

December 16, 2021

Management Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	HOLD		HOLD	
Target Price	1,950		1,950	
Sales (Rs. m)	4,10,916	4,68,915	4,10,916	4,68,915
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,00,002	1,09,503	1,00,002	1,09,503
% Chng.	-	-	-	-
EPS (Rs.)	89.2	105.4	89.2	105.4
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	1,46,406	2,55,958	4,10,916	4,68,915
EBITDAR (Rs. m)	2,550	8,767	1,00,002	1,09,503
Margin (%)	1.7	3.4	24.3	23.4
PAT (Rs. m)	(58,298)	(61,467)	34,338	40,569
EPS (Rs.)	(151.5)	(159.7)	89.2	105.4
Gr. (%)	NA	NA	NA	18.1
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	NA	NA	NA	NA
RoCE (%)	NA	NA	NA	NA
EV/Sales (x)	4.1	2.3	1.4	1.1
EV/EBITDAR (x)	NA	NA	10.0	8.8
PE (x)	NA	NA	22.0	18.6
P/BV (x)	NA	NA	NA	53.5

Key Data

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52-W High / Low	Rs.2,380 / Rs.1,356
Sensex / Nifty	57,901 / 17,248
Market Cap	Rs.757bn/ \$ 9,950m
Shares Outstanding	385m
3M Avg. Daily Value	Rs.2784.01m

Shareholding Pattern (%)

Promoter's	74.79
Foreign	18.51
Domestic Institution	4.62
Public & Others	2.08
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(16.9)	13.4	18.7
Relative	(13.4)	2.8	(4.3)

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Taxiing to take off post covid

Quick Pointers:

- International focus; Confident of maintaining lowest cost structure
- To reimagining product offering in line with consumer needs given increasing stage length

We interacted with IndiGo wherein they articulated their long term plan of responsibly maximizing unit revenues with sustained focus on reducing unit costs. Post pandemic, IndiGo continues to pursue & develop multiple revenue streams in the form of 1) fortifying domestic network aided by regional expansion (Fleet of 30+ ATR) 2) widening international network with the help of longer range aircraft (A321neo; A321 XLRs - mid 2024) and 3) freighter operations. With increasing stage lengths, IndiGo is also looking to reimagine its product in order to align it with consumer needs. However, with likely increase in competitive intensity on entry of new players, IndiGo remains focused on being the lowest cost operator through 1) sweating the assets better 2) higher seat count 3) long term relationship with lessors (further strengthened in the pandemic) and 4) refreshing the fleet with fuel efficient A320neo family.

We continue to prefer IndiGo in the Airline space and expect it to emerge stronger post Covid given 1) superior balance sheet (Rs63bn free cash) 2) industry leading cost structure and 3) strong management team. We value the stock at 9x Sep23 adj. EV/EBITDAR and arrive at a target price of Rs1,950/. However, we believe CMP bakes in most positives and with near term uncertain due to possible spread of Omicron variant, we recommend awaiting better entry points. Maintain HOLD.

- Multiple revenue streams to help maximize unit revenues:** Over the last 18 months, IndiGo has further fortified its domestic offerings by opening/connecting more regional destinations. With induction of A321neo and A321 XLR (Mid 2024), IndiGo is aiming to expand its network internationally by serving destinations non-stop within 5-7hours around India. Also, with MoCA resizing bilateral cargo rights of international carriers, IndiGo aims to seize this opportunity and scale up the cargo business. It expects to induct its first dedicated freighter in May22 while 3 more expected to join by Jun23.
- Sustained focus on unit costs:** Despite entry of new players (ULCC focus), IndiGo remains confident of maintaining the lowest industry cost structure on the back of 1) higher seat count 2) sweating the asset better (right mix of domestic & international operations) and 3) unbundling of services
- Reimagining its product offering:** Induction of A321neo & A321 XLR (Mid 2024) will enable IndiGo to expand reach & serve routes within 5-7hour flying range. Cognizant of consumer needs & preferences given increasing stage length, IndiGo will look to re-evaluate its product through 1) comfy seats 2) dual class seating and hot meals (A321 XLR) 3) wifi on board and 4) lounge access. IndiGo remains open to exploring interline/ code share with more airlines.

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	1,46,406	2,55,958	4,10,916	4,68,915
YoY gr. (%)	(59.1)	74.8	60.5	14.1
Aircraft Fuel Expenses	38,313	92,589	1,30,191	1,53,510
Employee Cost	30,262	33,351	41,225	47,951
Other Expenses	74,727	1,20,351	1,37,983	1,56,128
EBITDAR	2,550	8,767	1,00,002	1,09,503
YoY gr. (%)	(94.4)	243.8	1,040.7	9.5
Margin (%)	1.7	3.4	24.3	23.4
Aircraft Lease Rentals	2,805	2,589	2,713	2,867
Depreciation and Amortization	46,987	52,313	52,259	55,279
EBIT	(47,241)	(46,136)	45,030	51,357
Margin (%)	NA	NA	11.0	11.0
Net Interest	21,420	23,761	23,952	25,335
Other Income	10,363	8,429	13,260	14,547
Profit Before Tax	(58,298)	(61,467)	34,338	40,569
Margin (%)	NA	NA	8.4	8.7
Total Tax	-	-	-	-
Effective tax rate (%)	-	-	-	-
Profit after tax	(58,298)	(61,467)	34,338	40,569
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(58,298)	(61,467)	34,338	40,569
YoY gr. (%)	NA	NA	NA	18.1
Margin (%)	NA	NA	8.4	8.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(58,298)	(61,467)	34,338	40,569
YoY gr. (%)	NA	NA	NA	18.1
Margin (%)	NA	NA	8.4	8.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(58,298)	(61,467)	34,338	40,569
Equity Shares O/s (m)	385	385	385	385
EPS (Rs)	(151.5)	(159.7)	89.2	105.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	2,85,924	3,42,732	3,92,800	4,57,673
Tangibles	2,84,018	3,40,576	3,90,394	4,54,867
Intangibles	1,906	2,156	2,406	2,806
Acc: Dep / Amortization	97,769	1,50,082	2,02,341	2,57,620
Tangibles	96,195	1,48,293	2,00,311	2,55,309
Intangibles	1,574	1,789	2,030	2,311
Net fixed assets	1,88,155	1,92,650	1,90,459	2,00,053
Tangibles	1,87,822	1,92,284	1,90,082	1,99,558
Intangibles	332	367	376	495
Capital Work In Progress	717	550	550	550
Goodwill	-	-	-	-
Non-Current Investments	15,807	12,828	12,375	12,949
Net Deferred tax assets	2,949	2,949	2,949	2,949
Other Non-Current Assets	14,509	15,102	13,149	13,364
Current Assets				
Investments	72,900	81,907	1,02,729	1,31,296
Inventories	3,164	3,506	3,377	3,854
Trade receivables	2,192	2,805	3,377	3,854
Cash & Bank Balance	1,12,271	1,11,506	1,17,985	1,32,770
Other Current Assets	8,147	10,750	8,218	8,440
Total Assets	4,29,743	4,44,025	4,63,388	5,18,756
Equity				
Equity Share Capital	3,849	3,849	3,849	3,849
Other Equity	(3,140)	(64,606)	(30,268)	10,301
Total Networkth	709	(60,757)	(26,419)	14,150
Non-Current Liabilities				
Long Term borrowings	3,816	3,816	3,316	2,816
Provisions	5,373	7,679	8,218	8,440
Other non current liabilities	1,972	3,161	2,833	2,922
Current Liabilities				
ST Debt / Current of LT Debt	21,240	28,240	28,240	20,240
Trade payables	15,561	22,440	22,516	23,125
Other current liabilities	1,52,217	2,02,378	1,92,341	2,00,481
Total Equity & Liabilities	4,29,743	4,44,025	4,63,389	5,18,757

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	(58,298)	(61,467)	34,338	40,569
Add. Depreciation	46,987	52,313	52,259	55,279
Add. Interest	11,057	15,331	10,692	10,788
Less Financial Other Income	10,363	8,429	13,260	14,547
Add. Other	(4,304)	-	-	-
Op. profit before WC changes	(4,559)	6,177	97,289	1,06,636
Net Changes-WC	(10,926)	36,370	(6,226)	2,266
Direct tax	(719)	-	-	-
Net cash from Op. activities	(16,204)	42,547	91,063	1,08,902
Capital expenditures	14,638	371	(1,750)	(2,400)
Interest / Dividend Income	1,367	8,429	13,260	14,547
Others	16,452	(7,449)	(24,615)	(43,636)
Net Cash from Inv. activities	32,457	1,351	(13,105)	(31,489)
Issue of share cap. / premium	93	-	-	-
Debt changes	18,342	7,000	(500)	(8,500)
Dividend paid	-	-	-	-
Interest paid	(36,188)	(66,676)	(73,587)	(71,640)
Others	-	14,185	(3,592)	3,233
Net cash from Fin. activities	(17,753)	(45,491)	(77,678)	(76,907)
Net change in cash	(1,678)	(1,592)	280	505
Free Cash Flow	(1,566)	42,918	89,313	1,06,502

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Revenue	49,100	62,229	30,069	56,085
YoY gr. (%)	(50.6)	(25.0)	292.2	104.6
Aircraft Fuel Expenses	11,429	19,145	12,159	19,894
Employee Expenses	7,359	7,352	7,998	7,261
Other Expenses	21,281	29,577	24,088	26,417
EBITDAR	9,030	6,156	(14,176)	2,513
Margin (%)	18.4	9.9	NA	4.5
Aircraft Lease Rentals	642	662	523	649
Depreciation / Depletion	11,565	13,195	13,171	12,479
EBIT	(3,177)	(7,700)	(27,869)	(10,615)
Margin (%)	NA	NA	NA	NA
Net Interest	5,415	5,282	5,555	5,688
Other Income	2,326	1,392	1,631	1,899
Profit before Tax	(6,266)	(11,590)	(31,793)	(14,404)
Margin (%)	NA	NA	NA	NA
Total Tax	-	-	-	-
Effective tax rate (%)	0.0	0.0	0.0	0.0
Profit after Tax	(6,266)	(11,590)	(31,793)	(14,404)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(6,266)	(11,590)	(31,793)	(14,404)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	NA
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(6,266)	(11,590)	(31,793)	(14,404)
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	NA
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(6,266)	(11,590)	(31,793)	(14,404)
Avg. Shares O/s (m)	385	385	385	385
EPS (Rs)	-16.3	-30.1	-82.6	-37.4

Source: Company Data, PL Research

Key Financial Metrics

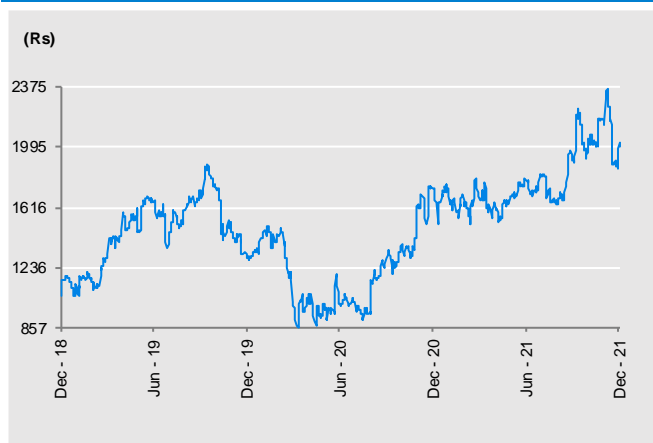
Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	(151.5)	(159.7)	89.2	105.4
CEPS	(29.4)	(23.8)	225.0	249.0
BVPS	1.8	(157.8)	(68.6)	36.8
FCF	(4.1)	111.5	232.0	276.7
DPS	-	-	-	-
Return Ratio(%)				
RoCE	NA	NA	NA	NA
ROIC	NA	NA	18.6	20.2
RoE	NA	NA	NA	NA
Balance Sheet				
Net Debt : Equity (x)	(225.8)	2.7	7.2	(17.0)
Net Working Capital (Days)	(25)	(23)	(14)	(12)
Valuation(x)				
PER	NA	NA	22.0	18.6
P/B	NA	NA	NA	53.5
P/CEPS	NA	NA	8.7	7.9
EV/EBITDAR (Adj)	NA	NA	10.0	8.8
EV/Sales	4.1	2.3	1.4	1.1
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
EBITDAR (Rs mn)	2,550	8,767	1,00,002	1,09,503
EBITDAR %	1.7	3.4	24.3	23.4
ASK (bn)	45	73	106	120
RPK (bn)	32	54	90	104
PLF %	69	74	85	87
RASK (Rs)	3.5	3.6	4.0	4.0
CASK (Rs)	4.7	4.4	3.7	3.7
RASK-CASK (Rs)	(1.3)	(0.8)	0.3	0.3
Fleet Size	285.0	280.0	275.0	300.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	28-Oct-21	Hold	1,950	2,021
2	06-Oct-21	Hold	1,850	1,926
3	27-Jul-21	Hold	1,630	1,705
4	07-Jul-21	Hold	1,670	1,769
5	07-Jun-21	Hold	1,670	1,755
6	07-Apr-21	Accumulate	1,780	1,597
7	28-Jan-21	Accumulate	1,780	1,593
8	11-Jan-21	UR	-	1,732

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	InterGlobe Aviation	Hold	1,950	2,021
2	KEI Industries	Accumulate	1,007	921
3	Polycab India	Hold	2,342	2,338
4	SpiceJet	Hold	70	71

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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