

InterGlobe Aviation

Estimate change

TP change

Rating change



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Bloomberg	INDIGO IN
Equity Shares (m)	385
M.Cap.(INRb)/(USDb)	761 / 9.6
52-Week Range (INR)	2379 / 1513
1, 6, 12 Rel. Per (%)	9/3/9
12M Avg Val (INR M)	1986
Free float (%)	25.2

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
Sales	259	500	467
EBITDAR	8	86	120
NP	-62	14	37
EPS (INR)	-161	36	97
BV/Sh (INR)	-157	-121	-24

Ratios

Net D:E	-3	-4	-20
RoE (%)	207	-26	-133
RoCE (%)	-17	19	29
Payout (%)	0	0	0

Valuations

P/E (x)	-12	55	20
P/BV (x)	-13	-16	-81
Adj.EV/EBITDAR(x)	112	11	8
Div. Yield (%)	0	0	0
FCF Yield (%)	-7	3	2

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	74.8	74.8	74.8
DII	6.4	5.5	3.9
FII	16.7	17.7	19.2
Others	2.1	2.1	2.1

FII Includes depository receipts

CMP: INR1,975
TP: INR2,006 (+2%)
Neutral

Strong yields, but sustainability is a concern

- INDIGO reported an in line adjusted loss at INR10.6b, led by better than estimated yield (at INR5.2), with an in line RPK. A lower PLF (at 79.6%), due to modest demand, has kept RASK under check (up 19% QoQ) in 1QFY23.
- The management said its international flight operations in 1QFY23 stood at pre-COVID levels. It expects the same to grow in coming months with the easing of international travel protocols.
- According to our airfare tracker, the 30-day domestic forward prices dipped sharply (down 7% MoM) in Aug'22. The 15-day domestic forward prices also dipped by 8% MoM due to additional capacity and a decline in ATF prices.
- Corporate travel and tourism are back to pre-COVID levels and are likely to gradually improve in coming months. The Cargo business remains strong, and the management expects it to remain stable going forward. Bangladesh and Vietnam are emerging as major cargo destinations at present, with the Chinese economy normalizing.
- Yield was higher in 1QFY23, despite higher per unit fuel prices (up 102% YoY) and a depreciation in the INR v/s the USD (which led to a higher forex loss of INR14.2b). However, the management expects yields to contract from current levels, given the entry of new and established players (Akasa Air and JETIN), which may result in heightened competition.
- Factoring in the same, we reduce our FY23/FY24 yield estimate marginally to INR4.6/INR3.95 and decrease our EBITDAR estimate by 2% each.
- Despite the current state of precariousness in the industry, the stock trades above pre-COVID levels. We maintain our Neutral rating on the stock, with a TP of INR2,006, at 8x FY24E EV/EBITDAR.

PAT is in line, led by better yields and modest PLF

- Yields stood at INR5.2 (est. INR4) v/s INR3.5/INR4.4 in 1Q/4QFY22.
- RPK came in line at 21.9b (up 232% YoY and 40% QoQ), with PLF at 79.6% (est. of 82%). ASK was in line at 27.5b (up 146% YoY and 35% QoQ).
- Revenue stood at INR128b (17% higher than our estimate). EBITDAR stood at INR6.6b (34% higher than our estimate). Reported loss (of INR10.6b) was in line v/s a loss of INR16b in 4QFY22.

Valuation and view – maintain our Neutral rating

- Free cash increased to INR83b in 1QFY23 from INR56.2b in 1QFY22. The management is comfortable with its overall cash position.
- INDIGO inducted three fuel-efficient A320neo and nine A321neo aircraft. It returned the six older ceo ones. Most of the ceo aircraft will be returned by Dec'22. It capitalized lease assets of INR344.7b, and had a total debt of INR392.7b as of 1QFY23.
- Total capacity deployed will translate into an ASK of 55-60% in FY23E. The management highlighted double-digit growth (~15%) in FY23 from pre-COVID levels (in FY20).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- We expect the international market to grow faster than the domestic market for INDIGO. The same will touch 40% of its total share over the next five years.
- Despite the near-term challenges, INDIGO will take additional pre-emptive measures. However, the resurgence of airlines (Air India and SJET), the upcoming Akasa Air, and the established JETIN will reduce INDIGO's market share going forward. We value the stock at 8x FY24E EV/EBITDAR to arrive at our TP of INR2,006. We maintain our Neutral rating owing to the limited upside of 2% from current levels.

Quarterly performance

											(INR m)	
Y/E March	FY22				FY23				FY22	FY23	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	30,069	56,085	92,948	80,207	1,28,553	1,23,072	1,19,257	1,29,605	2,59,309	5,00,487	1,09,563	17%
YoY Change (%)	292.2	104.6	89.3	28.9	327.5	119.4	28.3	61.6	77.1	93.0	264.4	
EBITDAR	-14,176	2,513	19,053	1,030	6,627	15,020	23,571	40,684	8,420	85,902	4,958	34%
Margins (%)	-47.1	4.5	20.5	1.3	5.2	12.2	19.8	31.4	3.2	17.2	4.5	
Net Rentals	523	649	1,273	673	653	387	289	295	3,116	1,624	560	17%
EBITDA	-14,698	1,864	17,780	357	5,974	14,633	23,282	40,388	5,303	84,278	4,398	36%
Margins (%)	-48.9	3.3	19.1	0.4	4.6	11.9	19.5	31.2	2.0	16.8	4.0	
Depreciation	13,171	12,479	12,336	12,693	11,696	11,813	11,931	11,142	50,678	46,582	12,152	-4%
Interest	5,555	5,688	6,011	6,326	6,566	6,632	6,698	6,542	23,580	26,437	6,598	0%
Other Income	1,631	1,899	1,851	1,864	1,634	1,650	1,666	2,310	7,245	7,260	2,359	-31%
PBT	-31,793	-14,404	1,285	-16,797	-10,654	-2,161	6,319	25,015	-61,710	18,518	-11,992	
Rate (%)	0.0	0.0	0.0	0.0	0.0	0.0	25.2	12.3	0.0	25.2	0.0	
Reported PAT	-31,793	-14,404	1,285	-16,797	-10,654	-2,161	4,727	21,941	-61,710	13,852	-11,992	
EPS	-82.6	-37.4	3.3	-43.6	-27.7	-5.6	12.3	57.0	-160.3	36.0	-31.2	
YoY Change (%)	LL	LL	LP	LL	LL	LL	LP	LP	LL	LP		

Exhibit 1: INDIGO – Key assumptions

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Capacity								
ASK (million)	54,583	63,510	81,016	96,300	45,471	70,400	1,06,458	1,12,846
YoY (%)	27%	16%	28%	19%	-53%	55%	51%	6%
Load Factor	85%	87%	86%	86%	69%	73%	85%	88%
RPK (million)	46,288	55,524	69,787	82,600	31,595	51,700	90,490	99,305
YoY (%)	29%	20%	26%	18%	-62%	64%	75%	10%
Revenue Calculation								
Ticket Revenue (INR m)	1,61,971	1,99,433	2,51,359	3,14,682	1,18,735	2,19,239	4,19,872	3,92,253
Yield (INR/RPK)	3.50	3.59	3.60	3.81	3.76	4.24	4.64	3.95
Ancillary revenues (incl. others)	23,834	30,776	33,609	42,878	27,671	40,070	80,615	74,528
Total Revenue (INR m)	1,85,805	2,30,209	2,84,968	3,57,560	1,46,406	2,59,309	5,00,487	4,66,781
Fuel Cost								
Exchange rate (INR/USD)	67	64	70	71	74	75	76	77
ATF Prices (INR/ltr)	50	55	68	65	46	70	99	90
YoY (%)	8%	10%	23%	-5%	-29%	55%	41%	-9%
Aircraft fuel expenses (INR m)	63,415	78,853	1,20,820	1,26,316	38,868	98,117	1,81,011	1,67,862
Spreads								
RASK	3.4	3.6	3.5	3.7	3.2	3.7	4.7	4.1
CASK	3.0	3.1	3.5	3.7	4.5	4.6	4.5	3.7
RASK-CASK	0.4	0.5	0.0	0.0	-1.3	-0.9	0.2	0.4
CASK-ex fuel	1.8	1.9	2.0	2.4	3.6	3.2	2.8	2.2
RASK-CASK (ex-fuel)	1.6	1.7	1.5	1.3	-0.4	0.5	1.9	1.9

Our estimates are highly sensitive to: a) ticket yield, b) PLF and, c) crude price assumption; change to any of these would impact our estimates.

Source: MOFSL

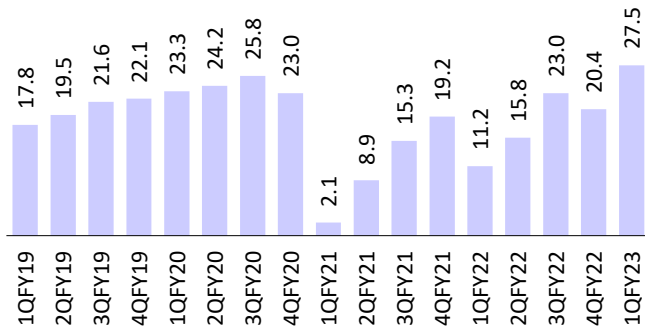


Conference call highlights

- Currency movement and higher crude prices has affected INDIGO in Q1FY23 which was been offset by strong yields.
- Currently they are operating to 73 domestic destinations and 20 international destinations with 281 fleets
- Q1 proved to be the strong quarter led by strong corporate and tourist demand. Management expects Q2 to be the seasonal weaker quarter but expects Q3 to rebound with strong demand led by festive demand.
- Increase in fare prices remains a concern for them as passengers felt little resistant to have strong demand. This remains a major reason for lower PLF at ~79% in Q1FY23.
- International market to grow faster than the domestic market for INDIGO – 40% of total share in the next five years
- Within Metro-to-Metro travel: corporate travel is a huge part of it, profits from this segment is increasing
- Corporate travel recovered to pre-COVID levels right now and will further increase in the coming months
- 320 NEOs: Management does not foresee any delay in the delivery of the aircraft
- International flights are back to pre-COVID level and will see a growth for this segment in the coming months with Indigo's market share to be on the increasing trajectory. International bookings are better than pre-COVID levels and people are booking well in advance
- Cargo business has been a very strong business and sees a stable business in this. Bangladesh and Vietnam are the major cargo destination as of now with China coming up. Few more cargo flights are coming in the coming quarter and see a double digit growth in their revenue growth
- Q2 will remain weak due to seasonal weak demand but will be compensated by the festive season and corporate travel demand in Q3.
- Free cash remains at INR83.0 in Q1FY23 vs INR77.6b in 4QFY22
- Capitalized lease asset of INR344.7b with total debt of INR392.7b in 1QFY23

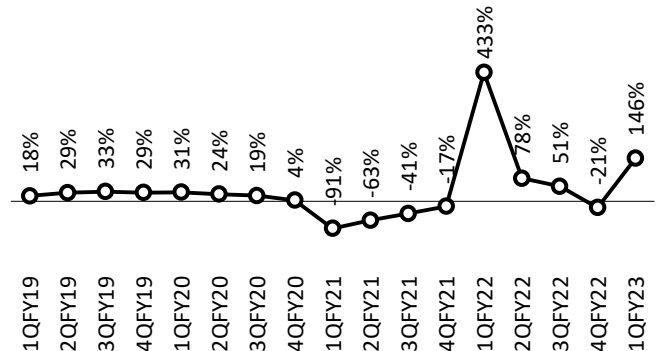
1QFY23 in charts

Exhibit 2: Total ASKs stood at 27.5b...



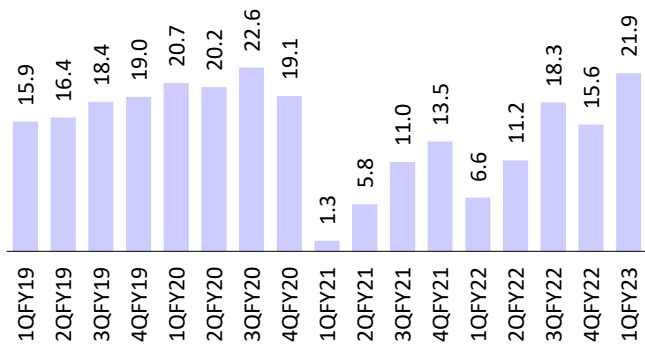
Source: Company, MOFSL

Exhibit 3: ...up 146% YoY (+35% QoQ) in 1QFY23



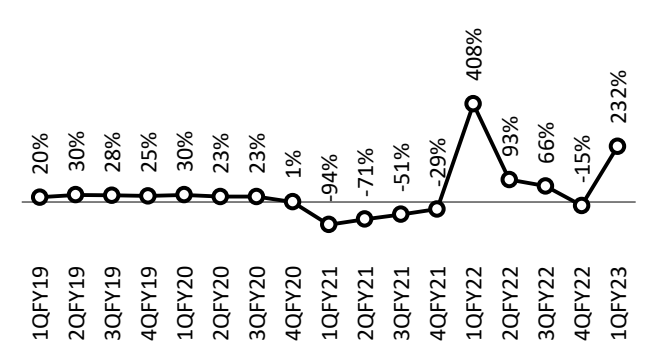
Source: Company, MOFSL

Exhibit 4: Total RPKs stood at 21.9b...



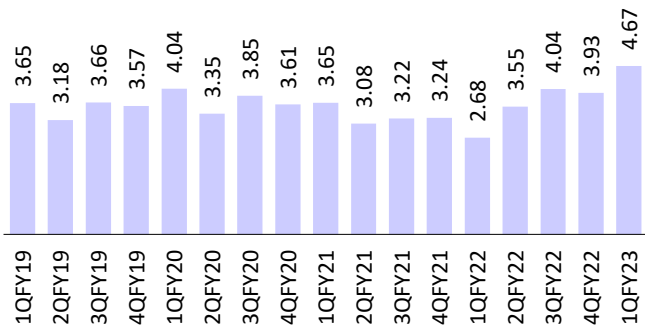
Source: Company, MOFSL

Exhibit 5: ...up 232% YoY (+40% QoQ) in 1QFY23



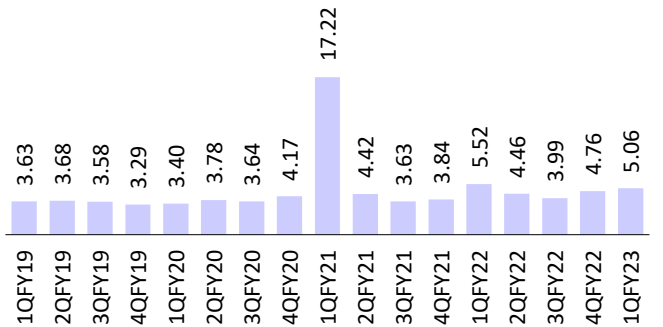
Source: Company, MOFSL

Exhibit 6: RASK stood at INR4.67 (+74% YoY, +19% QoQ)



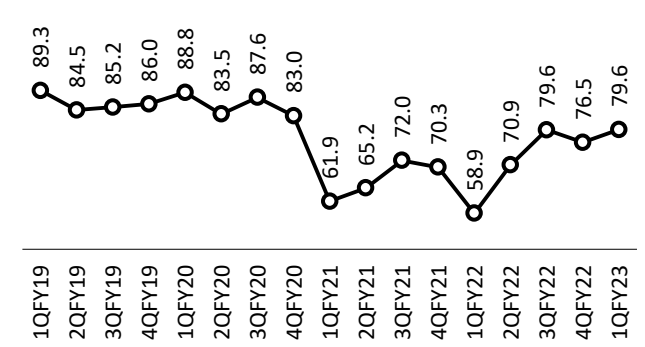
Source: Company, MOFSL

Exhibit 7: CASK stood at INR5.06 (-8% YoY, +6% QoQ)



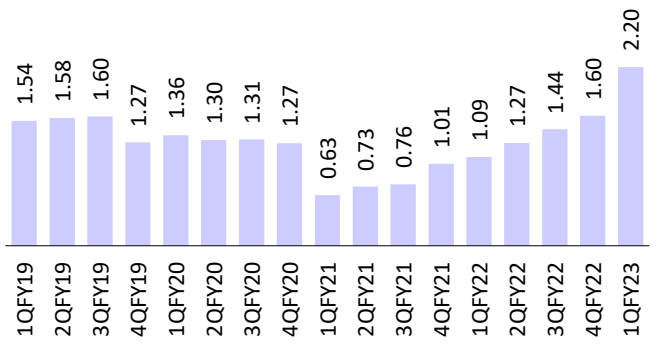
Source: Company, MOFSL

Exhibit 8: Load factor increased to 79.6% (76.5% in 4QFY22)



Source: Company, MOFSL

Exhibit 9: Fuel cost stood at INR2.2 in 1QFY23



Source: Company, MOFSL

Financials and Valuation

Standalone - Income Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	1,85,805	2,30,209	2,84,968	3,57,560	1,46,406	2,59,309	5,00,487	4,66,781
YoY Chg (%)	15.1	23.9	23.8	25.5	-59.1	77.1	93.0	-6.7
EBITDAR	52,687	65,667	47,940	45,348	2,550	8,420	85,902	1,19,663
Margin (%)	28.4	28.5	16.8	12.7	1.7	3.2	17.2	25.6
Aircraft & Engine Lease Rentals	31,254	36,102	49,994	4,967	2,805	3,116	1,624	2,257
EBITDA	21,433	29,565	-2,055	40,382	-255	5,303	84,278	1,17,406
Margin (%)	11.5	12.8	-0.7	11.3	-0.2	2.0	16.8	25.2
Depreciation	4,573	4,369	7,596	39,736	46,987	50,678	46,582	48,599
EBIT	16,861	25,196	-9,651	645	-47,241	-45,375	37,696	68,807
Int. and Finance Charges	3,308	3,398	5,090	18,759	21,420	23,580	26,437	26,528
Other Income	7,891	9,469	13,248	15,362	10,363	7,245	7,260	7,422
PBT	21,443	31,267	-1,492	-2,751	-58,298	-61,710	18,518	49,702
PBT after EO Exp.	21,443	31,267	-1,492	-2,751	-58,298	-61,710	18,518	49,702
Tax	4,852	8,843	-3,052	-269	0	0	4,667	12,525
Tax Rate (%)	22.6	28.3	204.5	9.8	0.0	0.0	25.2	25.2
Reported PAT	16,592	22,424	1,560	-2,482	-58,298	-61,710	13,852	37,177
Change (%)	-16.6	35.1	-93.0	-259.1	2,249.3	5.9	-122.4	168.4
Margin (%)	8.9	9.7	0.5	-0.7	-39.8	-23.8	2.8	8.0

Standalone - Balance Sheet

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	3,615	3,844	3,844	3,848	3,849	3,853	3,853	3,853
Total Reserves	34,177	66,930	65,604	54,776	-3,140	-64,205	-50,354	-13,177
Net Worth	37,792	70,774	69,448	58,624	709	-60,353	-46,501	-9,324
Total Loans	23,957	22,414	21,937	1,59,257	2,27,862	2,89,554	2,90,554	2,91,554
Capital Employed	63,367	96,883	92,029	2,17,881	2,28,571	2,29,201	2,44,053	2,82,229
Gross Block	46,432	57,906	77,078	2,27,976	2,95,336	3,70,680	4,39,445	5,13,473
Less: Accum. Deprn.	8,493	12,862	20,458	60,194	1,07,181	1,57,860	2,04,442	2,53,040
Net Fixed Assets	37,938	45,043	56,620	1,67,782	1,88,155	2,12,821	2,35,003	2,60,433
Capital WIP	233	294	220	1,293	664	1,193	7,773	9,089
Total Investments	37,134	63,440	65,167	94,994	72,902	80,326	80,326	80,326
Curr. Assets, Loans&Adv.	76,792	1,02,516	1,28,110	1,56,416	1,68,023	1,64,261	1,72,388	1,64,903
Inventory	1,632	1,832	2,114	2,861	3,164	4,081	3,799	3,181
Account Receivables	1,587	2,263	3,625	2,596	2,192	3,329	3,634	3,389
Cash and Bank Balance	46,325	65,806	86,064	1,08,294	1,12,271	1,01,165	1,05,236	1,02,636
Loans and Advances	27,248	32,614	36,307	42,665	50,396	55,686	59,719	55,697
Curr. Liability & Prov.	88,730	1,14,410	1,58,089	2,02,603	2,01,172	2,29,400	2,51,438	2,32,522
Account Payables	7,746	10,002	14,552	15,655	15,561	31,519	20,788	17,405
Other Current Liabilities	79,093	1,01,407	1,39,164	1,67,465	1,64,171	1,84,635	2,30,650	2,15,117
Provisions	1,891	3,001	4,372	19,484	21,440	13,246	0	0
Net Current Assets	-11,938	-11,894	-29,979	-46,187	-33,149	-65,139	-79,050	-67,619
Appl. of Funds	63,367	96,884	92,029	2,17,881	2,28,571	2,29,201	2,44,052	2,82,229

Financials and Valuation

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	43.2	58.3	4.1	-6.5	-151.7	-160.5	36.0	96.7
Cash EPS	55.1	69.7	23.8	96.9	-29.4	-28.7	157.2	223.1
BV/Share	98.3	184.1	180.7	152.5	1.8	-157.0	-121.0	-24.3
DPS	31.9	6.0	5.0	0.0	0.0	0.0	0.0	0.0
Payout incl. tax (%)	89.0	12.4	148.3	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	45.6	33.7	484.7	-304.7	-13.0	-12.3	54.6	20.3
Cash P/E	35.7	28.2	82.6	20.3	-66.8	-68.5	12.5	8.8
EV/Sales	4.0	3.1	2.4	2.3	6.0	3.6	1.9	2.0
EV/EBITDAR	13.9	10.9	14.5	17.8	342.2	112.3	11.0	8.0
Dividend Yield (%)	1.6	0.3	0.3	0.0	0.0	0.0	0.0	0.0
FCF Yield (%)	6.8	4.5	3.3	-9.0	-9.4	-6.6	2.9	2.1
FCF per share	132.9	89.4	65.0	-177.5	-185.0	-129.1	57.8	40.3
Working Capital Ratios								
Asset Turnover (x)	2.9	2.4	3.1	1.6	0.6	1.1	2.1	1.7
Inventory (Days)	4	4	3	3	8	6	3	2
Debtor (Days)	3	4	5	3	5	5	7	7
Creditor (Days)	21	22	22	18	39	46	15	14
Working Cap. Turnover (Days)	-114	-123	-149	-158	-363	-234	-134	-133

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	21,443	31,267	-1,492	-2,751	-58,298	-61,710	18,518	49,702
Depreciation	4,573	4,369	7,596	39,736	46,987	50,678	46,582	48,599
Interest & Finance Charges	-4,583	-6,070	-8,159	3,396	11,057	16,335	19,178	19,106
Direct Taxes Paid	-4,208	-7,905	3,007	-8	0	0	-4,667	-12,525
(Inc)/Dec in WC	21,102	20,090	17,309	92,472	-3,752	21,360	19,711	-14,031
CF from Operations	38,326	41,750	18,262	1,32,845	-4,007	26,664	99,323	90,850
CF from Operating incl EO	38,326	41,750	18,262	1,32,845	-4,007	26,664	99,323	90,850
(Inc)/Dec in FA	12,829	-7,356	6,767	-2,01,171	-67,206	-76,350	-77,075	-75,344
Free Cash Flow	51,155	34,395	25,029	-68,325	-71,213	-49,686	22,248	15,506
(Pur)/Sale of Investments	-27,273	-26,306	-1,727	-29,827	22,092	-7,424	0	0
Others	7,891	9,469	13,248	15,362	10,363	7,245	7,260	7,422
CF from Investments	-6,553	-24,193	18,289	-2,15,635	-34,751	-76,529	-69,815	-67,922
Inc/(Dec) in Debt	-6,114	-1,543	-477	1,37,320	68,605	61,692	1,000	1,000
Interest Paid	-3,308	-3,398	-5,090	-18,759	-21,420	-23,580	-26,437	-26,528
Dividend Paid	-14,769	-2,775	-2,313	0	0	0	0	0
CF from Fin. Activity	-22,634	1,923	-16,292	1,05,019	42,735	38,760	-25,437	-25,528
Inc/Dec of Cash	9,139	19,480	20,258	22,230	3,977	-11,106	4,071	-2,600
Opening Balance	37,187	46,326	65,806	86,064	1,08,294	1,12,271	1,01,165	1,05,236
Closing Balance	46,326	65,806	86,064	1,08,294	1,12,271	1,01,165	1,05,236	1,02,636

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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