

Rating: BUY | CMP: Rs2,098 | TP: Rs2,500

February 5, 2023

Q3FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		ACCUMULATE	
Target Price	2,500		2,300	
Sales (Rs. m)	6,30,309	7,14,098	5,98,546	6,60,377
% Chng.	5.3	8.1		
EBITDA (Rs. m)	1,57,073	1,87,344	1,40,103	1,60,603
% Chng.	12.1	16.7		
EPS (Rs.)	142.4	183.7	116.4	142.6
% Chng.	22.3	28.8		

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	2,59,309	5,38,495	6,30,309	7,14,098
EBITDAR (Rs. m)	8,420	62,396	1,57,073	1,87,344
Margin (%)	3.2	11.6	24.9	26.2
PAT (Rs. m)	(61,710)	(8,475)	54,862	70,767
EPS (Rs.)	(160.2)	(22.0)	142.4	183.7
Gr. (%)	5.8	(86.3)	(747.3)	29.0
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	206.9	13.1	(132.5)	330.4
RoCE (%)	(2,072.1)	(34.0)	(2,481.3)	217.8
EV/Sales (x)	2.6	1.2	0.8	0.6
EV/EBITDAR (x)	131.3	19.7	7.4	5.8
PE (x)	(13.1)	(95.4)	14.7	11.4
P/BV (x)	(13.4)	(11.7)	(57.9)	14.2

Key Data

INGL.BO | INDIGO IN

52-W High / Low	Rs.2,282 / Rs.1,512
Sensex / Nifty	60,842 / 17,854
Market Cap	Rs.809bn/ \$ 9,881m
Shares Outstanding	385m
3M Avg. Daily Value	Rs.1427.87m

Shareholding Pattern (%)

Promoter's	74.77
Foreign	17.70
Domestic Institution	5.48
Public & Others	2.05
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.8	6.1	8.0
Relative	3.5	1.8	4.4

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Exiting turbulence

Quick Pointers:

- Seasonality (85% vs 79% QoQ) and yields holding up (Rs 5.37 vs Rs 5.07 QoQ), led to highest-ever quarterly revenue of Rs 149bn.
- In 3Q IndiGo added 23 aircrafts to its fleet including one freighter; Guides capacity addition of 15%+ in FY24.

We increase our FY24/25E EBITDAR estimates by 12/17% and upgrade to 'BUY' from Accumulate, with a revised target price of Rs 2,500 at 7x Dec-24E EV/EBITDAR (in-line with its pre-COVID average, 8x earlier on Sep-24E). InterGlobe Aviation (IndiGo) reported highest-ever quarterly revenue of Rs 149bn driven by seasonality (load factor at 85% vs 79% in 2Q), better yields (Rs 5.37, +6% QoQ) and 10% QoQ increase in cargo revenue. Lower fuel CASK (at Rs 2.01 vs Rs 2.26 QoQ) and forex losses (at Rs 5.9bn vs Rs 12bn in 2Q and Rs 14bn in 3Q) led to strong operational performance - EBITDAR margin of 21.3% (in the 20% zone after 13 quarters). In Q4, IndiGo expects relatively stable fuel costs, as crude cost declined 7% in 3Q. Mgnt. guided for a 15%+ capacity addition in FY24.

We believe IndiGo is well placed to strongly benefit from (1) demand recovery along with capacity deployment, (2) network expansions in domestic as well as international, (3) crude-prices tapering off, (4) better than industry cost structure and (5) superior balance sheet (Rs 106bn free cash). Upgrade to 'BUY', given IndiGo's better position (with ~55% market share) compared to its peers and industry tailwinds.

Highest ever quarterly revenue at Rs 149bn (+19.5% QoQ): Passenger revenue grew to Rs 131bn (+18.5%) driven by seasonality (LFs improved to 85% vs 79% in 2Q) and yields holding up at higher levels (Rs 5.37 vs 5.07 sequentially). Ancillary revenue also witnessed healthy QoQ growth of 10.5% to Rs 14bn.

Low forex losses & moderate fuel cost led to EBITDAR of Rs 31.88bn: Fuel CASK declined to Rs 2.01/ASKM vs Rs 2.26 in 2Q, led by ~7% decline in crude prices. Forex loss reduced to Rs 5.86bn from Rs 12bn QoQ. This along with soared passenger traffic, led to EBITDAR margin of 21.3%. After multiple quarters of distress, IndiGo reported a profit of Rs 14.2bn.

Key takeaways: (1) Capacity addition: At the end 3Q, fleet stood at 302 vs 279 in 2Q (majority addition from A320/A321 NEOs). Over 9MFY23, ASKMs have grown by 68% YoY. The company guides capacity addition of mid-teens+ in FY24, as it will further start taking deliveries from its 500 aircraft order. **(2) International operations above pre-COVID level:** 23% of IndiGo's capacity was deployed in international operations, which is 105% of pre-COVID levels. This is expected to grow in coming years, through IndiGo's codeshare agreements and addition of new destinations. **(3) Domestic operations:** IndiGo's focus on non-metro remains, as the company started its operations in north-east (Itanagar) and North Goa (Mopa) in 3Q. It will continue to play on its strategy of providing air connectivity across cities. **(4) Increasing focus on cargo business:** In 3Q, IndiGo introduced its 2nd Airbus A321 freighter in the fleet; couple more will be added by next year. Freighters will initially be deployed for international operations.

Exhibit 1: Q3FY23 Result Overview (Rs m)

Y/e March	3QFY23	3QFY22	YoY gr.	2QFY23	QoQ gr.	9MFY23	9MFY22	YoY gr.
Revenue	149,330	92,948	60.7%	124,976	19.5%	402,859	179,102	124.9%
Aircraft fuel expenses	57,851	32,693	77.0%	62,579	-7.6%	180,330	64,747	178.5%
Employee Cost	12,846	7,884	62.9%	11,537	11.3%	34,966	23,142	51.1%
Other expenses	46,756	33,318	40.3%	50,102	-6.7%	148,289	83,823	76.9%
EBITDAR	31,878	19,053	67.3%	757	4110.5%	39,274	7,390	431.5%
<i>EBITDAR margin %</i>	<i>21.35%</i>	<i>20.50%</i>		<i>0.61%</i>		<i>9.75%</i>	<i>4.13%</i>	
Aircraft & engine rentals	700	1,273	-45.0%	485	44.5%	1,837	2,444	-24.8%
Other Income	4,772	1,851	157.8%	3,547	34.5%	9,954	5,381	85.0%
Depreciation & Amortization	13,424	12,336	8.8%	12,376	8.5%	37,498	37,986	-1.3%
Finance Cost	8,293	6,011	38.0%	7,276	14.0%	22,135	17,254	28.3%
PBT	14,233	1,285	NA	-15,833	NA	-12,242	-44,912	NA
Tax Expense	7	-		1		8	-	
Adj PAT	14,226	1,285	NA	-15,833	NA	-12,250	-44,912	NA
<i>PAT margin %</i>	<i>9.53%</i>	<i>1.38%</i>		<i>-12.67%</i>		<i>-3.04%</i>	<i>-25.08%</i>	
Reported PAT	14,226	1,285	NA	-15,833	NA	-12,250	-44,912	NA

Source: Company, PL

Exhibit 2: Operating Metrics - Seasonality and yields holding up led to highest-ever quarterly revenue of Rs 149bn.

Particulars	3QFY23	3QFY22	YoY gr.	2QFY23	QoQ gr.	9MFY23	9MFY22	YoY gr.
ASKM (in mn)	28,800	22,950	25.5	27,700	4.0	84,007	49,980	68.1
RPKM (in mn)	24,500	18,300	33.9	21,900	11.9	68,300	36,137	89.0
Load Factor (%)	85.1	79.7	533 bps	79.1	601 bps	81.3	72.3	900 bps
Yield (Rs)	5.4	4.4	21.8	5.1	5.9	5.2	4.2	25.3
RASK (Rs)	5.19	4.05	28.0	4.51	14.9	4.80	3.58	33.8
Aircraft Fuel/ASKM	2.01	1.42	41.0	2.26	(11.1)	2.15	1.30	65.7
Gross Margin	3.18	2.63	21.0	2.25	41.0	2.65	2.29	15.8
Employee Cost/ASKM	0.45	0.34	29.8	0.42	7.1	0.42	0.46	(10.1)
Ownership cost/ASKM	0.78	0.85	(8.9)	0.73	7.1	0.73	1.15	(36.6)
Other Operating Exp./ASKM	1.62	1.45	11.8	1.81	(10.2)	1.77	1.68	5.3
Non-Fuel Op.Exp/ASKM	2.85	2.65	7.5	2.95	(3.5)	2.91	3.29	(11.6)
CASK	4.86	4.07	19.2	5.21	(6.8)	5.06	4.59	10.2
CASK net of Other Income	4.69	3.99	17.4	5.08	(7.7)	4.94	4.48	10.2
RASK-CASK with other income	0.33	(0.02)	NA	(0.70)	NA	(0.26)	(1.01)	NA
Fleet	302	283	6.7	279	8.2	285	275	3.6

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	2,59,309	5,38,495	6,30,309	7,14,098
YoY gr. (%)	77.1	107.7	17.1	13.3
Aircraft Fuel Expenses	96,952	2,38,838	2,30,782	2,53,557
Employee Cost	31,517	47,341	55,751	61,605
Other Expenses	1,21,256	1,87,245	1,84,327	2,09,043
EBITDAR	8,420	62,396	1,57,073	1,87,344
YoY gr. (%)	230.2	641.1	151.7	19.3
Margin (%)	3.2	11.6	24.9	26.2
Aircraft Lease Rentals	3,117	2,531	3,152	3,570
Depreciation and Amortization	50,678	51,147	56,403	62,043
EBIT	(45,376)	8,718	97,519	1,21,731
Margin (%)	(17.5)	1.6	15.5	17.0
Net Interest	23,580	30,353	33,223	35,932
Other Income	7,245	13,160	14,078	15,297
Profit Before Tax	(61,710)	(8,475)	78,374	1,01,096
Margin (%)	(23.8)	(1.6)	12.4	14.2
Total Tax	-	-	23,512	30,329
Effective tax rate (%)	-	-	30.0	30.0
Profit after tax	(61,710)	(8,475)	54,862	70,767
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(61,710)	(8,475)	54,862	70,767
YoY gr. (%)	5.9	(86.3)	(747.3)	29.0
Margin (%)	(23.8)	(1.6)	8.7	9.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(61,710)	(8,475)	54,862	70,767
YoY gr. (%)	5.9	(86.3)	(747.3)	29.0
Margin (%)	(23.8)	(1.6)	8.7	9.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(61,710)	(8,475)	54,862	70,767
Equity Shares O/s (m)	385	385	385	385
EPS (Rs)	(160.2)	(22.0)	142.4	183.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	3,52,166	3,66,252	4,02,878	4,43,165
Tangibles	3,52,166	3,66,252	4,02,878	4,43,165
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,39,559	1,90,706	2,47,109	3,09,152
Tangibles	1,39,559	1,90,706	2,47,109	3,09,152
Intangibles	-	-	-	-
Net fixed assets	2,12,821	1,75,782	1,56,028	1,34,298
Tangibles	2,12,607	1,75,546	1,55,769	1,34,013
Intangibles	214	235	259	285
Capital Work In Progress	1,253	1,253	1,253	1,253
Goodwill	-	-	-	-
Non-Current Investments	1	1	1	1
Net Deferred tax assets	2,949	3,097	3,252	3,414
Other Non-Current Assets	19,213	20,366	21,588	22,883
Current Assets				
Investments	80,325	96,390	1,10,848	1,27,476
Inventories	4,081	4,426	5,181	5,869
Trade receivables	3,329	4,426	5,181	5,869
Cash & Bank Balance	1,01,165	98,683	2,05,588	3,13,051
Other Current Assets	12,571	36,883	34,538	39,129
Total Assets	4,58,601	4,64,289	5,68,737	6,81,051
Equity				
Equity Share Capital	3,853	3,853	3,853	3,853
Other Equity	(64,205)	(72,681)	(17,819)	52,948
Total Network	(60,353)	(68,828)	(13,967)	56,801
Non-Current Liabilities				
Long Term borrowings	4,162	4,162	4,162	4,162
Provisions	5,662	5,945	6,243	6,555
Other non current liabilities	33,436	33,436	33,436	33,436
Current Liabilities				
ST Debt / Current of LT Debt	34,806	34,806	31,806	28,806
Trade payables	31,519	25,081	29,357	33,259
Other current liabilities	79,558	1,01,176	1,17,183	1,31,846
Total Equity & Liabilities	4,58,601	4,64,289	5,68,737	6,81,051

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	(61,710)	(8,475)	78,374	1,01,096
Add. Depreciation	50,678	51,147	56,403	62,043
Add. Interest	23,580	30,353	33,223	35,932
Less Financial Other Income	7,245	13,160	14,078	15,297
Add. Other	(7,245)	(13,160)	(14,078)	(15,297)
Op. profit before WC changes	5,303	59,865	1,53,922	1,83,774
Net Changes-WC	13,948	(10,587)	21,107	12,585
Direct tax	-	(147)	(23,667)	(30,491)
Net cash from Op. activities	19,251	49,130	1,51,361	1,65,867
Capital expenditures	(75,880)	(14,108)	(36,649)	(40,314)
Interest / Dividend Income	-	-	-	-
Others	5,698	10,213	10,868	11,799
Net Cash from Inv. activities	(70,182)	(3,895)	(25,781)	(28,515)
Issue of share cap. / premium	648	-	-	-
Debt changes	70,182	(1,299)	29,006	22,669
Dividend paid	-	-	-	-
Interest paid	(23,580)	(30,353)	(33,223)	(35,932)
Others	-	-	-	-
Net cash from Fin. activities	47,250	(31,652)	(4,217)	(13,263)
Net change in cash	(3,681)	13,583	1,21,363	1,24,089
Free Cash Flow	(56,629)	35,022	1,14,713	1,25,553

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	(160.2)	(22.0)	142.4	183.7
CEPS	(28.6)	110.8	288.8	344.7
BVPS	(156.7)	(178.7)	(36.3)	147.4
FCF	(147.0)	90.9	297.8	325.9
DPS	-	-	-	-
Return Ratio(%)				
RoCE	(2,072.1)	(34.0)	(2,481.3)	217.8
ROIC	(16.4)	3.2	38.7	50.6
RoE	206.9	13.1	(132.5)	330.4
Balance Sheet				
Net Debt : Equity (x)	2.4	2.3	20.1	(7.2)
Net Working Capital (Days)	(34)	(11)	(11)	(11)
Valuation(x)				
PER	(13.1)	(95.4)	14.7	11.4
P/B	(13.4)	(11.7)	(57.9)	14.2
P/CEPS	(73.3)	18.9	7.3	6.1
EV/EBITDAR (Adj)	131.3	19.7	7.4	5.8
EV/Sales	2.6	1.2	0.8	0.6
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	80,207	1,28,553	1,24,976	1,49,330
YoY gr. (%)	28.9	327.5	122.8	60.7
Raw Material Expenses	536	715	625	788
Gross Profit	79,672	1,27,838	1,24,351	1,48,542
Margin (%)	99.3	99.4	99.5	99.5
EBITDA	1,030	6,639	757	31,878
YoY gr. (%)	(83.3)	(146.8)	(69.9)	67.3
Margin (%)	1.3	5.2	0.6	21.3
Depreciation / Depletion	12,693	11,698	12,376	13,424
EBIT	(12,336)	(5,712)	(12,104)	17,754
Margin (%)	(15.4)	(4.4)	(9.7)	11.9
Net Interest	6,326	6,566	7,276	8,293
Other Income	1,864	1,635	3,547	4,772
Profit before Tax	(16,798)	(10,642)	(15,833)	14,233
Margin (%)	(20.9)	(8.3)	(12.7)	9.5
Total Tax	-	-	1	7
Effective tax rate (%)	-	-	-	-
Profit after Tax	(16,798)	(10,642)	(15,833)	14,226
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(16,798)	(10,642)	(15,833)	14,226
YoY gr. (%)	44.9	(66.5)	9.9	1,007.5
Margin (%)	(20.9)	(8.3)	(12.7)	9.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(16,798)	(10,642)	(15,833)	14,226
YoY gr. (%)	44.9	(66.5)	9.9	1,007.5
Margin (%)	(20.9)	(8.3)	(12.7)	9.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(16,798)	(10,642)	(15,833)	14,226
Avg. Shares O/s (m)	385	385	385	385
EPS (Rs)	(43.7)	(27.7)	(41.1)	37.0

Source: Company Data, PL Research

Key Operating Metrics

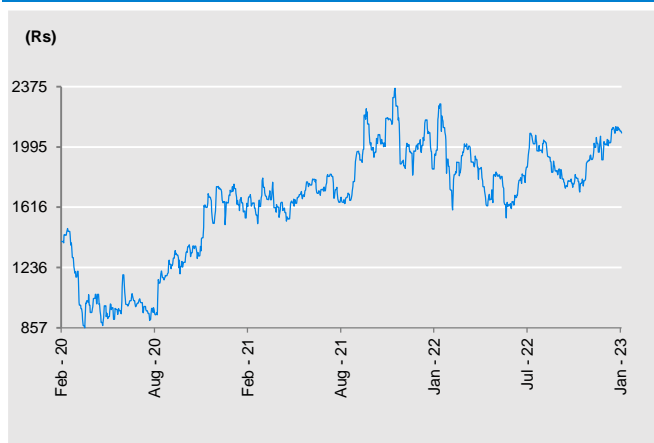
Y/e Mar	FY22	FY23E	FY24E	FY25E
EBITDAR (Rs mn)	8,420	62,396	1,57,073	1,87,344
EBITDAR %	3.2	11.6	24.9	26.2
ASK (bn)	70	114	132	150
RPK (bn)	52	91	108	123
PLF %	74	80	82	82
RASK (Rs)	3.7	4.7	4.8	4.8
CASK (Rs)	4.6	4.9	4.3	2.5
RASK-CASK (Rs)	(1.0)	(0.2)	0.5	2.3
Fleet Size	275.0	305.0	320.0	330.0

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jan-23	Accumulate	2,300	2,038
2	07-Nov-22	Accumulate	2,015	1,798
3	06-Oct-22	Hold	1,985	1,851
4	04-Aug-22	Hold	1,900	1,977
5	11-Jul-22	Hold	1,800	1,678
6	26-May-22	Hold	1,800	1,646

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	InterGlobe Aviation	Accumulate	2,300	2,038

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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