

Rating: BUY | CMP: Rs2,509 | TP: Rs2,816

November 4, 2023

Q2FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	2,816		2,701	
Sales (Rs.m)	6,48,167	7,29,627	6,44,956	7,19,714
% Chng.	0.5	1.4		
EBITDA (Rs.m)	1,47,802	1,82,785	1,53,029	1,85,910
% Chng.	(3.4)	(1.7)		
EPS (Rs.)	169.4	214.2	174.1	221.0
% Chng.	(2.7)	(3.1)		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	5,44,465	6,48,167	7,29,627	7,91,714
EBITDAR (Rs. m)	68,212	1,47,802	1,82,785	1,81,542
Margin (%)	12.5	22.8	25.1	22.9
PAT (Rs. m)	(3,058)	65,311	82,589	65,832
EPS (Rs.)	(7.9)	169.4	214.2	170.7
Gr. (%)	NA	NA	26.5	(20.3)
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	5.0	NA	187.1	55.6
RoCE (%)	NA	NA	174.1	74.0
EV/Sales (x)	1.4	1.0	0.6	0.4
EV/EBITDAR (x)	19.1	8.8	6.9	6.7
PE (x)	NA	14.8	11.7	14.7
P/BV (x)	NA	340.0	11.3	6.4

Key Data

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52-W High / Low	Rs.2,746 / Rs.1,676
Sensex / Nifty	64,364 / 19,231
Market Cap	Rs.968bn / \$ 11,623m
Shares Outstanding	386m
3M Avg. Daily Value	Rs.3426.96m

Shareholding Pattern (%)

Promoter's	63.25
Foreign	20.29
Domestic Institution	13.32
Public & Others	3.16
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.7	15.9	39.2
Relative	5.5	10.2	31.5

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Profitable for 4th quarter in a row

Quick Pointers:

- Load factor stood at 83.3% with yield of Rs4.45.

InterGlobe Aviation (IndiGo) reported better than expected operating performance with FX adjusted EBITDAR margin of 20.2% (PLe 15.8%) led by reversal in provision of airport fees and receipt of compensation benefits from OEM's relating to AoG. We believe IndiGo is well placed to strongly benefit from 1) capacity deployment (north of mid-teens capacity guidance remains intact for FY24E, despite escalation in engine issues at P&W), 2) network expansion in domestic as well as international markets and 3) superior balance sheet (Rs 180bn of free cash). In addition, recent decision to levy fuel surcharge in the band of Rs300-1,000 depending upon distance is expected to provide cushion to gross spreads in an environment of rising ATF prices. We broadly maintain our estimates and expect revenue CAGR of 16% over next 2 years with EBITDAR margin of 22.8%/25.1% in FY24E/FY25E. Retain 'BUY' with a TP of Rs2,816 (EV/EBITDAR multiple of 7.5x FY25E).

Revenue at Rs 149bn (+19.6% YoY): Passenger revenue grew to Rs130.7bn (+17.6% YoY). Load factor stood at 83.3% (PLe 84.0%) with a yield of Rs4.45. Ancillary revenue increased 20.5% YoY to Rs15.5bn. ASKM/RPKM improved 8.0%/1.4% on sequential basis to 35.3bn/29.4bn respectively.

PAT at Rs1.9bn; in black for 4 quarters in a row: Fuel CASK stood at Rs1.66 (PLe Rs1.71). Yields were lower at Rs4.45 for the quarter (PLe Rs4.40) vs Rs5.07 in 2QFY23. EBITDAR margin stood at 16.0%. However, adjusting for FX loss, EBITDAR margin stood at 20.2%. IndiGo reported a profit of Rs1.9bn (adjusted for FX loss, PAT was Rs8.1bn) as against a loss of Rs15.8bn in Q2FY23.

Key takeaways: **1)** IndiGo has recently introduced 4 new domestic destinations and plans to increase its international destination count from 32 to 34. **2)** The share of international ASK is expected to increase from 26% to 30% in future. **3)** Capacity addition guidance remains intact at north of mid-teens for FY24E. Further, capacity ASKM is expected to increase by 25% YoY in 3QFY24. **4)** Airport fees declined from 12.2bn in 1QFY24 to 9.8bn in 2QFY24 (19.5% QoQ) due to a provision reversal of Rs1.5bn. **5)** Supplementary rentals declined from 24.3bn in 1QFY24 to 21.2bn in 2QFY24 (12.7% QoQ) due to claims received from OEMs pertaining to AoG. **6)** 40 planes are currently grounded due to P&W engine issues and the count is expected to rise from Jan-24, as and when inspections accelerate. **7)** Fleet guidance of 350 planes for FY24E remains intact, with delivery of 1 plane expected each week in FY25E. **8)** Load factor is lower in 3QFY24 so far, due to addition of new routes (pick-up takes 1-2 months), seasonality, and delay in festive dates. **9)** As a part of mitigating measures IndiGo has retained 14 CEOs, extended lease for 36 aircrafts, and executed 2 damp leases. 11 additional damp leases will become operational in November, and leases for 12 additional CEOs will be executed from secondary market with delivery expected Jan'24 onwards.

Exhibit 1: Q2FY24 Result Overview (Rs m)

Y/e March	2QFY24	2QFY23	YoY gr.	1QFY24	QoQ gr.	H1FY24	H1FY23	YoY gr.
Net Sales	1,49,439	1,24,976	19.6	1,66,831	(10.4)	3,16,269	2,53,529	24.7
Fuel cost	58,560	62,579	(6.4)	52,281	12.0	1,10,841	1,22,480	(9.5)
Supplementary rentals	21,171	18,393	15.1	24,251	(12.7)	45,422	37,246	22.0
Airport fees & charges	9,813	8,516	15.2	12,195	(19.5)	22,008	17,030	29.2
Other input costs	820	625	31.2	747	9.8	1,567	1,340	17.0
Employee cost	15,217	11,537	31.9	14,498	5.0	29,715	22,120	34.3
Forex gain/(loss)	6,171	12,015	(48.6)	(1,161)	NM	5,011	26,261	(80.9)
Other expenses	13,727	10,553	30.1	12,329	11.3	26,056	19,656	32.6
Total expenses	1,25,480	1,24,219	1.0	1,15,140	9.0	2,40,621	2,46,133	(2.2)
EBITDAR	23,958	757	3,064.5	51,690	(53.7)	75,649	7,396	922.8
Aircraft and engine rentals	1,956	485	303.6	1,946	0.5	3,901	1,137	243.1
EBITDA	22,003	273	7,972.4	49,744	(55.8)	71,747	6,259	1,046.3
Depreciation	15,490	12,376	25.2	14,078	10.0	29,568	24,074	22.8
EBIT	6,513	(12,104)	NM	35,667	(81.7)	42,180	(17,815)	NM
Other income	5,591	3,547	57.6	4,778	17.0	10,369	5,182	100.1
Interest	10,213	7,276	40.4	9,537	7.1	19,750	13,842	42.7
PBT	1,891	(15,833)	NM	30,907	(93.9)	32,798	(26,475)	NM
Tax expense	2	1	220.8	1	28.8	3	1	325.4
PAT	1,889	(15,833)	NM	30,906	(93.9)	32,795	(26,476)	NM
EPS	4.9	(41.2)	NM	80.1	(93.9)	85.0	(68.7)	NM

Source: Company, PL

Exhibit 2: Operating Metrics Table

Particulars	2QFY24	2QFY23	YoY gr.	1QFY24	QoQ gr.
ASKM (in mn)	35,321	27,700	27.5	32,691	8.0
RPKM (in mn)	29,400	21,900	34.2	29,000	1.4
Load Factor (%)	83.2	79.1	418 bps	88.7	-547 bps
Yield (Rs)	4.4	5.1	(12.4)	5.2	(14.0)
RASK (Rs)	4.23	4.51	(6.2)	5.10	(17.1)
Aircraft Fuel/ASKM	1.66	2.26	(26.6)	1.60	3.7
Gross Margin	2.57	2.25	14.2	3.50	(26.6)
Employee Cost/ASKM	0.43	0.42	3.4	0.44	(2.9)
Ownership cost/ASKM	0.78	0.73	7.7	0.78	0.1
Other Operating Exp./ASKM	1.46	1.81	(19.1)	1.48	(1.1)
Non-Fuel Op.Exp/ASKM	2.68	2.95	(9.3)	2.70	(1.0)
CASK	4.34	5.21	(16.8)	4.30	0.7
CASK net of Other Income	4.18	5.08	(17.8)	4.16	0.5
RASK-CASK with other income	(0.10)	(0.70)	(85.0)	0.80	NM
Fleet	334	279	19.7	316	5.7

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	5,44,465	6,48,167	7,29,627	7,91,714
YoY gr. (%)	110.0	19.0	12.6	8.5
Aircraft Fuel Expenses	2,36,460	2,39,896	2,60,584	2,94,637
Employee Cost	47,948	59,163	68,617	77,935
Other Expenses	1,88,985	1,98,652	2,15,024	2,34,707
EBITDAR	68,212	1,47,802	1,82,785	1,81,542
YoY gr. (%)	694.1	116.7	23.7	(0.7)
Margin (%)	12.5	22.8	25.1	22.9
Aircraft Lease Rentals	3,258	7,778	8,026	6,334
Depreciation and Amortization	51,030	57,867	66,546	76,528
EBIT	13,924	82,158	1,08,213	98,680
Margin (%)	2.6	12.7	14.8	12.5
Net Interest	31,317	34,123	39,620	46,962
Other Income	14,350	18,608	18,343	17,578
Profit Before Tax	(3,044)	66,643	86,936	69,296
Margin (%)	(0.6)	10.3	11.9	8.8
Total Tax	14	1,333	4,347	3,465
Effective tax rate (%)	(0.5)	2.0	5.0	5.0
Profit after tax	(3,058)	65,311	82,589	65,832
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(3,058)	65,311	82,589	65,832
YoY gr. (%)	(95.0)	(2,235.9)	26.5	(20.3)
Margin (%)	(0.6)	10.1	11.3	8.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(3,058)	65,311	82,589	65,832
YoY gr. (%)	(95.0)	(2,235.9)	26.5	(20.3)
Margin (%)	(0.6)	10.1	11.3	8.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(3,058)	65,311	82,589	65,832
Equity Shares O/s (m)	386	386	386	386
EPS (Rs)	(7.9)	169.4	214.2	170.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	4,30,635	4,95,230	5,69,514	6,54,941
Tangibles	4,30,635	4,95,230	5,69,514	6,54,941
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,54,158	2,12,024	2,78,571	3,55,099
Tangibles	1,54,158	2,12,024	2,78,571	3,55,099
Intangibles	-	-	-	-
Net fixed assets	2,76,584	2,83,323	2,91,073	2,99,985
Tangibles	2,76,477	2,83,205	2,90,943	2,99,842
Intangibles	107	118	130	143
Capital Work In Progress	208	208	208	208
Goodwill	-	-	-	-
Non-Current Investments	1	1	1	1
Net Deferred tax assets	2,949	3,097	3,252	3,414
Other Non-Current Assets	50,469	53,497	56,707	60,109
Current Assets				
Investments	1,15,580	1,32,917	1,52,855	1,75,783
Inventories	5,911	5,327	5,997	6,507
Trade receivables	5,199	5,327	5,997	6,507
Cash & Bank Balance	1,18,397	2,24,141	3,67,250	4,74,231
Other Current Assets	16,400	35,516	39,980	43,382
Total Assets	5,91,698	7,43,355	9,23,319	10,70,127
Equity				
Equity Share Capital	3,855	3,855	3,855	3,855
Other Equity	(66,321)	(1,010)	81,579	1,47,411
Total Networkth	(62,465)	2,845	85,434	1,51,266
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	13,365	14,033	14,734	15,471
Other non current liabilities	79,263	79,263	79,263	79,263
Current Liabilities				
ST Debt / Current of LT Debt	22,523	19,523	16,523	13,523
Trade payables	32,090	30,189	33,983	36,874
Other current liabilities	80,904	1,14,403	1,28,400	1,39,114
Total Equity & Liabilities	5,91,698	7,43,355	9,23,319	10,70,127

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	(3,044)	66,643	86,936	69,296
Add. Depreciation	51,030	57,867	66,546	76,528
Add. Interest	31,317	34,123	39,620	46,962
Less Financial Other Income	14,350	18,608	18,343	17,578
Add. Other	(14,350)	(18,608)	(18,343)	(17,578)
Op. profit before WC changes	64,954	1,40,024	1,74,759	1,75,208
Net Changes-WC	(5,413)	12,929	11,981	9,175
Direct tax	(14)	(1,480)	(4,502)	(3,627)
Net cash from Op. activities	59,526	1,51,473	1,82,238	1,80,756
Capital expenditures	(1,13,731)	(64,606)	(74,296)	(85,440)
Interest / Dividend Income	-	-	-	-
Others	56,997	16,256	15,842	14,921
Net Cash from Inv. activities	(56,734)	(48,350)	(58,454)	(70,520)
Issue of share cap. / premium	473	-	-	-
Debt changes	79,764	54,080	78,883	66,634
Dividend paid	-	-	-	-
Interest paid	(31,317)	(34,123)	(39,620)	(46,962)
Others	-	-	-	-
Net cash from Fin. activities	48,920	19,957	39,263	19,672
Net change in cash	51,712	1,23,081	1,63,047	1,29,909
Free Cash Flow	(54,205)	86,867	1,07,942	95,316

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	1,49,330	1,41,606	1,66,831	1,49,439
YoY gr. (%)	60.7	76.5	29.8	19.6
Raw Material Expenses	788	732	747	820
Gross Profit	1,48,542	1,40,874	1,66,084	1,48,618
Margin (%)	99.5	99.5	99.6	99.5
EBITDA	31,878	28,938	51,690	23,958
YoY gr. (%)	67.3	2,651.0	678.6	3,064.5
Margin (%)	21.3	20.4	31.0	16.0
Depreciation / Depletion	13,424	13,532	14,078	15,490
EBIT	17,754	13,985	35,667	6,513
Margin (%)	11.9	9.9	21.4	4.4
Net Interest	8,293	9,182	9,537	10,213
Other Income	4,772	4,395	4,778	5,591
Profit before Tax	14,233	9,198	30,907	1,892
Margin (%)	9.5	6.5	18.5	1.3
Total Tax	7	6	1	3
Effective tax rate (%)	-	0.1	-	0.1
Profit after Tax	14,226	9,192	30,906	1,889
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	14,226	9,192	30,906	1,889
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	9.5	6.5	18.5	1.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	14,226	9,192	30,906	1,889
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	9.5	6.5	18.5	1.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14,226	9,192	30,906	1,889
Avg. Shares O/s (m)	385	385	385	385
EPS (Rs)	37.0	23.9	80.3	4.9

Source: Company Data, PL Research

Key Financial Metrics

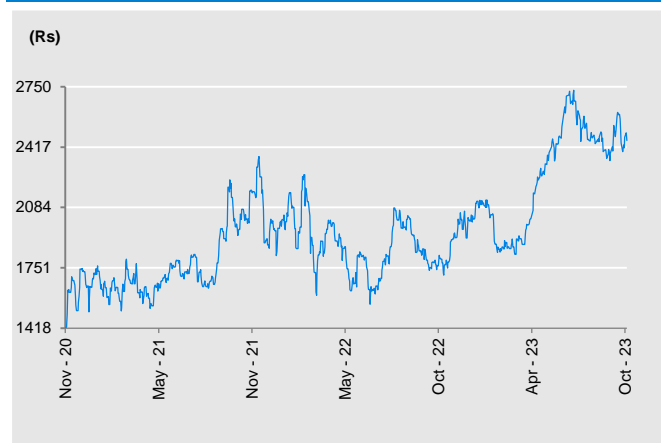
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	(7.9)	169.4	214.2	170.7
CEPS	124.4	319.5	386.8	369.2
BVPS	(162.0)	7.4	221.6	392.3
FCF	(140.6)	225.3	280.0	247.2
DPS	-	-	-	-
Return Ratio(%)				
RoCE	(45.8)	(935.0)	174.1	74.0
ROIC	3.9	21.3	26.8	23.5
RoE	5.0	(219.1)	187.1	55.6
Balance Sheet				
Net Debt : Equity (x)	3.4	(118.6)	(5.9)	(4.2)
Net Working Capital (Days)	(14)	(11)	(11)	(11)
Valuation(x)				
PER	(316.4)	14.8	11.7	14.7
P/B	(15.5)	340.0	11.3	6.4
P/CEPS	20.2	7.9	6.5	6.8
EV/EBITDAR (Adj)	19.1	8.8	6.9	6.7
EV/Sales	1.4	1.0	0.6	0.4
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
EBITDAR (Rs mn)	68,212	1,47,802	1,82,785	1,81,542
EBITDAR %	12.5	22.8	25.1	22.9
ASK (bn)	114	136	154	170
RPK (bn)	94	118	133	147
PLF %	82	87	87	87
RASK (Rs)	4.8	4.8	4.7	4.7
CASK (Rs)	4.9	4.4	4.3	4.3
RASK-CASK (Rs)	(0.1)	0.4	0.5	0.3
Fleet Size	304.0	350.0	390.0	430.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-23	BUY	2,701	2,536
2	02-Aug-23	BUY	2,855	2,565
3	07-Jul-23	BUY	2,993	2,699
4	19-May-23	BUY	2,565	2,257
5	11-Apr-23	BUY	2,346	1,905
6	27-Mar-23	BUY	2,347	1,834
7	05-Feb-23	BUY	2,500	2,098
8	06-Jan-23	Accumulate	2,300	2,038
9	07-Nov-22	Accumulate	2,015	1,798

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	650	560
2	Entertainment Network (India)	Hold	180	126
3	Indian Railway Catering and Tourism Corporation	Hold	700	720
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	BUY	2,701	2,536
6	Lemon Tree Hotels	BUY	140	119
7	Music Broadcast	Hold	18	11
8	Navneet Education	BUY	205	166
9	Nazara Technologies	Hold	836	834
10	PVR Inox	BUY	1,984	1,745
11	S Chand and Company	BUY	338	280
12	Safari Industries (India)	BUY	4,752	4,232
13	V.I.P. Industries	Hold	689	613
14	Zee Entertainment Enterprises	BUY	314	262

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



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