

InterGlobe Aviation

BSE SENSEX
57,527

S&P CNX
16,945

CMP: INR1,865 TP: INR2,110 (+13%)

Neutral



Stock Info

Bloomberg	INDIGO IN
Equity Shares (m)	385
M.Cap.(INRb)/(USDb)	719.2 / 8.7
52-Week Range (INR)	2194 / 1513
1, 6, 12 Rel. Per (%)	4/3/2
12M Avg Val (INR M)	1694
Free float (%)	28.1

Financials Snapshot (INR b)

Y/E March	FY23E	FY24E	FY25E
Sales	556.0	514.4	556.8
EBITDAR	82.6	127.4	139.4
NP	9.8	41.2	47.4
EPS (INR)	25.5	107.1	123.4
BV/Sh. (INR)	-131.6	-24.4	98.9

Ratios

Net D:E	-3.2	-17.2	3.1
RoE (%)	-17.6	-137.4	331.1
RoCE (%)	18.8	33.0	31.0
Payout (%)	0.0	0.0	0.0

Valuations

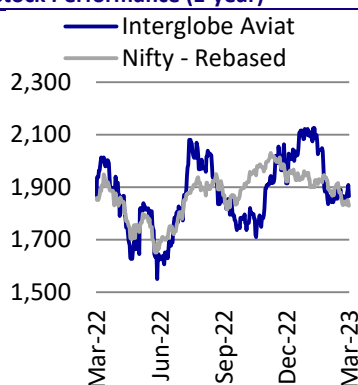
P/E (x)	73.2	17.4	15.1
P/BV (x)	-14.2	-76.3	18.8
Adj. EV/EBITDAR(x)	10.7	7.0	6.1
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	5.7	2.5	8.5

Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	71.9	71.9	74.8
DII	8.3	7.8	4.7
FII	17.8	18.1	18.6
Others	2.0	2.2	1.9

FII Includes depository receipts

Stock Performance (1-year)



On the high road!

We attended IndiGo's analyst meet at its iFly training center in Gurugram on 23rd March, 2023. Below are the key highlights from the meeting:

- Management boasts of one of the highest fleet utilization rates in the world and expects it to further improve over the next couple of years.
- Over the past six years, the company has doubled the number of domestic destinations to 77, while the number of international destinations has tripled to 26.
- In 3QFY23, the company operated 1,800 flights daily with On-Time Performance (OTP) of ~90% and its PAX stood at 22.3m. While the company forecasts strong overall demand in 4QFY23, yield is expected to reduce in the quarter due to seasonality. Nevertheless, it is still expected to remain above pre-covid levels.

Purple patch ahead for the Indian Aviation Industry

- As one of the fastest growing aviation markets globally, India is estimated to require 1,100 passenger aircraft by 2027.
- The government is taking several initiatives to support the growth of aviation. It plans to invest USD11.8b over the next four-year period to construct new Greenfield airports and develop existing brownfield airports, increasing the number of airports to 220 by 2025 from its current 140.
- In order to harness the expected demand growth, the company plans to increase its fleet size to 350 in FY24 from 306 in FY23, while also adding 10-15 new destinations (both domestic and international inclusive). The management also expects the number of passengers to increase to 100m in FY24 from 85m in FY23.

Strategic priorities for the company

- The management assures a continued focus on affordable fares (supported by cost leadership with CASK of 3.31), OTP, courteous and hassle free service (low cancellation rate of 0.2%), and unparalleled network.
- The company intends to develop people, processes, and technology in line with its growing size. Additionally, it is focusing on developing a three-point disembarking system and an innovative ramp design. The company has also developed an in-house 'Partnership Booking Centre'.
- IndiGo is working to increase its international presence through strategic partnerships (codeshare agreement with Turkish Airlines) and loyalty programs. The company's loyalty program subscriber base has increased 4.5 times from FY21 levels.

Valuation and view

- IndiGo's fleet consists of 302 aircraft, including 23 A320 CEOs, 160 A320 NEOs, 78 A321 NEOs, 39 ATRs, and 2 A321 freighters (it added another freighter in 3QFY23). The company has an order book for ~500 aircraft currently.
- Management has been taking several pre-emptive measures to increase its global brand awareness, as it expects to capture a bigger share of growth from its international market in the coming years (due to the lower base right now).
- In the domestic market, the company is expected to face some headwinds due to the volatility in crude prices and forex. Further, competition in the sector is expected to intensify with the resurgence of Air India and the entry of a new player Akasa Air. We value the stock at 7x FY25E EV/EBITDAR to arrive at our TP of INR2,110. We reiterate our Neutral rating on the stock.

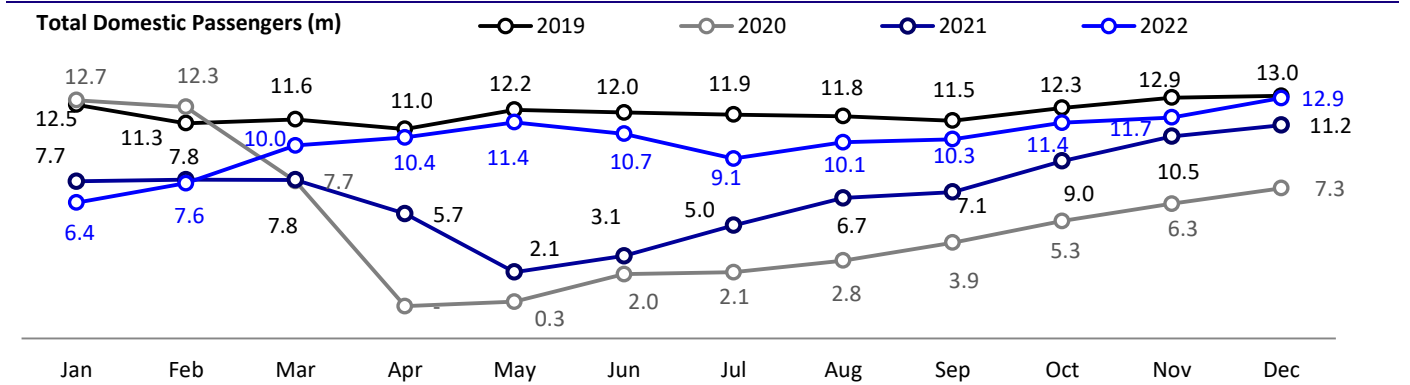
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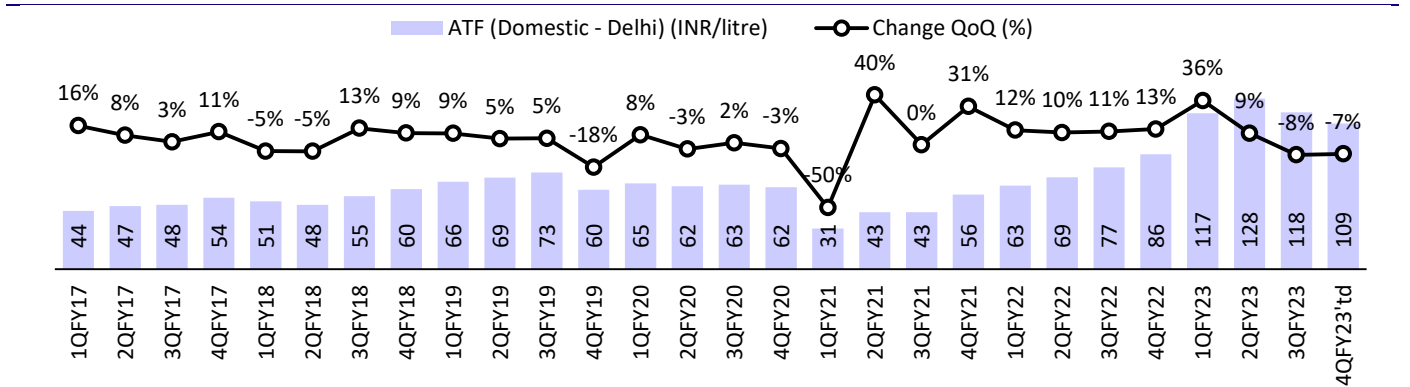
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Exhibit 1: Total domestic passengers have crossed pre-covid levels



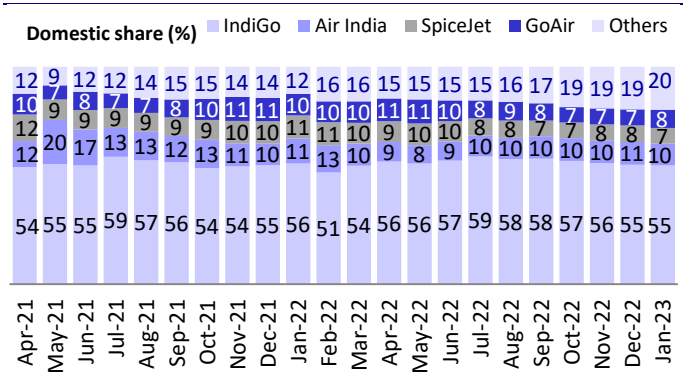
Source: MoCA, MOFSL

Exhibit 2: ATF prices have cooled off with a decline in Brent since Mar'22



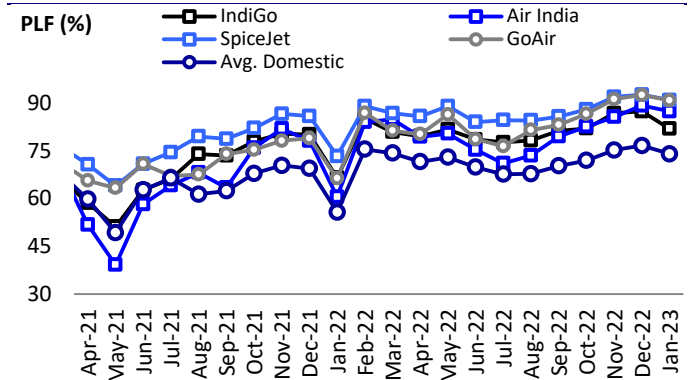
Source: IOCL, MOSL

Exhibit 3: Among the domestic traffic, IndiGo continues to be a market leader ...



Source: Company, MOFSL

Exhibit 4: ...with its Passenger Load Factor (PLF) above the industry level



Source: Company, MOFSL

Exhibit 5: IndiGo – Key assumptions

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Capacity								
ASK (million)	63,510	81,016	96,300	45,471	70,400	1,13,580	1,24,356	32,659
YoY (%)	16%	28%	19%	-53%	55%	61%	9%	2%
Load Factor	87%	86%	86%	69%	73%	81%	88%	88%
RPK (million)	55,524	69,787	82,600	31,595	51,700	92,000	1,09,433	28,740
YoY (%)	20%	26%	18%	-62%	64%	78%	19%	17%
Revenue Calculation								
Ticket Revenue (INR m)	1,99,433	2,51,359	3,14,682	1,18,735	2,19,239	4,70,119	4,32,260	1,13,522
Yield (INR/RPK)	3.59	3.60	3.81	3.76	4.24	5.11	3.95	3.95
Ancillary revenues (incl. others)	30,776	33,609	42,878	27,671	40,070	85,924	82,129	21,569
Total Revenue (INR m)	2,30,209	2,84,968	3,57,560	1,46,406	2,59,309	5,56,043	5,14,389	1,35,091
Fuel Cost								
Exchange rate (INR/USD)	64	70	71	74	75	81	84	83
ATF Prices (INR/lit)	54	67	63	43	74	118	90	90
YoY (%)	7%	24%	-6%	-32%	71%	61%	-24%	0%
Aircraft fuel expenses (INR m)	78,853	1,20,820	1,26,316	38,868	98,117	2,35,189	1,84,983	48,581
Spreads								
RASK	3.6	3.5	3.7	3.2	3.7	4.9	4.1	4.1
CASK	3.1	3.5	3.7	4.5	4.6	4.8	3.7	15.1
RASK-CASK	0.5	0.0	0.0	-1.3	-0.9	0.1	0.4	-11.0
CASK-ex fuel	1.9	2.0	2.4	3.6	3.2	2.7	2.2	9.0
RASK-CASK (ex-fuel)	1.7	1.5	1.3	-0.4	0.5	2.2	1.9	-4.8

Source: Company, MOFSL

Financials and Valuation

Standalone - Income Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income from Operations	2,30,209	2,84,968	3,57,560	1,46,406	2,59,309	5,56,043	5,14,389	5,56,791
YoY Chg. (%)	23.9	23.8	25.5	-59.1	77.1	114.4	-7.5	8.2
EBITDAR	65,667	47,940	45,348	2,550	8,466	82,615	1,27,357	1,39,402
Margin (%)	28.5	16.8	12.7	1.7	3.3	14.9	24.8	25.0
Aircraft & Engine Lease Rentals	36,102	49,994	4,967	2,805	3,116	2,281	2,487	2,692
EBITDA	29,565	-2,055	40,382	-255	5,349	80,334	1,24,870	1,36,710
Margin (%)	12.8	-0.7	11.3	-0.2	2.1	14.4	24.3	24.6
Depreciation	4,369	7,596	39,736	46,987	50,680	51,241	53,840	57,306
EBIT	25,196	-9,651	645	-47,241	-45,331	29,093	71,030	79,403
Int. and Finance Charges	3,398	5,090	18,759	21,420	23,580	31,036	31,143	31,342
Other Income	9,469	13,248	15,362	10,363	7,249	15,017	15,145	15,308
PBT	31,267	-1,492	-2,751	-58,298	-61,662	13,074	55,032	63,370
PBT after EO Exp.	31,267	-1,492	-2,751	-58,298	-61,662	13,074	55,032	63,370
Tax	8,843	-3,052	-269	0	0	3,291	13,851	15,950
Tax Rate (%)	28.3	204.5	9.8	0.0	0.0	25.2	25.2	25.2
Reported PAT	22,424	1,560	-2,482	-58,298	-61,662	9,783	41,180	47,420
Change (%)	35.1	-93.0	PL	Loss	Loss	LP	320.9	15.2
Margin (%)	9.7	0.5	-0.7	-39.8	-23.8	1.8	8.0	8.5

Standalone - Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	3,844	3,844	3,848	3,849	3,853	3,853	3,853	3,853
Total Reserves	66,930	65,604	54,776	-3,140	-64,205	-54,422	-13,242	34,178
Net Worth	70,774	69,448	58,624	709	-60,353	-50,569	-9,389	38,030
Total Loans	22,414	21,937	1,59,257	2,27,862	2,89,554	2,90,554	2,91,554	2,91,554
Capital Employed	96,883	92,029	2,17,881	2,28,571	2,29,201	2,39,984	2,82,165	3,29,584
Gross Block	57,906	77,078	2,27,976	2,95,336	3,70,682	4,39,448	5,13,478	5,88,561
Less: Accum. Deprn.	12,862	20,458	60,194	1,07,181	1,57,861	2,09,102	2,62,942	3,20,249
Net Fixed Assets	45,043	56,620	1,67,782	1,88,155	2,12,821	2,30,346	2,50,536	2,68,313
Capital WIP	294	220	1,293	664	1,193	7,773	9,089	9,352
Total Investments	63,440	65,167	94,994	72,902	80,326	80,326	80,326	80,326
Curr. Assets, Loans&Adv.	1,02,516	1,28,110	1,56,416	1,68,023	1,64,261	2,01,531	1,98,677	2,49,120
Inventory	1,832	2,114	2,861	3,164	4,081	4,339	3,547	3,825
Account Receivables	2,263	3,625	2,596	2,192	3,329	4,037	3,735	4,043
Cash and Bank Balance	65,806	86,064	1,08,294	1,12,271	1,01,165	1,26,806	1,30,017	1,74,814
Loans and Advances	32,614	36,307	42,665	50,396	55,686	66,348	61,378	66,438
Curr. Liability & Prov.	1,14,410	1,58,089	2,02,603	2,01,172	2,29,400	2,79,991	2,56,463	2,77,527
Account Payables	10,002	14,552	15,655	15,561	31,519	23,738	19,406	20,928
Other Current Liabilities	1,01,407	1,39,164	1,67,465	1,64,171	1,84,635	2,56,253	2,37,057	2,56,598
Provisions	3,001	4,372	19,484	21,440	13,246	0	0	0
Net Current Assets	-11,894	-29,979	-46,187	-33,149	-65,139	-78,461	-57,786	-28,407
Appl. of Funds	96,884	92,029	2,17,881	2,28,571	2,29,201	2,39,985	2,82,165	3,29,585

Financials and Valuation

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)								
EPS	58.3	4.1	-6.5	-151.7	-160.4	25.5	107.1	123.4
Cash EPS	69.7	23.8	96.9	-29.4	-28.6	158.7	247.2	272.4
BV/Share	184.1	180.7	152.5	1.8	-157.0	-131.6	-24.4	98.9
DPS	6.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout incl. tax (%)	12.4	148.3	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	31.9	459.0	-288.5	-12.3	-11.6	73.2	17.4	15.1
Cash P/E	26.7	78.2	19.2	-63.3	-65.2	11.7	7.5	6.8
P/BV	10.1	10.3	12.2	1,009.7	-11.9	-14.2	-76.3	18.8
EV/Sales	2.9	2.3	2.1	5.7	3.5	1.6	1.7	1.5
EV/EBITDAR	10.3	13.6	16.9	326.5	106.9	10.7	7.0	6.1
EV/EBITDA	22.8	-317.7	19.0	-3,270.3	169.2	11.0	7.0	6.1
Dividend Yield (%)	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
FCF Yield (%)	4.8	3.5	-9.5	-9.9	-6.9	5.7	2.5	8.5
FCF per share	89.4	65.0	-177.5	-185.0	-129.0	105.6	47.4	158.2
Return Ratios (%)								
RoE	41.3	2.2	-3.9	-196.5	206.8	-17.6	-137.4	331.1
RoCE	31.0	-4.0	9.3	-16.5	-16.6	18.8	33.0	31.0
RoIC	-68.2	-21.9	-2.5	-168.6	-101.6	60.8	121.1	93.0
Working Capital Ratios								
Fixed Asset Turnover (x)	4.0	3.7	1.6	0.5	0.7	1.3	1.0	0.9
Asset Turnover (x)	2.4	3.1	1.6	0.6	1.1	2.3	1.8	1.7
Inventory (Days)	4	3	3	8	6	3	3	3
Debtor (Days)	4	5	3	5	5	6	7	7
Creditor (Days)	22	22	18	39	46	16	14	14
Working Cap. Turnover (Days)	-123	-149	-158	-363	-234	-135	-133	-133

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	31,267	-1,492	-2,751	-58,298	-61,662	13,074	55,032	63,370
Depreciation	4,369	7,596	39,736	46,987	50,680	51,241	53,840	57,306
Interest & Finance Charges	-6,070	-8,159	3,396	11,057	16,331	16,019	15,998	16,034
Direct Taxes Paid	-7,905	3,007	-8	0	0	-3,291	-13,851	-15,950
(Inc)/Dec in WC	20,090	17,309	92,472	-3,752	21,360	40,693	-17,464	15,418
CF from Operations	41,750	18,262	1,32,845	-4,007	26,710	1,17,736	93,555	1,36,177
CF from Operating incld EO	41,750	18,262	1,32,845	-4,007	26,710	1,17,736	93,555	1,36,177
(Inc)/Dec in FA	-7,356	6,767	-2,01,171	-67,206	-76,352	-77,077	-75,346	-75,346
Free Cash Flow	34,395	25,029	-68,325	-71,213	-49,642	40,659	18,209	60,831
(Pur)/Sale of Investments	-26,306	-1,727	-29,827	22,092	-7,424	0	0	0
Others	9,469	13,248	15,362	10,363	7,249	15,017	15,145	15,308
CF from Investments	-24,193	18,289	-2,15,635	-34,751	-76,527	-62,059	-60,202	-60,038
Inc/(Dec) in Debt	-1,543	-477	1,37,320	68,605	61,692	1,000	1,000	0
Interest Paid	-3,398	-5,090	-18,759	-21,420	-23,580	-31,036	-31,143	-31,342
Dividend Paid	-2,775	-2,313	0	0	0	0	0	0
CF from Fin. Activity	1,923	-16,292	1,05,019	42,735	38,713	-30,036	-30,143	-31,342
Inc/Dec of Cash	19,480	20,258	22,230	3,977	-11,105	25,641	3,211	44,797
Opening Balance	46,326	65,806	86,064	1,08,294	1,12,271	1,01,166	1,26,806	1,30,017
Closing Balance	65,806	86,064	1,08,294	1,12,271	1,01,166	1,26,806	1,30,017	1,74,814

NOTES

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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