

InterGlobe Aviation

BSE SENSEX
83,080

S&P CNX
25,419

CMP: INR4,934

TP: INR4,970 (+1%)

Neutral



Stock Info

Bloomberg	INDIGO IN
Equity Shares (m)	386
M.Cap.(INRb)/(USDb)	1905.7 / 22.8
52-Week Range (INR)	5035 / 2333
1, 6, 12 Rel. Per (%)	12/39/80
12M Avg Val (INR M)	5051
Free Float (%)	44.7

Financials Snapshot (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	689.0	770.0	814.7
EBITDAR	173.7	189.7	212.4
NP	81.7	77.3	78.7
EPS (INR)	211.8	200.3	204.0
Growth (%)	LP	-5.5	1.9
BV/Sh (INR)	50.3	251.4	456.2

Ratios

Net D:E	11.9	2.4	1.2
RoE (%)	-373.7	133.3	57.9
RoCE (%)	35.5	29.2	26.9
Payout (%)	0.0	0.0	0.0

Valuations

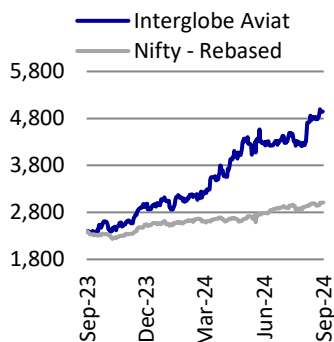
P/E (x)	23.3	24.6	24.2
P/BV (x)	98.2	19.6	10.8
Adj.EV/EBITDAR(x)	12.3	11.7	10.2
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	10.4	0.7	2.4

Shareholding Pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	55.3	57.3	67.8
DII	15.4	15.1	10.5
FII	24.4	23.7	19.8
Others	4.8	4.0	2.0

FII includes depository receipts

Stock Performance (one-year)



Optimistic business outlook...

...driven by both domestic market and global expansion

- InterGlobe Aviation (IndiGo) has expanded its domestic network to 88 destinations and added new international routes, including 7 new destinations, while navigating fuel price volatility and economic risks. With an order for nearly 985 aircraft, including that of Airbus A350-900s, the airline aims to enhance efficiency and meet the rising demand by CY30.
- IndiGo aims to solidify its domestic leadership while preparing for global expansion through its Reassure, Develop, and Create strategy. It focuses on enhancing customer trust, expanding its network, upgrading digital capabilities, and introducing new aircraft to support future growth.
- IndiGo is boosting its international presence through strategic partnerships and loyalty programs. In FY24, it served 106.7m customers and added 63 aircraft. The stock trades at ~24x FY26E EPS. We maintain our Neutral rating based on 10x FY26E EV/EBITDAR multiple, with a TP of INR4,970.

Growth levers in place...

- IndiGo's business and industry outlook remains robust, driven by its market leadership and global expansion plans. It is set to benefit from India's booming aviation sector while enhancing sustainability and customer experience. However, fuel price volatility and global economic risks remain key challenges.
- IndiGo expects significant growth in India's aviation sector, driven by the rising air travel demand, a growing middle-class population, and improved connectivity in an underpenetrated market. With the goal to strengthen its domestic leadership, IndiGo added 10 new destinations in FY24, bringing the total to 88, while focusing on affordable fares, efficiency, and punctuality to capture this expanding opportunity.
- IndiGo's international growth is pivotal to its strategy, having added 7 new destinations in FY24 to reach a total of 33. The airline is capitalizing on the rising demand for direct, cost-effective global travel from India and plans to expand further into regions such as Africa and the Far East. With the deliveries of IndiGo's wide-body Airbus A350-900 aircraft slated to begin in CY27, the company is poised to enhance long-haul connectivity and shift from short-haul to a more global aviation presence.
- IndiGo's fleet expansion is marked by a substantial order of nearly 985 aircraft, including fuel-efficient Airbus A320neo and A321XLR models, which are crucial for maintaining cost advantages and enhancing operational efficiency. By CY30, the airline plans to operate over 600 aircraft to meet the rising demand and leverage growth in both domestic and international air traffic.

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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.

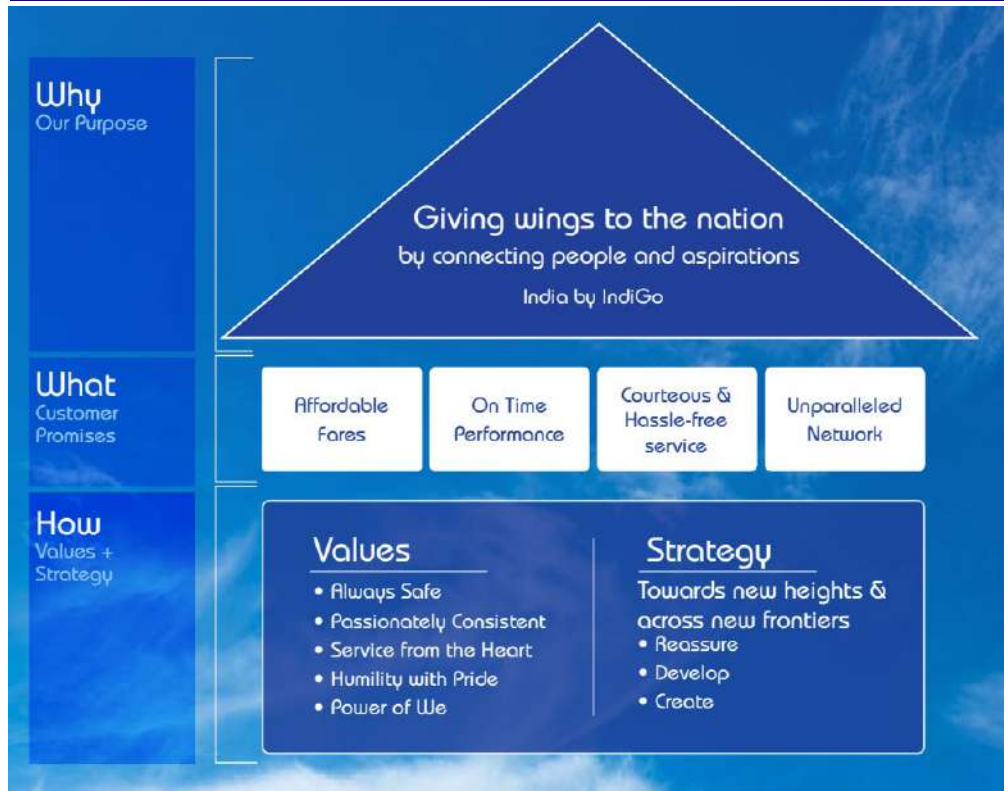
...led by a three-fold strategy

- IndiGo's strategy is to consolidate its leadership in the domestic market while positioning itself for long-term global growth. It is aligning itself to not only meet the current demand but also tap into future opportunities in both domestic and international aviation. It focuses on three main pillars for this growth: Reassure, Develop, and Create.
- IndiGo's core focus is to strengthen customer trust by upholding its promises of affordable fares, punctuality, and seamless service. In FY24, the airline flew over 107m passengers (up 25% YoY) and placed a record order for 500 planes to support future growth. Additionally, IndiGo expanded its network, targeting high-demand and underserved routes, to enhance its global and domestic presence. Management believes that the network advantage would only increase over time.
- IndiGo is enhancing its digital capabilities with a Passenger Services System (PSS) upgrade and the 6Eskai AI chatbot while expanding its workforce with over 5k new hires and robust training programs. The airline is also committed to sustainability, shifting to fuel-efficient aircraft and targeting a fully sustainable fleet by CY30.
- IndiGo's 'Create' pillar emphasizes international expansion and enhanced connectivity through codeshares with Turkish Airlines and Qantas. The airline will introduce wide-body Airbus A350-900 aircraft by CY27 for long-haul flights and launch business class services (from Nov'24) to capture the growing premium market.

Valuation and view

- IndiGo is striving to improve its international presence through strategic partnerships and loyalty programs. It served 106.7m customers in FY24, with a net increase of 63 aircraft. The company has eight strategic partners with a 27% international share in terms of ASKs in FY24.
- The management has also taken several preemptive measures to increase its global brand awareness as it expects to capture a bigger share of growth in the international market over the coming years. IndiGo is further enhancing its international travel and working relentlessly to adjust schedules to reassure customers.
- The stock is trading at ~24x FY26E EPS of INR204 and FY26E EV/EBITDAR of ~10x. We reiterate our Neutral rating on the stock with a TP of INR4,970, based on 10x FY26E EV/EBITDAR.

Exhibit 1: INDIGO's value proposition



Source: Company, MOFSL

Exhibit 2: IndiGo has the youngest fleet in the world of 100+ aircraft (4.4 years average age)

Aircraft	Passenger capacity (seats)	No. of aircraft
Airbus 320neo	180/186	192
Airbus 321neo	222/232	94
Airbus 320ceo	180	31
ATR	78	45
A321 Freighter	27 (tonnage capacity in tn)	3
B777	400	2

Source: ch-aviation, Company, MOFSL

Global aviation industry overview

- In CY23, the global air travel demand surged, with RPKs growing 36.9% YoY and reaching 94.1% of CY19 level, according to IATA. This was a sharp rise from 68.7% in CY22, with capacity recovery pushing the load factor to 82.3%, just 0.3 points below CY19.
- The robust performance was driven by strong domestic demand, with domestic traffic in CY23 exceeding the CY19 level by 3.9%. While international traffic remained below the CY19 level, it experienced steady growth, with international RPKs reaching 88.6% of pre-pandemic levels.
- The recovery was global, led by North American players due to early reopening and strong domestic demand. In Jan'23, China's reopening accelerated global traffic, particularly in APAC, with further support from India's market rebound.

Exhibit 3: Air passenger market in detail - CY23

Market	World Share*	YoY %			YoY % vs. 2019			PLF (Level)
		RPK	ASK	PLF (%-pt.)	RPK	ASK	PLF (%-pt.)	
Total Market	100%	37%	31%	4%	-6%	-6%	0%	82%
Africa	2%	36%	36%	1%	-7%	-8%	1%	73%
Asia Pacific	32%	96%	75%	9%	-14%	-12%	-2%	80%
Europe	27%	20%	16%	3%	-5%	-4%	-1%	84%
Latin America	6%	17%	15%	2%	0%	0%	1%	83%
Middle East	9%	32%	25%	5%	-2%	-7%	4%	80%
North America	24%	15%	14%	1%	2%	3%	0%	84%

*% of industry RPKs in 2023

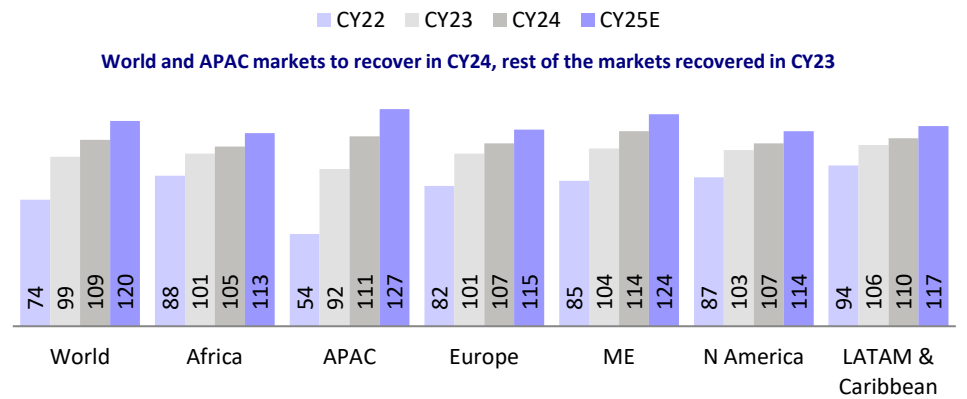
Source: International Air Transport Association (IATA), MOFSL

Exhibit 4: Global domestic and international RPKs



Source: IATA Sustainability and Economics, IATA Monthly Statistics, MOFSL

Exhibit 5: Passengers' traffic recovery (% share of 2019 levels)



Source: IATA Sustainability & Economics, Tourism Economics, MOFSL

Indian aviation sector at an inflection point

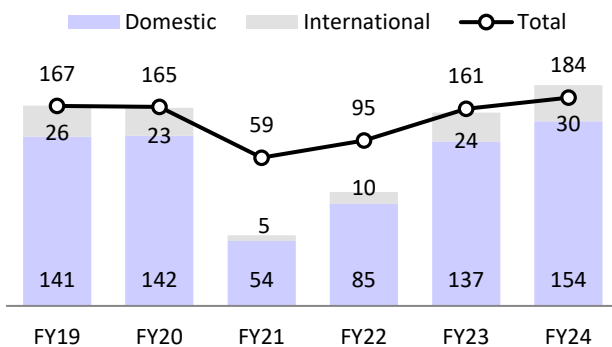
- In FY24, India's aviation sector not only recovered but exceeded pre-pandemic levels, with both domestic and international passenger numbers surpassing FY19. Total air passengers were 10.3% higher than FY19, driven by a 14.6% rise in international travelers and a 9.5% increase in domestic travelers.
- India's aviation sector made a global mark with over 1,150 aircraft ordered in the past 15 months, backed by rapid airport expansions. With the world's largest, youngest workforce, India is set to meet the growing demand for aviation talent. OEMs' expansion in India further highlights its emergence as a key global aviation hub, fueling transformative growth.

Exhibit 6: Snapshot of the Indian aviation sector



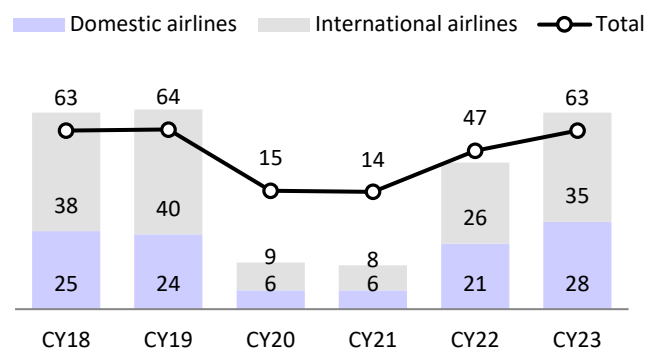
Source: Company, MOFSL

Exhibit 7: Number of passengers for domestic airlines (m)



Source: Director General of Civil Aviation (DGCA), MOFSL

Exhibit 8: International passengers - Indian market (m)

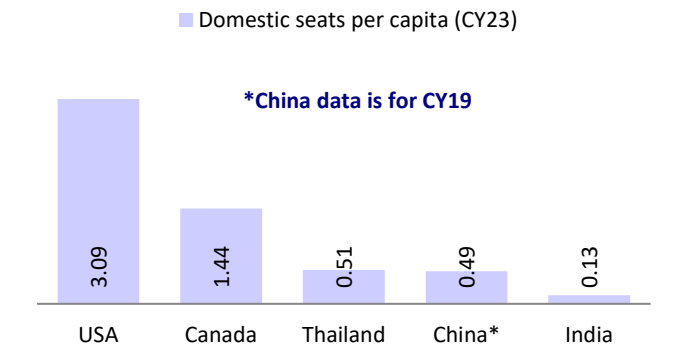


Source: DGCA, Domestic and International Airlines, MOFSL

Growth drivers for Indian aviation in place

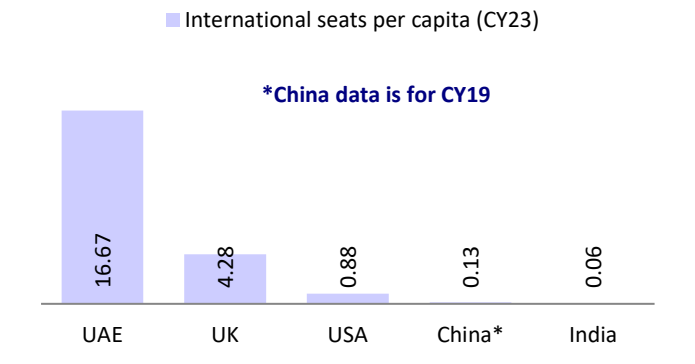
- **Rising middle-class population, increased disposable income, and underpenetrated market:** India's middle-class population is set to reach 583m by CY25, thereby increasing travel spending. Despite being the third-largest air passenger market, India is underpenetrated with just 0.13 domestic seats per capita compared to 3.09 in the US and only 6.5% of Indians holding passports. This highlights the immense growth potential for India's aviation sector and the opportunity to expand air travel access.

Exhibit 9: India remains one of the most underpenetrated markets...



Source: Cirium and World Bank (CY22 population), MOFSL

Exhibit 10: ...both in terms of domestic and international travel

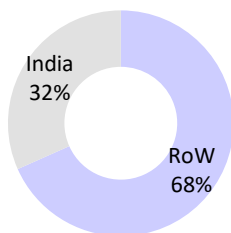


Source: Cirium and World Bank (CY22 population), MOFSL

- Airport infrastructure and investment in capacity:** The Indian government is investing INR1t to develop greenfield and brownfield airports, boosting capacity and enhancing passenger experience. The number of airports is set to grow from 140 in CY19 to 220 in the coming years. In FY24, Indian carriers added over 100 aircraft, bringing the total fleet to 850+ with significant new orders placed. As global aircraft availability remains limited, these timely orders position Indian carriers to support planned capacity growth over the next decade.

Exhibit 11: India accounted for 32% of aircraft orders in CY23

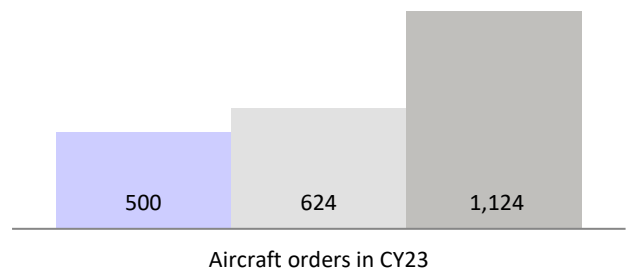
Aircraft orders in CY23



Source: Boeing and Airbus, MOFSL

Exhibit 12: With IndiGo accounting for 44% of Indian orders

■ IndiGo ■ Other Indian carriers ■ India Total

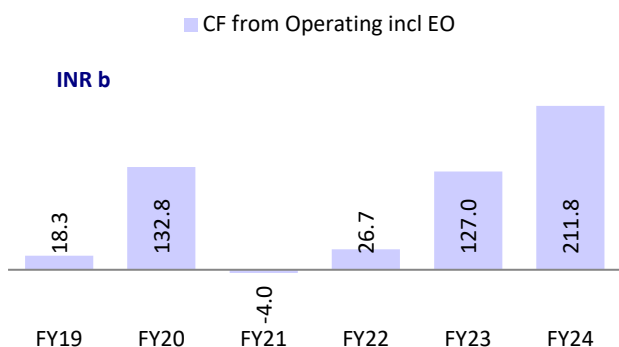


Source: Boeing and Airbus, MOFSL

- Opportunity in Tier 2 & 3 cities and focus on regional connectivity:** Tier 2 and Tier 3 cities in India are rapidly urbanizing, with rising incomes driven by new businesses, manufacturing growth, and infrastructure investment. The UDAN scheme has boosted connectivity to underserved regions, marking six successful years by FY24. As of Mar'24, over 500 Regional Connectivity Scheme (RCS) routes were operational, benefiting 13.5m travelers, with further expansion supported by tourism infrastructure investments.
- Demand for international travel and subsequent expansion:** As of Dec'23, India had Air Services Agreements (ASAs) with 116 countries, directly connecting to 52+ and indirectly to 100+. Despite foreign airlines serving 50% of Indian international travelers, Indian carriers grew their market share from ~39% in CY18 to ~44% in CY23. With expanding operations, improved connectivity, and visa waivers, Indian airlines are poised to capture a larger share of the growing international market.

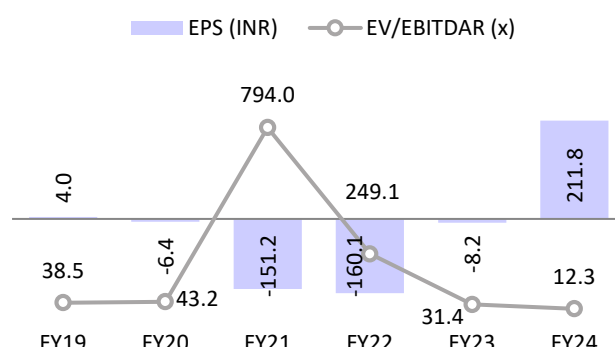
Some other exhibits pertaining to FY24

Exhibit 13: Strong cash flow generation from operations



Source: Company, MOFSL

Exhibit 14: Valuation and EPS snapshot



Source: Company, MOFSL

Exhibit 15: Improvements in environmental and social impacts through investments in R&D by IndiGo

% R&D and capex investments to total R&D and capex investments	FY23	FY24	Improvements in environmental and social impacts
R&D	0%	0%	NA
Capex	3%	4%	Investments in EVs and environment-friendly ground equipment have helped in the reduction of the carbon footprint of ground operations

Source: Company, MOFSL

Exhibit 16: Cash conversion cycle at negative 15 days in FY24

Cash conversion cycle (year-end basis)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Days										
Inventory		5	3	4	4	3	3	8	6	5
Debtor		3	4	3	4	5	3	5	5	3
Creditor		17	26	21	22	22	18	39	46	25
Cash conversion cycle		-10	-20	-14	-15	-15	-12	-26	-35	-17

Source: Company, MOFSL

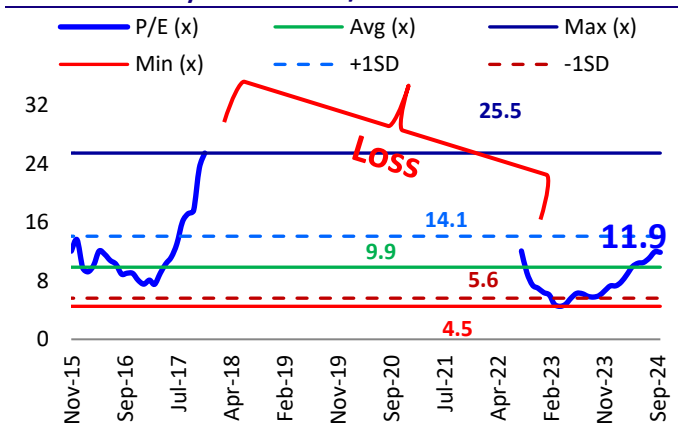
Key assumptions and valuation charts

Exhibit 17: IndiGo - Key assumptions

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Capacity								
ASK (million)	81,016	96,300	45,471	70,400	1,14,400	1,39,300	1,54,694	1,65,371
ASK YoY (%)	28%	19%	-53%	55%	63%	22%	11%	7%
Load Factor (%)	86%	86%	69%	73%	82%	86%	89%	90%
RPK (million)	69,787	82,600	31,595	51,700	93,900	1,19,700	1,37,677	1,48,834
RPK YoY (%)	26%	18%	-62%	64%	82%	27%	15%	8%
Revenue Calculation								
Ticket Revenue (INR m)	2,51,359	3,14,682	1,18,735	2,19,239	4,81,759	6,07,980	6,47,084	6,84,635
Yield (INR/RPK)	3.60	3.81	3.76	4.24	5.13	5.08	4.70	4.60
Ancillary Revenues (incl. others)	33,609	42,878	27,671	40,070	62,706	81,063	1,22,946	1,30,081
Total Revenue (INR m)	2,84,968	3,57,560	1,46,406	2,59,309	5,44,465	6,89,043	7,70,030	8,14,715
Fuel Cost								
Exchange Rate (INR/USD)	70	71	74	75	80	83	84	85
ATF Prices (INR/lit)	67	63	43	74	118	102	93	91
YoY (%)	24%	-6%	-32%	71%	60%	-14%	-9%	-3%
Aircraft fuel expenses (INR m)	1,20,820	1,26,316	38,868	98,117	2,39,320	2,42,468	2,70,363	2,78,054
Spreads								
RASK	3.5	3.7	3.2	3.7	4.8	4.9	5.0	4.9
CASK	3.5	3.7	4.5	4.6	4.8	4.4	4.4	4.3
RASK-CASK	0.0	0.0	-1.3	-0.9	0.0	0.6	0.6	0.6
CASK-ex fuel	2.0	2.4	3.6	3.2	2.7	2.6	2.6	2.6
RASK-CASK (ex-fuel)	1.5	1.3	-0.4	0.5	2.1	2.3	2.4	2.3

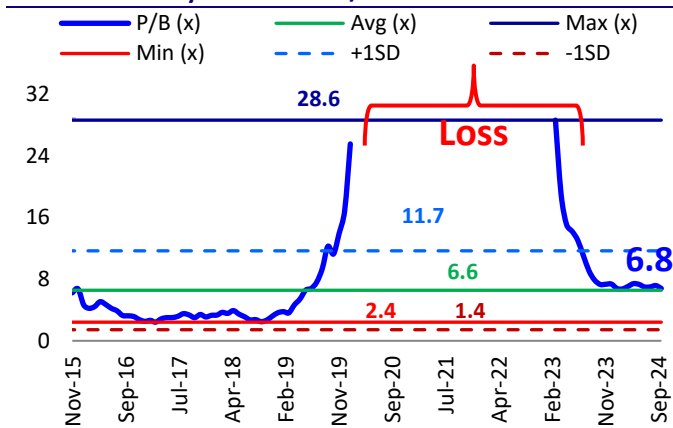
Source: Company, MOFSL

Exhibit 18: One year forward P/E



Source: Company, MOFSL

Exhibit 19: One year forward P/B



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	285.0	357.6	146.4	259.3	544.5	689.0	770.0	814.7
YoY Chg (%)	23.8	25.5	-59.1	77.1	110.0	26.6	11.8	5.8
EBITDAR	47.9	45.3	2.6	8.4	68.1	173.7	189.7	212.4
Margin (%)	16.8	12.7	1.7	3.2	12.5	25.2	24.6	26.1
Aircraft & Engine Lease Rentals	50.0	5.0	2.8	3.1	3.3	10.8	12.3	8.6
EBITDA	-2.1	40.4	-0.3	5.3	64.8	162.9	177.4	203.8
Margin (%)	-0.7	11.3	-0.2	2.0	11.9	23.6	23.0	25.0
Depreciation	7.6	39.7	47.0	50.7	51.0	64.1	67.2	81.4
EBIT	-9.7	0.6	-47.2	-45.4	13.8	98.9	110.3	122.4
Int. and Finance Charges	5.1	18.8	21.4	23.6	31.3	41.7	42.3	44.0
Other Income	13.2	15.4	10.4	7.2	14.3	23.3	26.9	26.8
PBT	-1.5	-2.8	-58.3	-61.7	-3.2	80.4	94.9	105.2
PBT after EO Exp.	-1.5	-2.8	-58.3	-61.7	-3.2	80.4	94.9	105.2
Tax	-3.1	-0.3	0.0	0.0	0.0	-1.2	17.6	26.5
Tax Rate (%)	204.5	9.8	0.0	0.0	0.0	-1.5	18.5	25.2
Reported PAT	1.6	-2.5	-58.3	-61.7	-3.2	81.7	77.3	78.7
Change (%)	-93.0	PL	Loss	Loss	Loss	Loss	-5.4	1.9
Margin (%)	0.5	-0.7	-39.8	-23.8	-0.6	11.9	10.0	9.7

Standalone - Balance Sheet								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	3.8	3.8	3.8	3.9	3.9	3.9	3.9	3.9
Total Reserves	65.6	54.8	-3.1	-64.2	-66.9	15.5	92.8	171.5
Net Worth	69.4	58.6	0.7	-60.4	-63.0	19.3	96.6	175.4
Total Loans	21.9	159.3	227.9	289.6	344.8	397.6	427.4	410.3
Capital Employed	92.0	217.9	228.6	229.2	281.7	416.9	524.0	585.6
Gross Block	77.1	228.0	295.3	370.7	485.4	633.3	766.4	911.4
Less: Accum. Deprn.	20.5	60.2	107.2	157.9	208.9	272.9	340.1	421.5
Net Fixed Assets	56.6	167.8	188.2	212.8	276.5	360.4	426.3	489.9
Capital WIP	0.2	1.3	0.7	1.2	0.2	0.0	14.8	17.8
Total Investments	65.2	95.0	72.9	80.3	115.1	164.5	164.5	164.5
Curr. Assets, Loans&Adv.	128.1	156.4	168.0	164.3	198.6	295.8	338.0	356.8
Inventory	2.1	2.9	3.2	4.1	5.9	6.2	7.0	7.3
Account Receivables	3.6	2.6	2.2	3.3	5.2	6.4	7.2	7.6
Cash and Bank Balance	86.1	108.3	112.3	101.2	118.1	167.1	194.2	204.7
Loans and Advances	36.3	42.7	50.4	55.7	69.4	116.0	129.6	137.2
Curr. Liability & Prov.	158.1	202.6	201.2	229.4	308.7	403.8	419.7	443.3
Account Payables	14.6	15.7	15.6	31.5	32.1	31.9	35.9	37.2
Other Current Liabilities	139.2	167.5	164.2	184.6	260.7	344.2	383.8	406.1
Provisions	4.4	19.5	21.4	13.2	15.9	27.7	0.0	0.0
Net Current Assets	-30.0	-46.2	-33.1	-65.1	-110.1	-108.0	-81.7	-86.6
Appl. of Funds	92.0	217.9	228.6	229.2	281.7	416.9	524.0	585.6

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	4.0	-6.4	-151.2	-160.1	-8.2	211.8	200.3	204.0
Cash EPS	23.8	96.9	-29.4	-28.7	124.5	379.1	375.9	416.5
BV/Share	180.7	152.5	1.8	-157.0	-164.0	50.3	251.4	456.2
DPS	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout incl. tax (%)	148.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	1,219.5	-766.6	-32.6	-30.8	-600.6	23.3	24.6	24.2
Cash P/E	207.2	50.9	-167.7	-171.9	39.6	13.0	13.1	11.8
P/BV	27.3	32.4	2,674.8	-31.4	-30.1	98.2	19.6	10.8
EV/Sales	6.5	5.5	13.8	8.1	3.9	3.1	2.8	2.6
EV/EBITDAR	38.4	43.1	792.2	248.6	31.3	12.3	11.7	10.2
EV/EBITDA	-895.6	48.4	-7,935.2	394.6	32.9	13.1	12.0	10.4
Dividend Yield (%)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF Yield (%)	1.3	-3.6	-3.7	-2.6	6.7	10.4	0.7	2.4
FCF per share	64.8	-177.0	-184.5	-128.7	332.8	514.6	32.7	116.2
Return Ratios (%)								
RoE	2.2	-3.9	-196.5	206.9	5.1	-373.7	133.3	57.9
RoCE	-4.0	9.3	-16.5	-16.7	11.0	35.5	29.2	26.9
RoIC	-21.9	-2.5	-168.6	-101.7	29.2	150.4	76.2	52.5
Working Capital Ratios								
Fixed Asset Turnover (x)	3.7	1.6	0.5	0.7	1.1	1.1	1.0	0.9
Asset Turnover (x)	3.1	1.6	0.6	1.1	1.9	1.7	1.5	1.4
Inventory (Days)	3	3	8	6	5	4	3	3
Debtor (Days)	5	3	5	5	3	3	10	10
Creditor (Days)	22	18	39	46	25	23	17	17
Working Cap. Turnover (Days)	-149	-158	-363	-234	-153	-146	-131	-130

Standalone - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	-1.5	-2.8	-58.3	-61.7	-3.2	80.4	94.9	105.2
Depreciation	7.6	39.7	47.0	50.7	51.0	64.1	67.2	81.4
Interest & Finance Charges	-8.2	3.4	11.1	16.3	31.1	41.7	15.4	17.2
Direct Taxes Paid	3.0	0.0	0.0	0.0	-3.9	-5.1	-17.6	-26.5
(Inc)/Dec in WC	17.3	92.5	-3.8	21.4	31.2	43.4	1.5	15.4
CF from Operations	18.3	132.8	-4.0	26.7	106.2	224.5	161.3	192.8
CF from Operating incl EO	18.3	132.8	-4.0	26.7	127.0	211.8	161.3	192.8
(Inc)/Dec in FA	6.8	-201.2	-67.2	-76.4	1.4	-13.2	-148.7	-147.9
Free Cash Flow	25.0	-68.3	-71.2	-49.7	128.4	198.6	12.6	44.8
(Pur)/Sale of Investments	-1.7	-29.8	22.1	-7.4	-43.5	-109.1	0.0	0.0
Others	13.2	15.4	10.4	7.2	1.6	4.8	26.9	26.8
CF from Investments	18.3	-215.6	-34.8	-76.5	-40.6	-117.6	-121.8	-121.2
Inc/(Dec) in Debt	-0.5	137.3	68.6	61.7	-16.7	-2.8	29.8	-17.1
Interest Paid	-5.1	-18.8	-21.4	-23.6	-26.7	-35.0	-42.3	-44.0
Dividend Paid	-2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from Fin. Activity	-16.3	105.0	42.7	38.8	-84.3	-99.8	-12.5	-61.1
Inc/Dec of Cash	20.3	22.2	4.0	-11.1	2.2	-5.5	27.1	10.5
Opening Balance	65.8	86.1	108.3	112.3	10.1	12.4	6.9	34.0
Closing Balance	86.1	108.3	112.3	101.2	12.4	6.9	34.0	44.5

(INR b)

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NOTES

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