

## Aviation

## Company update

Target price: Rs3,000

## Shareholding pattern

	Sep '22	Dec '22	Mar '23
Promoters	71.9	71.9	67.9
Institutional investors	25.8	25.7	29.9
MFs and others	5.5	6.2	8.3
Fls/Banks	1.8	1.7	1.6
FIs	18.5	17.8	20.0
Others	2.3	2.4	2.2

## ESG disclosure score

Year	2021	2022	Chg
ESG score	38.1	37.4	(0.7)
Environment	9.5	11.5	2.0
Social	26.0	21.8	(4.2)
Governance	78.6	78.6	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

## Research Analysts:

## Ansuman Deb

ansuman.deb@icicisecurities.com  
+91 22 6807 7312

## Ravin Kurwa

ravin.kurwa@icicisecurities.com  
+91 22 6807 7653

## INDIA

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## InterGlobe Aviation

BUY

Maintained

Rs2,434

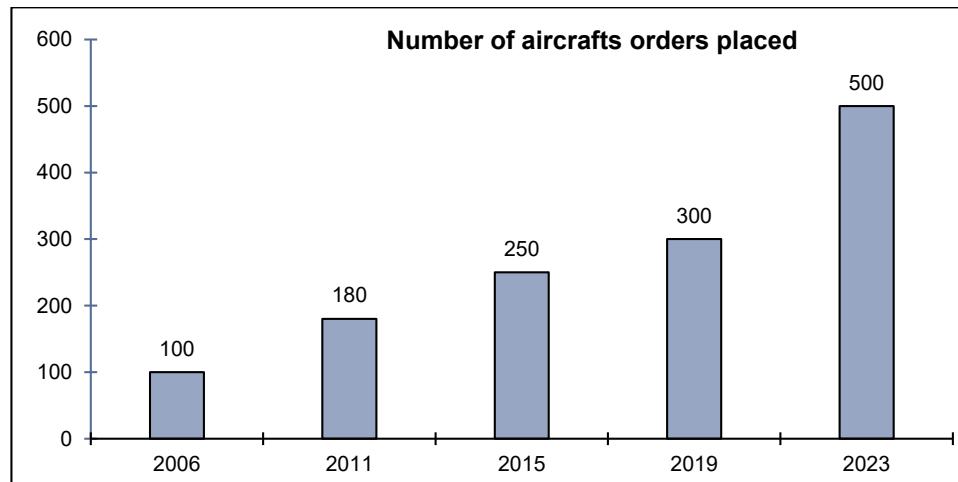
Repeat order underlines consistency in  
business strategy

InterGlobe Aviation's (IndiGo) fleet management has been its absolute bedrock in building a successful cost-efficient airline operation. This has been further strengthened by IndiGo's latest order of 500 Airbus A320 family aircraft placed in June'23. The key elements of IndiGo's successful fleet strategy are: (1) Ordering well in advance to ensure continuous increase in capacity along with benefits of associated cashflow, (2) maintaining low cost structure driven by consistency of uniform and fuel-efficient fleet composition, (3) maintaining operations on single aisle aircraft fleet despite the strategy of increasing international mix to 30% over the next two years and 40% by this decade from 23% in FY23. IndiGo's consistent approach to aircraft management has given it rich dividend by continuously being able to sustain cycles in terms of lowest cost structure and cash accretion. Maintain BUY on InterGlobe Aviation with an unchanged target price of Rs3,000, based on 25x FY25E EPS of Rs120. Risks include managing cost and fleet expansion in the midst of global engine crisis.

- **IndiGo places a firm order for 500 Airbus A320 family aircraft.** This 500 aircraft order is not only IndiGo's largest order, but also its largest-ever single aircraft purchase by any airline with Airbus. Key highlights of the order include:
  1. This order will be delivered between 2030 and 2035. The Engine selection for this order will be done in due course and so will be the exact mix of A320 and A321 aircraft.
  2. Previous orders total to 480 aircraft, which are scheduled for delivery by 2030.
  3. As such, with this additional firm order of 500 aircraft for 2030-2035, IndiGo's orderbook has almost 1,000 aircraft yet to be delivered well into the next decade.
  4. This IndiGo orderbook comprises a mix of A320NEO, A321NEO and A321XLR aircraft.
  5. The uniform fuel-efficient A320NEO Family aircraft will allow IndiGo to maintain its strong focus on lowering operating costs and delivering fuel efficiency with high standards of reliability.
- **This new order will bring the strategic relationship between IndiGo and Airbus to an unprecedented depth and breadth.** With this new order, since its inception in 2006, IndiGo has ordered a massive total of 1,330 aircraft from Airbus.
- **The order also implies that IndiGo will continue with its single aisle strategy despite deeper international foray.** This highlights the continuation of the low cost business model even in international segment which should result in consistent cost expectations. A321 XLR will offer extended range deeper into Europe and East Asia.

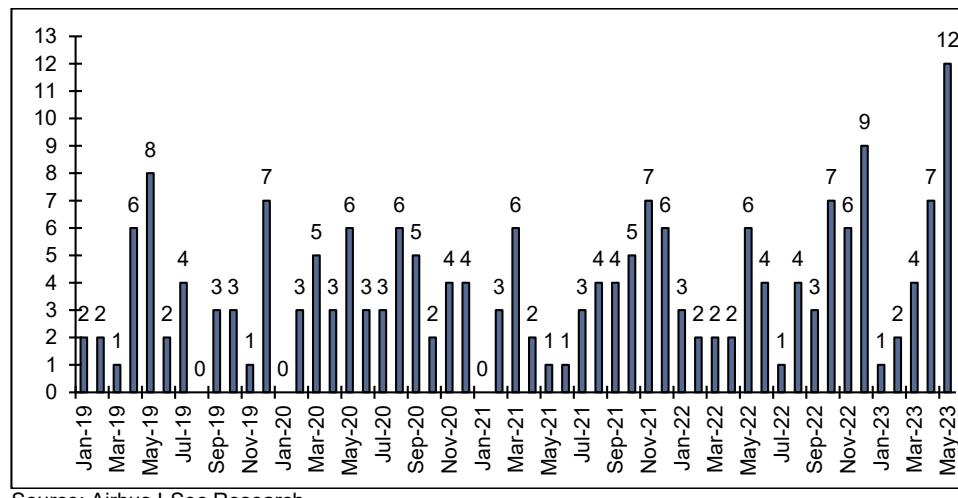
Market Cap	Rs937bn/US\$11.4bn	Year to March	FY22	FY23	FY24E	FY25E
Reuters/Bloomberg	INGL.BO/INDIGO IN	Revenue (Rs mn)	2,59,309	5,44,465	6,43,680	7,51,274
Shares Outstanding (mn)	385.5	Net Income (Rs mn)	(52,210)	26,539	40,330	46,266
52-week Range (Rs)	2488/1513	EPS (Rs)	(135.5)	68.8	104.6	120.0
Free Float (%)	32.1	% Chg YoY	nm	nm	52.0	14.7
FII (%)	20.0	P/E (x)	nm	35.3	23.2	20.3
Daily Volume (US\$/'000)	22,732	CEPS (Rs)	(4.0)	201.2	257.1	295.3
Absolute Return 3m (%)	31.0	EV/E (x)	nm	18.6	8.6	6.9
Absolute Return 12m (%)	49.0	Dividend Yield (%)	-	-	-	-
Sensex Return 3m (%)	9.6	RoCE (%)	(10.6)	5.9	16.1	15.7
Sensex Return 12m (%)	24.5	RoE (%)	nm	nm	nm	nm

Please refer to important disclosures at the end of this report

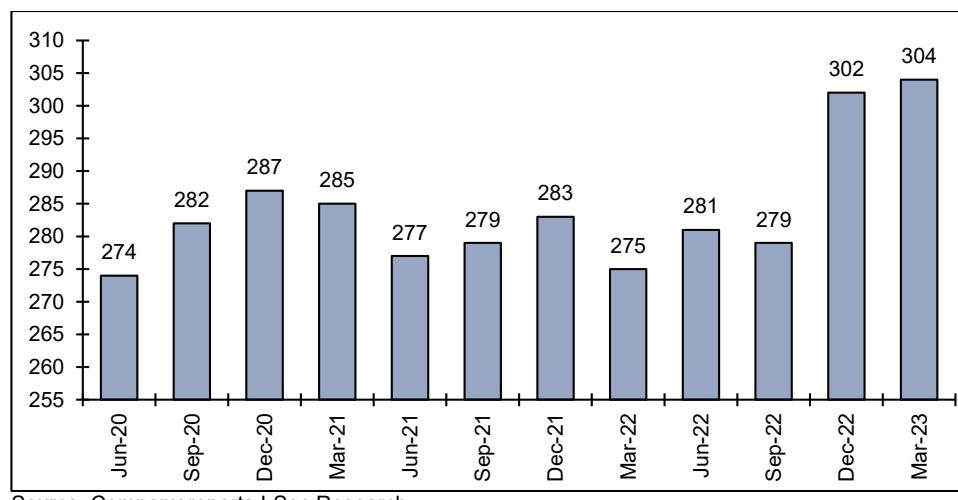
**Chart 1: Order track record of IndiGo**

Source: Airbus,I-Sec Research

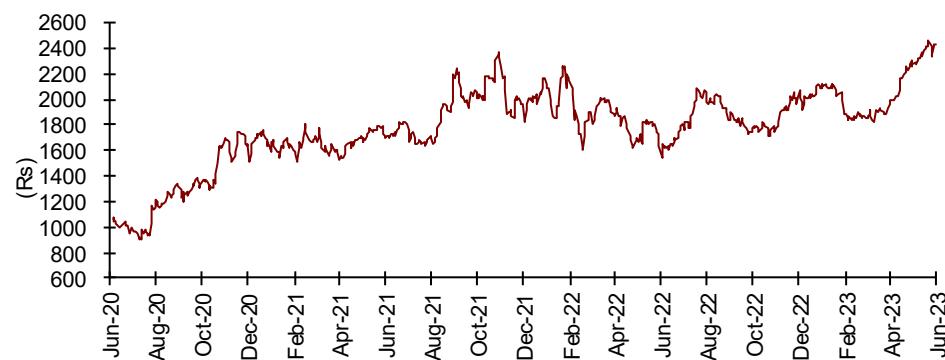
Note: Indigo had also placed an order of 50 ATRs in 2017

**Chart 2: IndiGo's monthly number of deliveries trend**

Source: Airbus,I-Sec Research

**Chart 3: IndiGo's fleet size trend**

Source: Company reports,I-Sec Research

**Price chart**

Source: Bloomberg

## Financial summary

**Table 1: Profit and loss statement**

(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
<b>Operating Income</b>	<b>2,59,309</b>	<b>5,44,465</b>	<b>6,43,680</b>	<b>7,51,274</b>
<b>Operating Expenses</b>	<b>2,53,836</b>	<b>4,79,511</b>	<b>5,12,922</b>	<b>5,98,421</b>
<b>EBITDA</b>	<b>5,473</b>	<b>64,953</b>	<b>1,30,758</b>	<b>1,52,852</b>
% margins	2.1	11.9	20.3	20.3
<b>EBITDAR</b>	<b>8,590</b>	<b>68,212</b>	<b>1,34,505</b>	<b>1,57,162</b>
% margins	3.3	12.5	20.9	20.9
Depreciation & Amortization	50,686	51,030	58,800	67,600
Gross Interest	23,580	31,317	36,040	41,400
Other Income	7,256	14,350	18,000	18,000
<b>Recurring PBT</b>	<b>(61,537)</b>	<b>(3,044)</b>	<b>53,918</b>	<b>61,852</b>
Add: Extra ordinaries	(9,408)	(29,597)	-	-
Less: Taxes	82	14	13,587	15,587
Less: Minority	-	-	-	-
<b>Adjusted Net Income#</b>	<b>(52,210)</b>	<b>26,539</b>	<b>40,330</b>	<b>46,266</b>

Source: Company data, I-Sec research

#does not include MTM impact.

**Table 2: Balance sheet**

(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
<b>Assets</b>				
Total Current Assets	2,02,289	2,61,487	3,72,729	4,94,706
<i>Cash and Current Investments</i>				
Total Current Liabilities	1,82,266	2,33,977	3,48,771	4,70,863
<b>Net Current Assets</b>	<b>1,02,539</b>	<b>1,09,318</b>	<b>1,50,374</b>	<b>1,89,838</b>
Deferred tax asset (net)	99,750	1,52,169	2,22,355	3,04,867
Long-term loans and advances	2,949	2,949	2,949	2,949
Other non-current assets	20,911	24,500	24,500	24,500
Non-Current Investments	19,386	25,969	25,969	25,969
<b>Net Fixed Assets with CWIP</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Total Assets</b>	<b>2,14,090</b>	<b>2,76,792</b>	<b>2,84,587</b>	<b>2,97,549</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>72,403</b>	<b>1,01,786</b>	<b>1,01,786</b>	<b>1,01,786</b>
Deferred Tax Liability	-	-	-	-
Lease Liability	3,29,811	4,26,019	4,63,669	5,12,878
Provisions and Incentives	14,754	17,039	17,039	17,039
Equity Share Capital	3,853	3,855	3,855	3,855
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	(63,733)	(66,320)	(25,990)	20,276
<b>Net Worth</b>	<b>(59,881)</b>	<b>(62,465)</b>	<b>(22,134)</b>	<b>24,132</b>
<b>Total Liabilities</b>	<b>3,57,087</b>	<b>4,82,380</b>	<b>5,60,361</b>	<b>6,55,835</b>

Source: Company data, I-Sec research

**Table 3: Cashflow statement**

(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
<b>Operating Cashflow ex WC</b>	<b>13,290</b>	<b>95,953</b>	<b>1,25,110</b>	<b>1,41,337</b>
Working Capital Changes	7,616	31,326	17,664	10,226
Capital Commitments	3,402	5,654	2,000	2,000
<b>Free Cashflow</b>	<b>17,504</b>	<b>1,21,625</b>	<b>1,40,774</b>	<b>1,49,563</b>
<b>Cashflow from Investing Activities</b>				
Issue of Share Capital	277	224	-	-
Inc. (Dec) in Borrowings	13,713	(16,726)	-	-
Dividend paid	-	-	-	-
Cash from financing	(30,878)	(84,158)	(43,980)	(45,472)
<b>Chg. in Cash &amp; Bank balance</b>	<b>5,052</b>	<b>2,526</b>	<b>1,14,794</b>	<b>1,22,092</b>

Source: Company data, I-Sec research

**Table 4: Key ratios**

(Year ending March 31)

	FY22	FY23	FY24E	FY25E
<b>Per Share Data (in Rs)</b>				
EPS(Basic Recurring)	(135.5)	68.8	104.6	120.0
Diluted Recurring EPS	(135.5)	68.8	104.6	120.0
Recurring Cash EPS	(4.0)	201.2	257.1	295.3
Dividend per share (DPS)	-	-	-	-
Book Value per share	(155.4)	(162.0)	(57.4)	62.6
<b>Growth Ratios (%)</b>				
EBITDA	nm	nm	101.3	16.9
EBITDAR	221.9	694.1	97.2	16.8
Recurring Net Income	nm	nm	52.0	14.7
Revenue	77.1	110.0	18.2	16.7
<b>Valuation Ratios (x)</b>				
P/E	nm	35.3	23.2	20.3
P/CEPS	nm	12.1	9.5	8.2
P/BV	nm	nm	nm	nm
EV / EBITDA	nm	18.6	8.6	6.9
EV / EBITDAR	nm	17.7	8.4	6.7
EV / FCF	61.3	9.9	8.0	7.1
Adjusted EV/EBITDAR	127.2	18.0	8.6	6.9
FCF yield	2.0	13.0	15.0	16.0
<b>Operating Ratios (%)</b>				
Fuel/Sales	37.4	43.4	37.9	37.3
Net Rentals/Sales	1.2	0.6	0.6	0.6
Other Income / PBT	(11.8)	(471.4)	33.4	29.1
Effective Tax Rate	25.2	25.2	25.2	25.2
NWC / Total Assets	27.9	31.5	39.7	46.5
Inventory Days	5.9	4.5	4.5	4.5
Receivables (days)	4.7	3.5	2.0	2.0
Payables (days)	44.4	21.5	25.0	30.0
Net D/E Ratio (x)	nm	nm	nm	nm
<b>Return/Profitability Ratios (%)</b>				
Recurring Net Income Margins	(20.1)	4.9	6.3	6.2
RoCE	(10.6)	5.9	16.1	15.7
RoNW	nm	nm	nm	nm
Dividend Payout Ratio	-	-	-	-
EBITDA Margins	2.1	11.9	20.3	20.3

Source: Company data, I-Sec research

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