

InterGlobe Aviation (INDIGO IN)

Rating: ACCUMULATE | CMP: Rs1,593 | TP: Rs1,780

January 28, 2021

Q3FY21 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	ACCUMULATE		UNDER REVIEW	
Target Price	1,780		-	
Sales (Rs. m)	3,40,785	3,73,666	3,15,198	3,49,881
% Chng.	8.1	6.8		
EBITDA (Rs. m)	86,919	93,722	76,083	86,176
% Chng.	14.2	8.8		
EPS (Rs.)	54.2	68.5	50.4	63.9
% Chng.	7.5	7.1		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	3,57,560	1,44,061	3,40,785	3,73,666
EBITDAR (Rs. m)	45,348	3,999	86,919	93,722
Margin (%)	12.7	2.8	25.5	25.1
PAT (Rs. m)	(2,482)	(54,577)	20,838	26,348
EPS (Rs.)	(6.4)	(141.8)	54.2	68.5
Gr. (%)	NA	NA	NA	26.4
DPS (Rs.)	5.0	-	-	-
Yield (%)	0.3	-	-	-
RoE (%)	NA	NA	144.0	69.2
RoCE (%)	0.8	NA	201.7	99.4
EV/Sales (x)	1.2	3.1	1.1	1.0
EV/EBITDAR (x)	16.6	206.5	9.0	8.2
PE (x)	NA	NA	29.4	23.3
P/BV (x)	10.5	151.4	24.6	12.0

Key Data

INGL.BO | INDIGO IN

52-W High / Low	Rs.1,787 / Rs.765
Sensex / Nifty	46,874 / 13,818
Market Cap	Rs.613bn/ \$ 8,393m
Shares Outstanding	385m
3M Avg. Daily Value	Rs.5742.35m

Shareholding Pattern (%)

Promoter's	74.85
Foreign	17.34
Domestic Institution	6.73
Public & Others	1.08
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.6)	74.2	9.6
Relative	(4.7)	43.1	(4.2)

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Emerging stronger from Covid-19 air pocket

Quick Pointers:

- 4Q capacity utilization at 75-80%; to reach 100% domestic capacity by April21
- Fixed cash burn reduced from Rs250mn to Rs150mn QoQ

We increase IndiGo's FY22/FY23 earnings by 7.5%/ 7.1% and assign Accumulate rating given 1) sustained scale up of operations 2) broad based recovery in domestic demand aided by non-metro cities and 3) improving load factors on the back of rising consumer confidence

IndiGo's management remains optimistic about sustainability of demand momentum and expects to operate at 75-80% of LY capacity in 4Q21 while achieving 100% of domestic/international capacity by Apr21/Dec21 given 1) emergence of traffic from non-metro cities in post Covid era 2) gradual opening up of International operations 3) recovery in corporate air travel. Although fixed cash burn has reduced from Rs400mn/day in March to Rs150mn/day in Dec20, management remains cautious in the near term given 1) rising crude oil prices and 2) volatility in demand with 4Q being a seasonally weak quarter. However, with 100 less efficient A320ceos to be redelivered by Dec21 and continued induction of fuel-efficient A320neo family shall help reduce IndiGo's unit's costs further.

IndiGo remains better placed than its peers given 1) strong balance sheet with Rs184bn cash & equivalents (Rs75bn in free cash) 2) industry leading cost structure and 3) strong management team. We value the stock at 9x FY23 adj. EV/EBITDAR and arrive at a target price of Rs1,780/-. We re-assign Accumulate Rating (earlier under review) and recommend buying on dips.

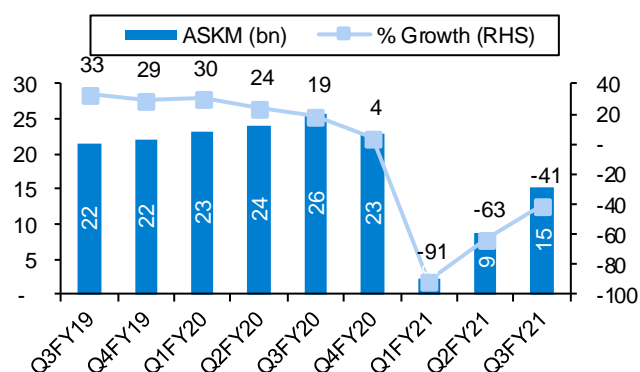
Sales down 50.6%; RASK down by 16.4%: Revenues declined by 50.6% YoY to Rs49bn, pax revenue/Ancillary revenues down by 54%/22%. EBITDAR excl other income was down 49.9% YoY to Rs9bn. Loss narrowed QoQ to Rs6.3bn. RASK declined by 16% YoY to Rs3.3, 27% growth in other RASK offset by 22% decline in Pax RASK. Yields declined by 4.7% YoY to Rs3.7. CASK declined by 0.4% YoY to Rs3.7, 42% decrease in fuel CASK offset by 22% increase in non-fuel CASK

Concall Takeaways: **1)** In 3Q operated at 70% of domestic capacity. So far in Jan operating at 80%/28% of domestic/ international capacity. **2)** Target to operate at 100% of domestic/ international capacity in April/ December **3)** Cargo operations continue to perform well. Grew 38.5% YoY. **4)** Fixed cost burn reduced from Rs250mn in Sep to Rs150mn. Cannot say trend to continue given rising crude prices and a seasonally weak quarter in 4Q. **5)** Revenue environment remains volatile as capacity is being added in a short span of time **6)** Return of demand has been very broad based with non-metros exceeding expectations **7)** Corporate traffic starting to come back. Expect it to reach 70-80% in 1Q22. Expect contribution to revenue fall from 22% to 15-16%. **8)** To not raise fund via QIP. Internal cash flows remain strong; debt options remain open **9)** Remain on track to return 100 A320ceos by December 2021. Returns to start picking up from 4Q20.

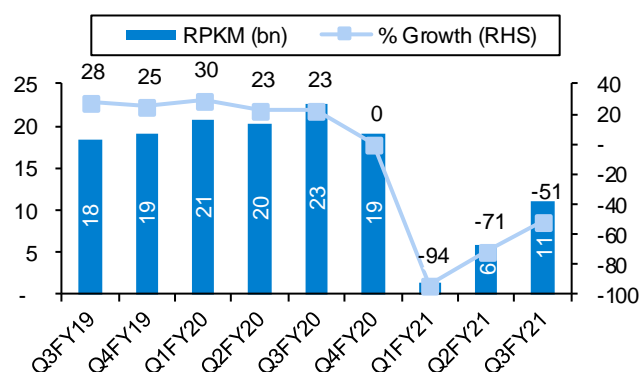
Exhibit 1: Revenues declined by 50.6% YoY; IndiGo reported loss of Rs6.3bn

Y/e March	Q3FY21	Q3FY20	YoY gr.	Q2FY21	9MFY21	9MFY20	YoY gr.
Revenue from Operations (Rs mn)	49,100	99,317	-50.6%	27,410	84,177	2,74,569	-69.3%
Aircraft fuel expenses	11,429	33,419	-65.8%	6,464	19,168	95,934	-80.0%
Employee Cost	7,359	11,645	-36.8%	6,786	22,910	33,445	-31.5%
Other expenses	21,281	36,210	-41.2%	11,353	45,705	99,715	-54.2%
EBITDAR	9,030	18,042	-49.9%	2,806	-3,606	45,475	NM
<i>EBITDAR margin %</i>	<i>18.4%</i>	<i>18.2%</i>		<i>10.2%</i>	<i>-4.3%</i>	<i>16.6%</i>	
Aircraft & engine rentals	642	1,343	-52.2%	743	2,143	3,741	-42.7%
Other Income	2,326	3,986	-41.7%	2,878	8,971	12,004	-25.3%
Depreciation & Amortization	11,565	10,377	11.4%	11,264	33,792	29,673	13.9%
Finance Cost	5,415	4,805	12.7%	5,625	16,137	13,881	16.3%
PBT	-6,266	5,504	NM	-11,948	-46,707	10,183	
Tax Expense	0	599		0	0	3,930	
Adj PAT	-6,266	4,905	NM	-11,948	-46,707	6,253	
<i>PAT margin %</i>	<i>-12.8%</i>	<i>4.9%</i>		<i>-43.6%</i>	<i>-55.5%</i>	<i>2.3%</i>	
Reported PAT	-6,266	4,905	NM	-11,948	-46,707	6,253	NM
Key Operating Metrics							
ASKM (mn)	15.3	25.8	-40.8%	8.9	26.2	73.2	-64.2%
RPKM (mn)	11.0	22.6	-51.3%	5.8	18.1	63.5	-71.5%
Load Factor %	72.1	87.6	-15.5%	65.1	68.8	86.7	-17.8
Yield (Rs)	3.7	3.9	-4.7%	3.8	3.8	3.8	-0.8%
RASK (Rs)	3.3	3.9	-16.4%	3.2	3.6	3.8	-6.4%
Fuel CASK (Rs)	0.8	1.3	-41.9%	0.7	0.7	1.3	-46.9%
Non-Fuel CASK (Rs)	2.9	2.4	22.1%	3.9	8.0	2.4	237.6%
CASK (Rs)	3.7	3.7	-0.3%	4.6	8.7	3.7	136.1%
RASK - CASK (Rs)	-0.4	0.2		-1.3	-5.1	0.1	NM

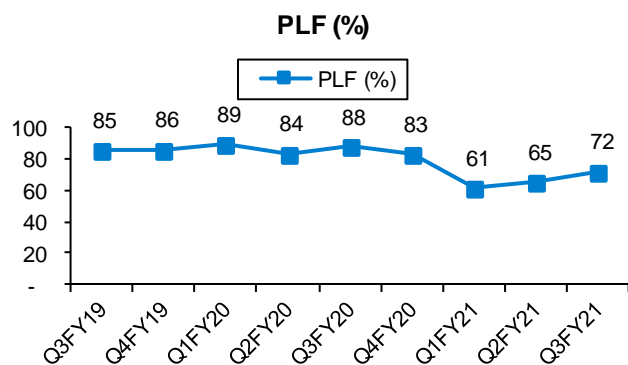
Source: Company, PL

Exhibit 2: ASKM declined by 40.8% YoY


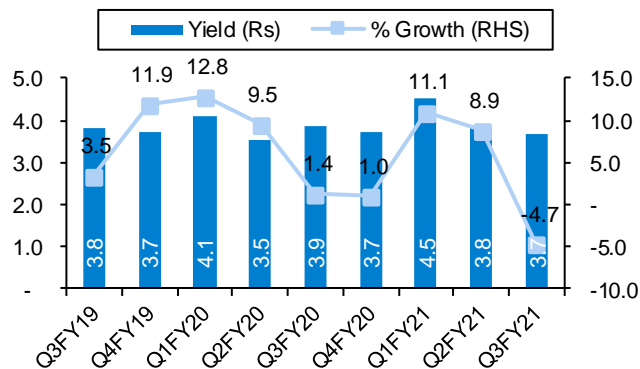
Source: Company, PL

Exhibit 3: RPKM declined by 51.3%YoY


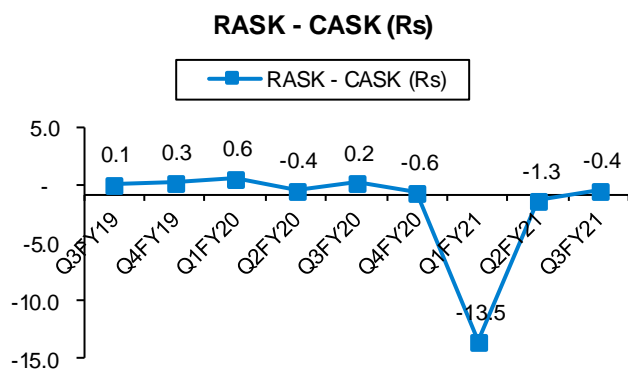
Source: Company, PL

Exhibit 4: PLFs improved MoM by 7% to 72%


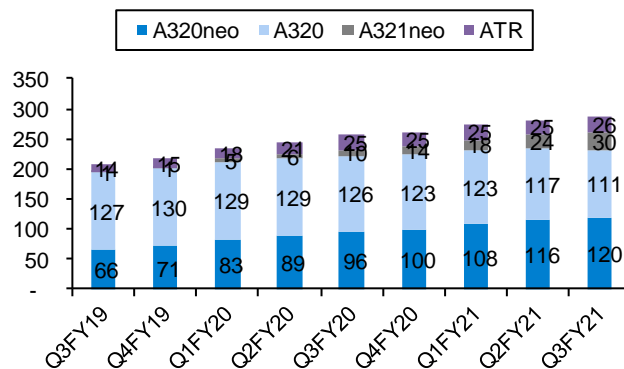
Source: Company, PL

Exhibit 5: 4.7% YoY decrease in Yield (Pax rev/RPKM)


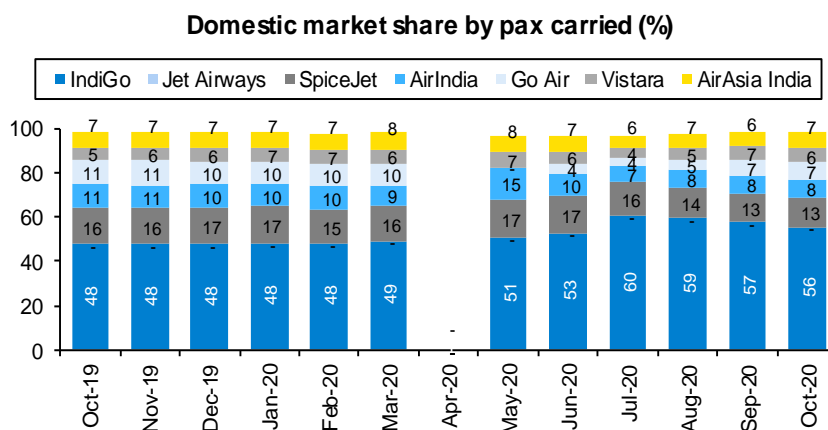
Source: Company, PL

Exhibit 6: Improving scale of ops narrow loss


Source: Company, PL

Exhibit 7: Net induction of 5 aircrafts in the quarter


Source: Company, PL

Exhibit 8: IndiGo has gained market share since restart of ops


Source: Company, DGCA, PL

Operations were suspended in April 2020

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	3,57,560	1,44,061	3,40,785	3,73,666
YoY gr. (%)	25.5	(59.7)	136.6	9.6
Aircraft Fuel Expenses	1,24,538	35,997	91,506	1,04,647
Employee Cost	43,954	30,901	36,417	41,268
Other Expenses	1,41,942	72,664	1,24,299	1,32,280
EBITDAR	45,348	3,999	86,919	93,722
YoY gr. (%)	24.1	(91.2)	2,073.6	7.8
Margin (%)	12.7	2.8	25.5	25.1
Aircraft Lease Rentals	4,967	2,812	2,915	3,016
Depreciation and Amortization	39,736	45,821	48,340	50,183
EBIT	645	(44,634)	35,664	40,523
Margin (%)	0.2	NA	10.5	10.8
Net Interest	18,759	21,719	24,514	25,228
Other Income	15,362	11,776	14,262	16,837
Profit Before Tax	(2,751)	(54,577)	25,412	32,132
Margin (%)	NA	NA	7.5	8.6
Total Tax	(269)	-	4,574	5,784
Effective tax rate (%)	9.8	-	18.0	18.0
Profit after tax	(2,482)	(54,577)	20,838	26,348
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(2,482)	(54,577)	20,838	26,348
YoY gr. (%)	NA	NA	NA	26.4
Margin (%)	NA	NA	6.1	7.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(2,482)	(54,577)	20,838	26,348
YoY gr. (%)	NA	NA	NA	26.4
Margin (%)	NA	NA	6.1	7.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(2,482)	(54,577)	20,838	26,348
Equity Shares O/s (m)	385	385	385	385
EPS (Rs)	(6.4)	(141.8)	54.2	68.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	2,33,144	2,90,977	3,44,193	3,95,853
Tangibles	2,31,398	2,88,881	3,41,596	3,92,757
Intangibles	1,746	2,096	2,596	3,096
Acc: Dep / Amortization	65,362	1,11,183	1,59,523	2,09,706
Tangibles	63,952	1,09,322	1,57,143	2,06,676
Intangibles	1,410	1,861	2,380	3,030
Net fixed assets	1,67,782	1,79,794	1,84,669	1,86,146
Tangibles	1,67,446	1,79,559	1,84,453	1,86,080
Intangibles	336	235	216	66
Capital Work In Progress	1,402	300	600	600
Goodwill	-	-	-	-
Non-Current Investments	12,802	5,836	6,988	7,662
Net Deferred tax assets	2,949	2,949	3,712	4,676
Other Non-Current Assets	11,434	7,173	8,520	11,210
Current Assets				
Investments	94,992	57,624	92,012	1,00,890
Inventories	2,861	1,184	2,801	3,071
Trade receivables	2,596	1,480	3,268	3,583
Cash & Bank Balance	1,08,294	1,11,746	1,34,985	1,58,018
Other Current Assets	4,589	5,042	5,623	10,276
Total Assets	4,20,485	3,82,493	4,53,912	5,01,079
Equity				
Equity Share Capital	3,848	3,848	3,848	3,848
Other Equity	54,776	199	21,037	47,385
Total Network	58,624	4,047	24,885	51,233
Non-Current Liabilities				
Long Term borrowings	3,466	3,466	2,966	2,466
Provisions	5,533	6,339	5,964	5,605
Other non current liabilities	2,576	7,047	15,108	16,480
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	15,655	9,867	14,939	16,380
Other current liabilities	1,48,451	1,55,426	1,72,328	1,82,556
Total Equity & Liabilities	4,20,485	3,82,494	4,53,913	5,01,080

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	(2,751)	(54,577)	25,412	32,132
Add. Depreciation	39,736	45,821	48,340	50,183
Add. Interest	3,396	9,943	10,252	8,390
Less Financial Other Income	15,362	11,776	14,262	16,837
Add. Other	16,187	-	-	-
Op. profit before WC changes	56,569	1,187	84,004	90,706
Net Changes-WC	15,927	(4,104)	12,280	(498)
Direct tax	(3,062)	-	(4,574)	(5,784)
Net cash from Op. activities	69,433	(2,917)	91,710	84,424
Capital expenditures	(10,605)	(248)	(2,300)	(2,500)
Interest / Dividend Income	3,693	11,776	14,262	16,837
Others	(38,757)	42,861	(61,948)	(34,361)
Net Cash from Inv. activities	(45,669)	54,390	(49,986)	(20,023)
Issue of share cap. / premium	245	-	-	-
Debt changes	(21,661)	-	(500)	(500)
Dividend paid	(2,318)	-	-	-
Interest paid	(340)	(53,223)	(61,270)	(65,334)
Others	-	(531)	18,986	3,312
Net cash from Fin. activities	(24,075)	(53,754)	(42,784)	(62,522)
Net change in cash	(367)	(2,281)	(1,061)	1,879
Free Cash Flow	58,828	(3,165)	89,410	81,924

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Net Revenue	82,991	7,667	27,410	49,100
YoY gr. (%)	5.3	(91.9)	(66.2)	(50.6)
Raw Material Expenses	28,604	1,275	6,464	11,429
Gross Profit	10,509	8,765	6,786	7,359
Margin (%)	44,005	13,070	11,353	21,281
EBITDA	(127)	(15,443)	2,806	9,030
YoY gr. (%)	NA	NA	10.2	18.4
Margin (%)	1,226	757	743	642
Depreciation / Depletion	10,063	10,964	11,264	11,565
EBIT	(11,415)	(27,164)	(9,201)	(3,177)
Margin (%)	NA	NA	NA	NA
Net Interest	4,877	5,097	5,625	5,415
Other Income	3,359	3,768	2,878	2,326
Profit before Tax	(12,934)	(28,494)	(11,948)	(6,266)
Margin (%)	NA	NA	NA	NA
Total Tax	(4,200)	-	-	-
Effective tax rate (%)	32.5	0.0	0.0	0.0
Profit after Tax	(8,735)	(28,494)	(11,948)	(6,266)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(8,735)	(28,494)	(11,948)	(6,266)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	NA
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(8,735)	(28,494)	(11,948)	(6,266)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	NA
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(8,735)	(28,494)	(11,948)	(6,266)
Avg. Shares O/s (m)	385	385	385	385
EPS (Rs)	-22.7	-74.0	-31.0	-16.3

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	(6.4)	(141.8)	54.2	68.5
CEPS	96.8	(22.8)	179.8	198.9
BVPS	152.4	10.5	64.7	133.1
FCF	152.9	(8.2)	232.4	212.9
DPS	5.0	-	-	-
Return Ratio(%)				
RoCE	0.8	NA	201.7	99.4
ROIC	0.3	NA	15.7	16.7
RoE	NA	NA	144.0	69.2
Balance Sheet				
Net Debt : Equity (x)	(3.4)	(41.0)	(9.0)	(5.0)
Net Working Capital (Days)	(10)	(18)	(10)	(10)
Valuation(x)				
PER	NA	NA	29.4	23.3
P/B	10.5	151.4	24.6	12.0
P/CEPS	16.5	NA	8.9	8.0
EV/EBITDAR (Adj)	16.6	206.5	9.0	8.2
EV/Sales	1.2	3.1	1.1	1.0
Dividend Yield (%)	0.3	-	-	-

Source: Company Data, PL Research

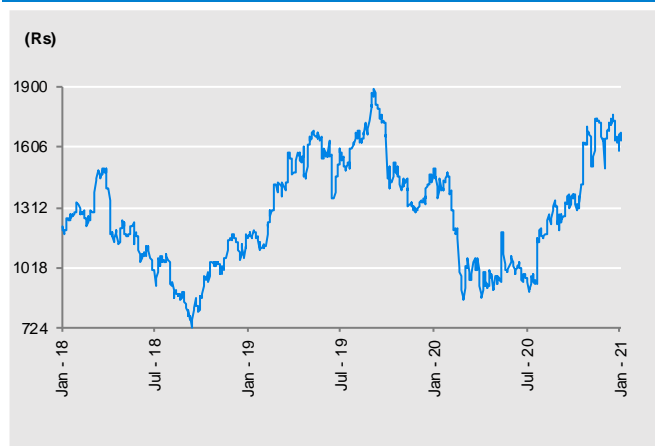
Key Operating Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
EBITDAR (Rs mn)	45,348	3,999	86,919	93,722
EBITDAR %	12.7	2.8	25.5	25.1
ASK (bn)	96	45	96	102
RPK (bn)	83	32	79	87
PLF %	86	72	83	85
RASK (Rs)	3.9	3.5	3.7	3.8
CASK (Rs)	3.9	4.7	3.4	3.5
RASK-CASK (Rs)	0.0	(1.2)	0.3	0.3
Fleet Size	259.0	275.0	255.0	270.0

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jan-21	UR	-	1,732
2	29-Oct-20	Accumulate	1,450	1,331
3	09-Oct-20	UR	-	1,367
4	29-Jul-20	Accumulate	965	908
5	10-Jul-20	Accumulate	995	1,020
6	03-Jun-20	Accumulate	995	946
7	14-Apr-20	Accumulate	1,200	1,068

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	InterGlobe Aviation	UR	-	1,732
2	Polycab India	BUY	1,359	1,211
3	SpiceJet	Hold	100	94

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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