

October 27, 2024

Q2FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	4,919		5,177	
Sales (Rs. m)	9,11,189	10,61,585	9,35,700	10,63,104
% Chng.	(2.6)	(0.1)		
EBITDA (Rs. m)	2,12,430	2,49,411	2,17,309	2,51,059
% Chng.	(2.2)	(0.7)		
EPS (Rs.)	230.3	250.2	257.4	254.9
% Chng.	(10.6)	(1.9)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	6,89,043	7,76,331	9,11,189	10,61,585
EBITDAR (Rs. m)	1,73,928	2,00,939	2,12,430	2,49,411
Margin (%)	25.2	25.9	23.3	23.5
PAT (Rs. m)	81,725	77,255	88,879	96,570
EPS (Rs.)	211.7	200.2	230.3	250.2
Gr. (%)	NA	(5.5)	15.0	8.7
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	NA	131.9	62.7	41.2
RoCE (%)	NA	129.7	72.7	56.2
EV/Sales (x)	2.0	1.5	1.2	0.9
EV/EBITDAR (x)	12.2	10.9	10.1	8.6
PE (x)	20.6	21.8	19.0	17.5
P/BV (x)	84.4	17.3	9.1	6.0

Key Data

INGL.BO | INDIGO IN

52-W High / Low	Rs.5,035 / Rs.2,393
Sensex / Nifty	79,402 / 24,181
Market Cap	Rs.1,687bn/ \$ 20,058m
Shares Outstanding	386m
3M Avg. Daily Value	Rs.7699.02m

Shareholding Pattern (%)

Promoter's	49.29
Foreign	25.40
Domestic Institution	20.59
Public & Others	4.71
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.7)	14.5	79.8
Relative	(2.1)	7.2	45.0

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Pricing pressure starts building up

Quick Pointers:

- Passenger RASK to witness an early to mid-single digit correction in 3QFY25E.

We cut our PAT estimates by ~2-16% over FY25E-FY27E given the ongoing cost challenges. IndiGo reported weaker-than-expected performance with FX-adjusted loss of Rs7.5bn (PLe Rs1.3bn) led by higher fuel cost and escalating AoG issue. Fuel CASK was up 4.2% YoY to Rs1.7, despite decline in ATF prices, due to 1) rise in VAT rates in a few states, 2) induction of less-fuel-efficient aircrafts via damp leases and 3) congestion issues. In addition, as AoG stood at mid-70s, damp leases were taken to plug in the capacity gap, leading to a rise in rental cost. Nonetheless, AoG problem has peaked and groundings would reduce to ~40 at the start of FY26E. While the cost structure problem will get resolved soon with the reduction in AoG, early signs of pricing pressure are visible as passenger RASK is likely to witness a correction by early to mid-single digit in 3QFY25E. Nonetheless, we do not foresee a major correction in yields, despite easing capacity constraints and rising competitive intensity given the market leadership position of IndiGo. We expect yields of Rs5.1/Rs5/Rs5 in FY25E/FY26E/FY27E. Retain 'ACCUMULATE' with a TP of Rs4,919 (earlier Rs5,177) by assigning a multiple of 10x (no change) to FY26E EBITDA.

Revenue up 13.6% YoY: Revenue increased 13.6% YoY to Rs169.7bn (PLe Rs166.1bn). Passenger revenue increased 9.9% YoY to Rs143.6bn, while ancillary revenue increased 20.9% YoY to Rs18.8bn. Load factor stood at 82.7% (PLe 83.0%), while RASK was at Rs4.44. ASKM/RPKM was up 8.2%/7.5% to 38.2bn/31.6bn. Fuel CASK increased 4.2% YoY to Rs1.73. Yield increased 2.2% YoY to Rs4.54 (PLe Rs4.47). Total fleet count stood at 410.

Loss at Rs9.9bn: EBITDAR (after adjusting for FX loss) stood at Rs26.4bn (PLe Rs25.5bn) with a margin of 15.5%. Loss stood at Rs9.9bn (FX-adjusted loss was Rs7.5bn) driven by higher fuel costs and a peak number of groundings.

Key takeaways: 1) By the end of 2025, over 40 aircrafts will provide business class services on 12 metro routes. **2)** IndiGo will invest Rs3bn in the VC arm that shall invest in allied sectors. **3)** With plans to add 5 new destinations, the international ASKM share is expected to rise to 30% by the end of FY25E, from current 28%. **4)** Fuel CASK was up, despite decline in ATF prices due to changes in fleet mix (induction of fuel inefficient aircraft), congestion at major airports & increase in VAT rate in certain states. **5)** AoG count has declined to high-60s from mid-70s and is expected to fall further to 40s by the start of FY26E. **6)** ASKM growth is likely to be in early double digits for 3QFY25E and FY25E. **7)** Total cash on books is Rs393bn. **8)** Tax outgo is likely to be negligible in the near term given accumulated losses stand at Rs130bn.

Exhibit 1: Q2FY25 Result Overview (Rs mn)

Y/e March	2QFY25	2QFY24	YoY gr. (%)	2QFY25E	% Var	1QFY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Net Sales	1,69,696	1,49,439	13.6	1,66,101	2.2%	1,95,707	(13.3)	3,65,403	3,16,269	15.5
Fuel cost	66,052	58,560	12.8	64,392	2.6%	64,165	2.9	1,30,217	1,10,841	17.5
Supplementary rentals	27,446	21,171	29.6	26,576	3.3%	26,033	5.4	53,479	45,422	17.7
Airport fees & charges	13,848	9,813	41.1	13,454	2.9%	12,861	7.7	26,709	22,008	21.4
Other input costs	812	820	(1.0)	934	-13.0%	856	(5.1)	1,668	1,567	6.4
Employee cost	18,494	15,217	21.5	18,603	-0.6%	17,572	5.2	36,066	29,715	21.4
Forex gain/(loss)	2,406	6,171	(61.0)	-		575	318.4	2,981	5,011	(40.5)
Other expenses	16,691	13,727	21.6	16,610	0.5%	15,812	5.6	32,503	26,056	24.7
Total expenses	1,45,749	1,25,480	16.2	1,40,569	3.7%	1,37,874	5.7	2,83,623	2,40,621	17.9
EBITDAR	23,947	23,958	(0.0)	25,532	-6.2%	57,833	(58.6)	81,780	75,649	8.1
Aircraft and engine rentals	7,636	1,956	290.5	3,322	129.9%	6,241	22.4	13,877	3,901	255.7
EBITDA	16,311	22,003	(25.9)	22,210	-26.6%	51,592	(68.4)	67,903	71,747	(5.4)
Depreciation	20,875	15,490	34.8	18,500	12.8%	18,758	11.3	39,633	29,568	34.0
EBIT	(4,564)	6,513	NM	3,710	NM	32,834	NM	28,270	42,180	(33.0)
Other income	7,894	5,591	41.2	6,500	21.4%	6,782	16.4	14,676	10,369	41.5
Interest	12,401	10,213	21.4	11,500	7.8%	11,576	7.1	23,977	19,750	21.4
PBT	(9,071)	1,891	NM	(1,290)	NM	28,040	NM	18,969	32,798	(42.2)
Tax expense	796	2	46,723.5	(13)	NM	752	5.9	1,548	3	51,158.3
PAT	(9,867)	1,889	NM	(1,277)	NM	27,288	NM	17,421	32,795	(46.9)
EPS	(25.6)	4.9	NM	(3.3)	NM	70.7	NM	45.1	85.0	(46.9)

Source: Company, PL

Exhibit 2: Operating Metrics

Particulars	2QFY25	2QFY24	YoY gr. (%)	2QFY25E	% Var	1QFY25	QoQ gr. (%)
ASKM (in mn)	38,224	35,321	8.2	38,147	0.2%	36,300	5.3
RPKM (in mn)	31,600	29,400	7.5	31,662	-0.2%	31,500	0.3
Load Factor (%)	82.7	83.2	-57 bps	83.0	-33 bps	86.8	-411 bps
Yield (Rs)	4.5	4.4	2.2	4.5	1.7%	5.2	(13.3)
RASK (Rs)	4.44	4.23	4.9	4.35	2.0%	5.39	(17.7)
Aircraft Fuel/ASKM	1.73	1.66	4.2	1.69	2.4%	1.77	(2.2)
Gross Margin	2.71	2.57	5.4	2.67	1.7%	3.62	(25.2)
Employee Cost/ASKM	0.48	0.43	12.3	0.49	-0.8%	0.48	(0.1)
Ownership cost/ASKM	1.07	0.78	36.7	0.87	22.5%	1.01	6.2
Other Operating Exp./ASKM	1.60	1.46	9.4	1.51	6.1%	1.55	3.5
Non-Fuel Op.Exp/ASKM	3.16	2.68	17.8	2.87	9.9%	3.04	3.9
CASK	4.88	4.34	12.6	4.56	7.1%	4.81	1.6
CASK net of Other Income	4.68	4.18	12.0	4.39	6.6%	4.62	1.3
RASK-CASK with other income	(0.44)	(0.10)	NM	(0.20)	NM	0.59	NM
Fleet	410	334	22.8	395	3.8%	382	7.3

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	6,89,043	7,76,331	9,11,189	10,61,585
YoY gr. (%)	26.6	12.7	17.4	16.5
Aircraft Fuel Expenses	2,39,046	2,64,755	3,28,770	3,84,130
Employee Cost	64,619	75,328	93,609	1,09,586
Other Expenses	2,08,029	2,31,770	2,71,984	3,13,382
EBITDAR	1,73,928	2,00,939	2,12,430	2,49,411
YoY gr. (%)	155.0	15.5	5.7	17.4
Margin (%)	25.2	25.9	23.3	23.5
Aircraft Lease Rentals	10,752	23,290	10,934	9,554
Depreciation and Amortization	64,257	79,036	88,049	1,01,824
EBIT	98,918	98,612	1,13,447	1,38,033
Margin (%)	14.4	12.7	12.5	13.0
Net Interest	41,694	49,210	57,088	65,883
Other Income	23,268	29,429	34,334	35,150
Profit Before Tax	80,493	78,832	90,693	1,07,300
Margin (%)	11.7	10.2	10.0	10.1
Total Tax	(1,232)	1,577	1,814	10,730
Effective tax rate (%)	(1.5)	2.0	2.0	10.0
Profit after tax	81,725	77,255	88,879	96,570
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	81,725	77,255	88,879	96,570
YoY gr. (%)	NA	(5.5)	15.0	8.7
Margin (%)	11.9	10.0	9.8	9.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	81,725	77,255	88,879	96,570
YoY gr. (%)	NA	(5.5)	15.0	8.7
Margin (%)	11.9	10.0	9.8	9.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	81,725	77,255	88,879	96,570
Equity Shares O/s (m)	386	386	386	386
EPS (Rs)	211.7	200.2	230.3	250.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	5,74,808	6,89,770	8,41,519	10,09,823
Tangibles	5,74,808	6,89,770	8,41,519	10,09,823
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,13,756	2,92,792	3,80,841	4,82,665
Tangibles	2,13,756	2,92,792	3,80,841	4,82,665
Intangibles	-	-	-	-
Net fixed assets	3,61,535	3,97,509	4,61,263	5,27,801
Tangibles	3,61,052	3,96,978	4,60,678	5,27,158
Intangibles	483	532	585	643
Capital Work In Progress	15	15	15	15
Goodwill	-	-	-	-
Non-Current Investments	9,748	9,748	9,748	9,748
Net Deferred tax assets	4,192	4,401	4,622	4,853
Other Non-Current Assets	88,223	93,517	99,128	1,05,076
Current Assets				
Investments	1,55,711	1,63,497	1,71,672	1,80,255
Inventories	6,248	6,381	7,489	8,725
Trade receivables	6,425	6,381	7,489	8,725
Cash & Bank Balance	1,67,206	3,46,718	3,97,824	5,24,496
Other Current Assets	22,941	29,777	34,950	40,718
Total Assets	8,22,245	10,57,944	11,94,199	14,10,413
Equity				
Equity Share Capital	3,860	3,860	3,860	3,860
Other Equity	16,105	93,360	1,82,239	2,78,809
Total Networkth	19,964	97,220	1,86,099	2,82,668
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	22,301	23,416	24,587	25,816
Other non current liabilities	93,060	93,060	93,060	93,060
Current Liabilities				
ST Debt / Current of LT Debt	18,917	15,917	12,917	9,917
Trade payables	31,576	36,158	42,439	49,444
Other current liabilities	1,42,544	1,34,582	1,62,055	1,87,929
Total Equity & Liabilities	8,22,245	10,57,944	11,94,199	14,10,413

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	80,493	78,832	90,693	1,07,300
Add. Depreciation	64,257	79,036	88,049	1,01,824
Add. Interest	41,694	49,210	57,088	65,883
Less Financial Other Income	23,268	29,429	34,334	35,150
Add. Other	(23,268)	(29,429)	(34,334)	(35,150)
Op. profit before WC changes	1,63,176	1,77,649	2,01,496	2,39,857
Net Changes-WC	53,498	(10,308)	26,362	24,635
Direct tax	(11)	(1,786)	(2,034)	(10,961)
Net cash from Op. activities	2,16,663	1,65,554	2,25,824	2,53,531
Capital expenditures	(1,49,016)	(1,15,010)	(1,51,802)	(1,68,362)
Interest / Dividend Income	-	-	-	-
Others	7,771	25,254	29,897	30,435
Net Cash from Invt. activities	(1,41,245)	(89,756)	(1,21,905)	(1,37,928)
Issue of share cap. / premium	705	-	-	-
Debt changes	64,258	1,60,709	12,450	85,536
Dividend paid	-	-	-	-
Interest paid	(41,694)	(49,210)	(57,088)	(65,883)
Others	-	-	-	-
Net cash from Fin. activities	23,269	1,11,499	(44,638)	19,653
Net change in cash	98,688	1,87,297	59,281	1,35,256
Free Cash Flow	67,648	50,544	74,022	85,169

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	1,94,521	1,78,253	1,95,707	1,69,696
YoY gr. (%)	30.3	25.9	17.3	13.6
Raw Material Expenses	985	871	856	812
Gross Profit	1,93,537	1,77,382	1,94,851	1,68,884
Margin (%)	99.5	99.5	99.6	99.5
EBITDA	54,484	43,795	57,833	23,947
YoY gr. (%)	70.9	51.3	11.9	-
Margin (%)	28.0	24.6	29.6	14.1
Depreciation / Depletion	16,657	18,033	18,758	20,875
EBIT	34,836	21,903	32,834	(4,564)
Margin (%)	17.9	12.3	16.8	(2.7)
Net Interest	10,952	10,991	11,576	12,401
Other Income	6,101	6,798	6,782	7,894
Profit before Tax	29,985	17,711	28,040	(9,071)
Margin (%)	15.4	9.9	14.3	(5.3)
Total Tax	4	(1,238)	752	796
Effective tax rate (%)	-	(7.0)	2.7	(8.8)
Profit after Tax	29,981	18,948	27,288	(9,867)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	29,981	18,948	27,288	(9,867)
YoY gr. (%)	110.7	106.1	(11.7)	NA
Margin (%)	15.4	10.6	13.9	(5.8)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	29,981	18,948	27,288	(9,867)
YoY gr. (%)	110.7	106.1	(11.7)	NA
Margin (%)	15.4	10.6	13.9	(5.8)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	29,981	18,948	27,288	(9,867)
Avg. Shares O/s (m)	386	386	386	386
EPS (Rs)	77.8	49.1	70.8	(25.6)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	211.7	200.2	230.3	250.2
CEPS	378.2	404.9	458.4	514.0
BVPS	51.7	251.9	482.1	732.3
FCF	175.3	131.0	191.8	220.7
DPS	-	-	-	-
Return Ratio(%)				
RoCE	NA	129.7	72.7	56.2
ROIC	19.8	18.0	18.2	19.6
RoE	NA	131.9	62.7	41.2
Balance Sheet				
Net Debt : Equity (x)	(15.2)	(5.1)	(3.0)	(2.5)
Net Working Capital (Days)	(10)	(11)	(11)	(11)
Valuation(x)				
PER	20.6	21.8	19.0	17.5
P/B	84.4	17.3	9.1	6.0
P/CEPS	11.5	10.8	9.5	8.5
EV/EBITDAR (Adj)	12.2	10.9	10.1	8.6
EV/Sales	2.0	1.5	1.2	0.9
Dividend Yield (%)	-	-	-	-

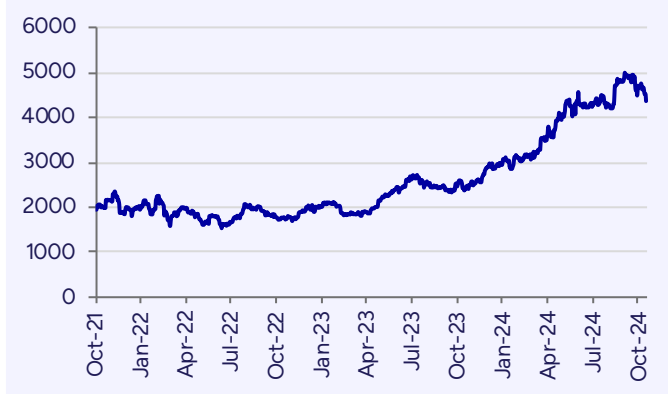
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
EBITDAR (Rs mn)	1,73,928	2,00,939	2,12,430	2,49,411
EBITDAR %	25.2	25.9	23.3	23.5
ASK (bn)	139	154	191	221
RPK (bn)	120	134	164	190
PLF %	86	87	86	86
RASK (Rs)	5.0	5.0	4.8	4.8
CASK (Rs)	4.5	4.7	4.4	4.5
RASK-CASK (Rs)	0.4	0.3	0.3	0.3
Fleet Size	367.0	459.0	504.0	544.0

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-24	Accumulate	5,177	4,708
2	28-Jul-24	Accumulate	4,958	4,493
3	08-Jul-24	Accumulate	4,667	4,322
4	26-May-24	Accumulate	4,667	4,257
5	01-May-24	Accumulate	4,315	3,982
6	12-Apr-24	Accumulate	4,079	3,795
7	27-Mar-24	Accumulate	3,961	3,482
8	04-Feb-24	Accumulate	3,312	3,127
9	05-Jan-24	Accumulate	3,053	2,996
10	04-Nov-23	BUY	2,816	2,509

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	921	845
2	Delhivery	Accumulate	430	417
3	DOMS Industries	BUY	3,349	2,924
4	Imagicaaworld Entertainment	BUY	116	80
5	Indian Railway Catering and Tourism Corporation	Reduce	822	880
6	InterGlobe Aviation	Accumulate	5,177	4,708
7	Lemon Tree Hotels	BUY	159	121
8	Mahindra Logistics	Hold	496	444
9	Navneet Education	Hold	164	143
10	Nazara Technologies	BUY	1,185	953
11	PVR Inox	Hold	1,598	1,621
12	S Chand and Company	BUY	312	211
13	Safari Industries (India)	BUY	3,005	2,608
14	TCI Express	Accumulate	1,250	1,040
15	V.I.P. Industries	Hold	494	472
16	Zee Entertainment Enterprises	Hold	145	132

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

ANALYST CERTIFICATION

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