,481	-58,298	-8,471	37%
EPS	31.2	-27.7	12.7	-22.7	-74.0	-31.0	-16.3	-30.1	-6.4	-151.5	-22.0	37%
YoY Change (%)	4,215.7	63.4	157.0	-248.2	-337.4	12.1	-227.8	32.7	-259.1	2,249.3	-3.0	

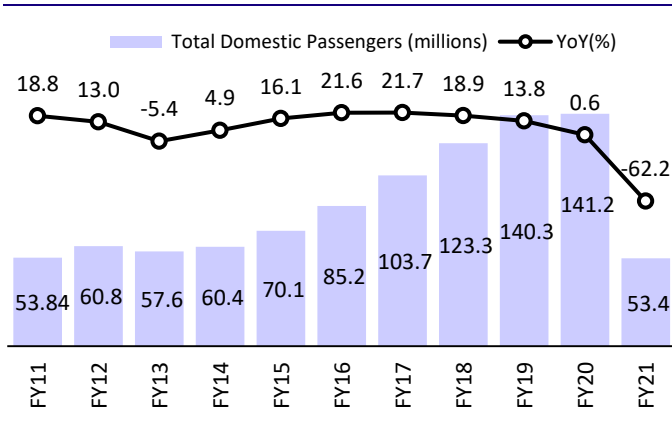
E: MOFSL Estimates

Exhibit 1: INDIGO – Key assumptions

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Fleet and capacity								
ASK (millions)	42,826	54,583	63,510	81,016	96,300	45,471	61,920	1,03,200
YoY (%)	21	27	16	28	19	-53	36	67
Load Factor (%)	84	85	87	86	86	69	72	85
RPK (millions)	35,968	46,288	55,524	69,787	82,600	31,595	44,582	87,720
YoY (%)	28	29	20	26	18	-62	41	97
Revenue Calculation								
Ticket Revenue (INRm)	1,40,626	1,61,971	1,99,433	2,51,359	3,14,682	1,18,735	1,69,413	3,33,336
Yield (INR/RPK)	3.9	3.5	3.6	3.6	3.8	3.8	3.8	3.8
Ancillary revenues (inc others)	20,773	23,834	30,776	33,609	42,878	27,671	27,106	53,334
Total Revenue (INR m)	1,61,399	1,85,805	2,30,209	2,84,968	3,57,560	1,46,406	1,96,519	3,86,670
Fuel Cost								
Exchange rate (INR/USD)	65	67	65	70	72	74	74	75
ATF Prices (INR/ltr)	46	50	55	68	65	44	60	60
YoY (%)	-32	8	10	23	-5	-32	36	0
Aircraft fuel expenses (INR m)	47,793	63,415	78,853	1,20,820	1,26,316	38,868	63,427	1,00,427
Spreads								
RASK	3.8	3.4	3.6	3.5	3.7	3.2	3.2	3.7
CASK	3.1	3.0	3.1	3.5	3.7	4.5	4.0	3.3
RASK-CASK	0.7	0.4	0.5	0.0	0.0	-1.3	-0.9	0.4
CASK-ex fuel	2.0	1.8	1.9	2.0	2.4	3.6	3.0	2.4
RASK-CASK (ex-fuel)	1.8	1.6	1.7	1.5	1.3	-0.4	0.2	1.4

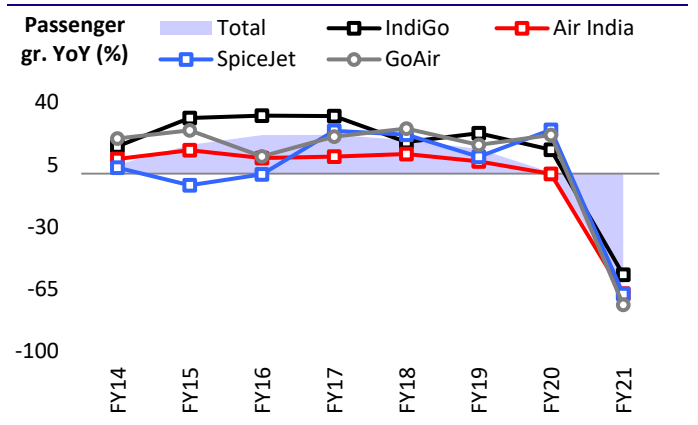
*Our estimates are highly sensitive to: a) ticket yield, b) PLF, and, c) crude price assumption. A material change to any of these would impact our estimates. Source: MOFSL

Exhibit 2: FY21 was the worst year in the history of Aviation



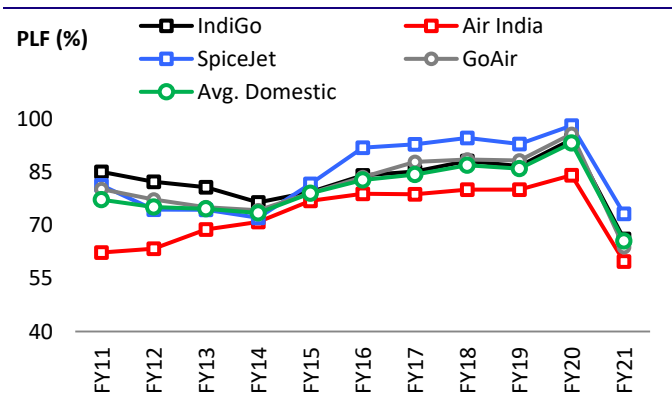
Source: DGCA, MOFSL

Exhibit 3: ...with demand down 62.2% YoY



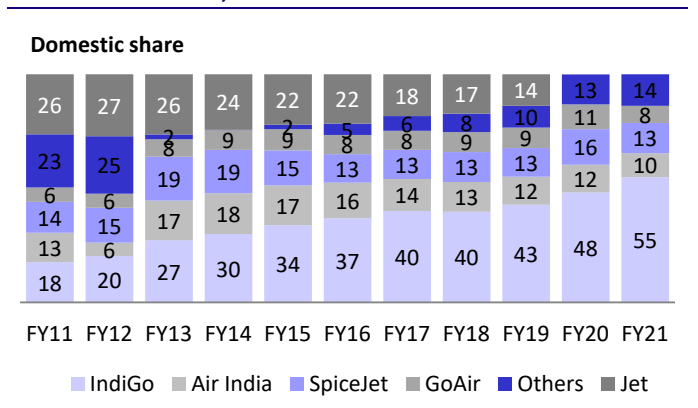
Source: DGCA, MOFSL

Exhibit 4: PLF tanked to 60-65% for domestic airlines



Source: DGCA, MOFSL

Exhibit 5: However, INDIGO's market share rose to 55%



Source: DGCA, MOFSL

Story in charts for 4QFY21

Exhibit 6: Total ASKs (b) stood at 19.2b...

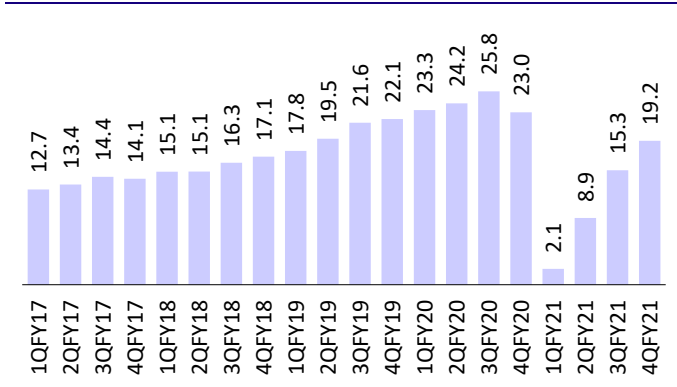


Exhibit 7: ...with a YoY decrease at 16.5% in 4QFY21

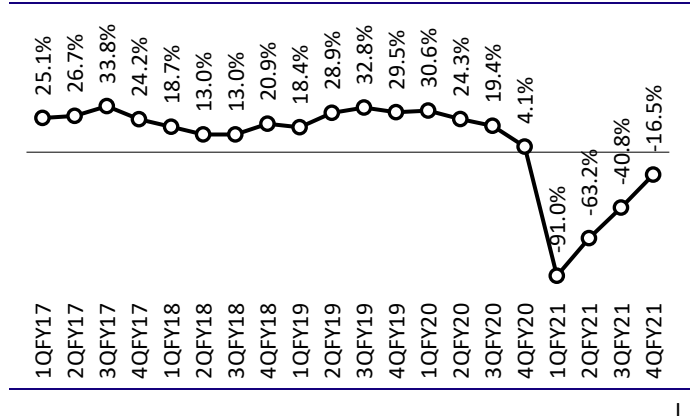


Exhibit 8: Total RPKs (b) stood at 13.5b...

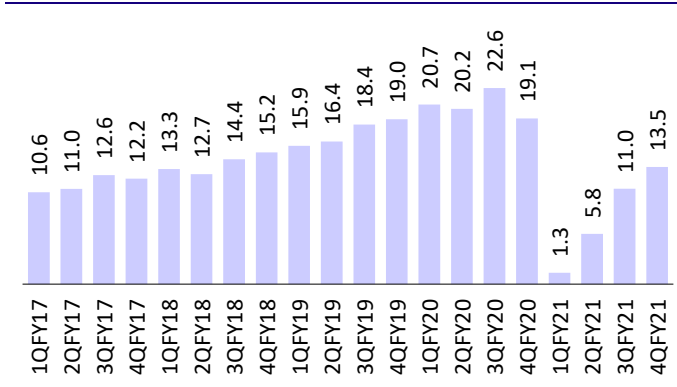


Exhibit 9: ... with a YoY decrease at 29.3% in 4QFY21

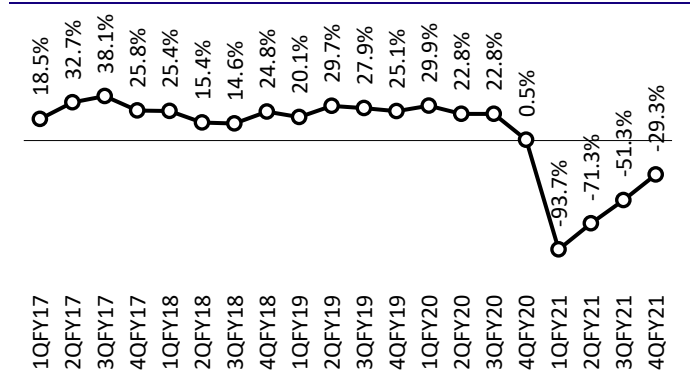


Exhibit 10: RASK stood at INR3.24 (-10% YoY) in 4QFY21...

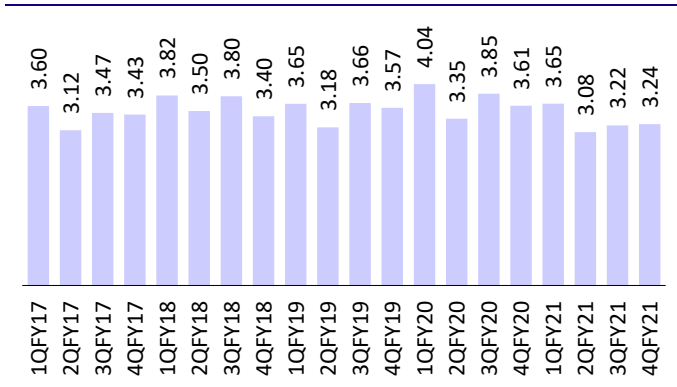


Exhibit 11: ... while CASK was down 8% YoY to INR3.84

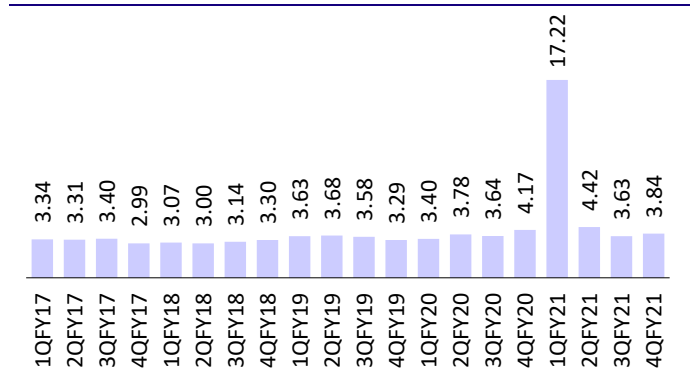


Exhibit 12: Load factor stood at 70.3%

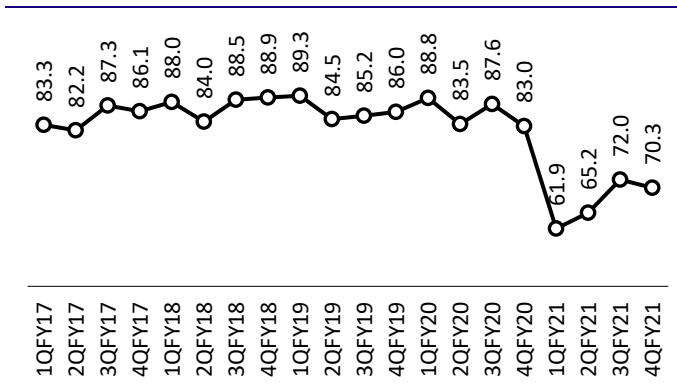
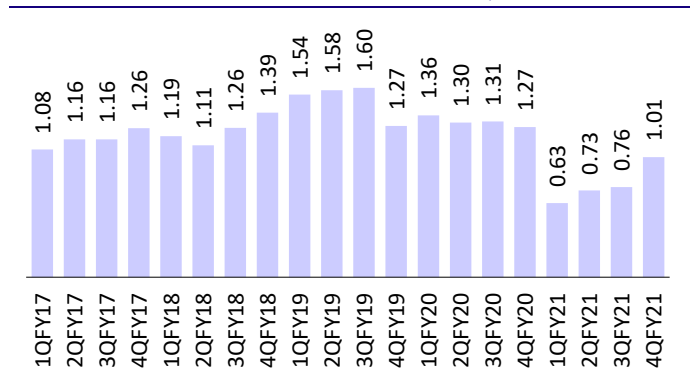


Exhibit 13: Fuel cost stood at INR1.01 in 4QFY21



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuation

Standalone - Income Statement

(INR M)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Total Income from Operations	1,61,399	1,85,805	2,30,209	2,84,968	3,57,560	1,46,406	1,96,519	3,86,670
YoY Chg (%)	15.9	15.1	23.9	23.8	25.5	-59.1	34.2	96.8
EBITDAR	56,176	52,687	65,667	47,940	45,348	2,550	11,998	1,10,463
Margin (%)	34.8	28.4	28.5	16.8	12.7	1.7	6.1	28.6
Aircraft & Engine Lease Rentals	26,122	31,254	36,102	49,994	4,967	2,805	2,134	3,557
EBITDA	30,055	21,433	29,565	-2,055	40,382	-255	9,864	1,06,906
Margin (%)	18.6	11.5	12.8	-0.7	11.3	-0.2	5.0	27.6
Depreciation	5,031	4,573	4,369	7,596	39,736	46,987	50,517	54,537
EBIT	25,024	16,861	25,196	-9,651	645	-47,241	-40,653	52,369
Int. and Finance Charges	1,349	3,308	3,398	5,090	18,759	21,420	25,216	25,216
Other Income	4,614	7,891	9,469	13,248	15,362	10,363	12,962	14,201
PBT	28,290	21,443	31,267	-1,492	-2,751	-58,298	-52,906	41,354
PBT after EO Exp.	28,290	21,443	31,267	-1,492	-2,751	-58,298	-52,906	41,354
Tax	8,392	4,852	8,843	-3,052	-269	0	0	10,421
Tax Rate (%)	29.7	22.6	28.3	204.5	9.8	0.0	0.0	25.2
Reported PAT	19,897	16,592	22,424	1,560	-2,482	-58,298	-52,906	30,933
Change (%)	52.1	-16.6	35.1	-93.0	-259.1	2,249.3	-9.2	-158.5
Margin (%)	12.3	8.9	9.7	0.5	-0.7	-39.8	-26.9	8.0

Standalone - Balance Sheet

(INR M)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	3,604	3,615	3,844	3,844	3,848	3,849	3,849	3,849
Total Reserves	23,628	34,177	66,930	65,604	54,776	-3,140	-56,046	-25,114
Net Worth	27,232	37,792	70,774	69,448	58,624	709	-52,197	-21,265
Total Loans	30,071	23,957	22,414	21,937	1,59,257	2,27,862	2,27,862	2,27,862
Capital Employed	58,770	63,367	96,883	92,029	2,17,881	2,28,571	1,75,664	2,06,597
Gross Block	53,251	46,432	57,906	77,078	2,27,976	2,95,336	3,56,490	4,22,609
Less: Accum. Deprn.	5,777	8,493	12,862	20,458	60,194	1,07,181	1,57,698	2,12,234
Net Fixed Assets	47,474	37,938	45,043	56,620	1,67,782	1,88,155	1,98,793	2,10,374
Total Investments	9,862	37,134	63,440	65,167	94,994	72,902	72,902	72,902
Curr. Assets, Loans&Adv.	68,614	76,792	1,02,516	1,28,110	1,56,416	1,68,023	1,34,464	1,07,258
Inventory	763	1,632	1,832	2,114	2,861	3,164	4,059	2,531
Account Receivables	1,571	1,587	2,263	3,625	2,596	2,192	2,942	2,807
Cash and Bank Balance	37,187	46,325	65,806	86,064	1,08,294	1,12,271	59,817	55,781
Loans and Advances	29,093	27,248	32,614	36,307	42,665	50,396	67,646	46,138
Curr. Liability & Prov.	67,417	88,730	1,14,410	1,58,089	2,02,603	2,01,172	2,37,363	1,92,047
Account Payables	7,412	7,746	10,002	14,552	15,655	15,561	19,959	13,849
Other Current Liabilities	58,575	79,093	1,01,407	1,39,164	1,67,465	1,64,171	2,17,403	1,78,197
Net Current Assets	1,197	-11,938	-11,894	-29,979	-46,187	-33,149	-1,02,899	-84,788
Appl. of Funds	58,770	63,367	96,884	92,029	2,17,881	2,28,571	1,75,664	2,06,597

E: MOSL Estimates

Financials and valuation

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)								
EPS	51.8	43.2	58.3	4.1	-6.5	-151.7	-137.6	80.5
Cash EPS	64.8	55.1	69.7	23.8	96.9	-29.4	-6.2	222.3
BV/Share	70.8	98.3	184.1	180.7	152.5	1.8	-135.8	-55.3
DPS	16.9	31.9	6.0	5.0	0.0	0.0	0.0	0.0
Payout incl. tax (%)	39.3	89.0	12.4	148.3	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	33.9	40.7	30.1	432.5	-271.9	-11.6	-12.8	21.8
Cash P/E	27.1	31.9	25.2	73.7	18.1	-59.6	-282.3	7.9
EV/Sales	4.1	3.5	2.7	2.1	2.0	5.4	4.3	2.2
EV/EBITDAR	11.9	12.4	9.6	12.8	16.0	310.2	70.3	7.7
Dividend Yield (%)	1.0	1.8	0.3	0.3	0.0	0.0	0.0	0.0
FCF Yield (%)	4.3	7.6	5.1	3.7	-10.1	-10.5	-6.0	1.0
FCF per share	74.9	132.9	89.4	65.0	-177.5	-185.0	-104.4	18.1
Return Ratios (%)								
EBITDA Margins (%)	18.6	11.5	12.8	-0.7	11.3	-0.2	5.0	27.6
EBIT Margins (%)	15.5	9.1	10.9	-3.4	0.2	-32.3	-20.7	13.5
Net Profit Margins (%)	12.3	8.9	9.7	0.5	-0.7	-39.8	-26.9	8.0
RoE	126.6	51.0	41.3	2.2	-3.9	-196.5	205.5	-84.2
RoCE	40.5	31.4	31.0	-4.0	9.3	-16.5	-13.7	34.8
RoIC	115.4	-295.1	-68.2	-21.9	-2.5	-168.6	-103.2	74.0
Working Capital Ratios								
Asset Turnover (x)	2.7	2.9	2.4	3.1	1.6	0.6	1.1	1.9
Inventory (Days)	3	4	4	3	3	8	8	2
Debtor (Days)	4	3	4	5	3	5	5	10
Creditor (Days)	26	21	22	22	18	39	39	13
Working Cap. Turnover (Days)	-81	-114	-123	-149	-158	-363	-302	-133

Standalone - Cash Flow Statement

(INR M)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(Loss) before Tax	28,290	21,443	31,267	-1,492	-2,751	-58,298	-52,906	41,354
Depreciation	5,031	4,573	4,369	7,596	39,736	46,987	50,517	54,537
Interest & Finance Charges	1,157	-4,583	-6,070	-8,159	3,396	11,057	12,254	11,015
Direct Taxes Paid	-5,761	-4,208	-7,905	3,007	-8	0	0	-10,421
(Inc)/Dec in WC	3,081	21,102	20,090	17,309	92,472	-3,752	19,502	-22,146
CF from Operations	31,797	38,326	41,750	18,262	1,32,845	-4,007	29,366	74,338
CF from Operating incl EO	31,157	38,326	41,750	18,262	1,32,845	-4,007	29,366	74,338
(Inc)/Dec in FA	-2,320	12,829	-7,356	6,767	-2,01,171	-67,206	-69,566	-67,360
Free Cash Flow	28,837	51,155	34,395	25,029	-68,325	-71,213	-40,200	6,979
(Pur)/Sale of Investments	-2,623	-27,273	-26,306	-1,727	-29,827	22,092	0	0
Others	3,344	7,891	9,469	13,248	15,362	10,363	12,962	14,201
CF from Investments	-1,598	-6,553	-24,193	18,289	-2,15,635	-34,751	-56,604	-53,159
Inc/(Dec) in Debt	-10,241	-6,114	-1,543	-477	1,37,320	68,605	0	0
Interest Paid	-825	-3,308	-3,398	-5,090	-18,759	-21,420	-25,216	-25,216
Dividend Paid	-13,437	-14,769	-2,775	-2,313	0	0	0	0
CF from Fin. Activity	-12,366	-22,634	1,923	-16,292	1,05,019	42,735	-25,216	-25,216
Inc/Dec of Cash	17,193	9,139	19,480	20,258	22,230	3,977	-52,453	-4,036
Opening Balance	19,994	37,187	46,326	65,806	86,064	1,08,294	1,12,271	59,817
Closing Balance	37,187	46,326	65,806	86,064	1,08,294	1,12,271	59,817	55,781

E: MOSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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