

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	4,493
12 month price target (INR)	5,300
52 Week High/Low	4,610/2,333
Market cap (INR bn/USD bn)	1,735/20.7
Free float (%)	25.1
Avg. daily value traded (INR mn)	5,862.8

SHAREHOLDING PATTERN

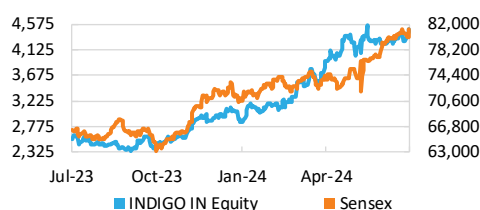
	Mar-23	Dec-22	Sep-22
Promoter	68%	72%	72%
FII	19%	18%	18%
DII	11%	8%	8%
Pledge	0%	0%	0%

FINANCIALS

(INR mn)

Year to March	FY23A	FY24A	FY25E	FY26E
Revenue	544,465	689,043	772,031	926,206
EBITDA	73,115	175,448	232,439	262,544
Adjusted profit	(3,058)	81,726	126,623	160,403
Diluted EPS (INR)	(7.9)	212.5	329.2	417.0
EPS growth (%)	(95.0)	nm	54.9	26.7
RoAE (%)	5.0	(378.3)	153.3	70.9
P/E (x)	(565.2)	21.1	13.7	10.8
EV/EBITDA (x)	26.9	11.6	8.4	7.0
Dividend yield (%)	0	0	0	0

PRICE PERFORMANCE



One-off drives beat; Q2 to be turbulent

Indigo's Q1FY25 EBITDAR of INR58bn (+11% YoY/+31% QoQ) beat our estimate by 22%, primarily on finalisation of compensation from OEM for grounded aircraft and recognition of a shortfall regarding 2HFY24.

RPKM rose 9% YoY as capacity (ASKM) expanded 11%, partially offset by a 190bp YoY fall in PLF to 86.7%, while demand held up (PAX +6% YoY). CASK rose 11% YoY on higher fuel cost and increased damp leases. Indigo is targeting high single-digit YoY capacity addition in Q2FY25 with focus on high-yielding international markets (27% of mix). Yields shall be flat YoY (weak QoQ amid seasonality). AOG is range-bound (mid-70s) and future compensation from OEMs is linked to it. We are hiking FY26E EBITDAR by 2% and TP to INR5,300; 'BUY'.

RPKM rises on ASKM increase; CASK suffers on inflationary pressures

RPKM rose 9% YoY/5% QoQ due to capacity additions (+11% YoY to INR36.3bn)—fleet expansion by 66 aircraft YoY/15 QoQ—while PLF fell 190bp YoY to 86.7% (+50bp QoQ). PAX carried rose 6% YoY to 27.8mn. Additionally, Indigo aims to raise capacity (ASKM) by a high single-digit % YoY in Q2FY25, lower than low double-digit % for FY25 on account of a seasonally weaker quarter. Overall CASK rose by 11% YoY due to inflation and rising damp leases, aircraft grounding-related costs, contractual escalations and annual increments, among other things. Fuel CASK rose by 11% YoY on increase in fuel costs, aircraft on wet/damp lease going up and VAT rates in some states. Indigo maintained its guidance of adding ~1 aircraft a week for FY25. It also has a robust order book of 975 aircraft (to be added by 2035).

Q2 outlook muted, long-term outlook intact; international mix to rise

Yields grew 1% YoY and QoQ to INR5.2 led by strong capacity additions and absorption of higher ticket price across its extensive network. However, yields are expected to remain flat YoY in Q2FY25 on account of seasonality, which implies a ~16% sequential fall. Looking beyond, India remains underpenetrated in terms of air travel, which is expected to grow in tandem with the Indian economy. Indigo is set to receive wide-bodied aircraft and expand its international network. Furthermore, codeshare agreements with international airlines are expected to improve foreign connectivity. International ASKM is currently ~27% and likely to increase. Overall profitability shall rise given international is relatively more accretive.

Outlook and valuation: Duopolistic structure bodes well; retain 'BUY'

A likely duopolistic industry structure dominated by Indigo and Air India bodes well. This shall spur pricing discipline, thereby driving yields up over long term. We are raising FY26E EBITDAR by 2% and the TP by 2% to INR5,300.

Financials

Year to March	Q1FY25	Q1FY24	% Change	Q4FY24	% Change
Net Revenue	195,707	166,831	17.3	178,253	9.8
EBITDA	57,833	52,109	11.0	44,123	31.1
Adjusted Profit	27,288	30,872	(11.6)	18,948	44.0
Diluted EPS (INR)	70.7	80.3	(11.9)	49.3	43.5

Financial Statements

Income Statement (INR mn)

Year to March	FY23A	FY24A	FY25E	FY26E
Total operating income	544,465	689,043	772,031	926,206
Gross profit	308,004	449,998	508,903	591,670
Employee costs	47,947	63,261	70,547	79,618
Other expenses	186,942	211,289	205,917	249,508
EBITDA	73,115	175,448	232,439	262,544
Depreciation	51,030	64,257	68,286	72,889
Less: Interest expense	31,317	41,694	29,085	23,000
Add: Other income	9,446	21,749	15,153	23,048
Profit before tax	(3,044)	80,493	136,889	173,408
Prov for tax	14	(1,233)	10,267	13,006
Less: Other adj	0	0	0	0
Reported profit	(3,058)	81,726	126,623	160,403
Less: Excp.item (net)	0	(1)	0	0
Adjusted profit	(3,058)	81,726	126,623	160,403
Diluted shares o/s	385	385	385	385
Adjusted diluted EPS	(7.9)	212.5	329.2	417.0
DPS (INR)	0	0	0	0
Tax rate (%)	(0.5)	0	7.5	7.5

Important Ratios (%)

Year to March	FY23A	FY24A	FY25E	FY26E
Average fleet size(No)	284.5	366.0	419.0	499.0
Avg. flying hours (Hrs)	12.0	12.0	12.0	12.0
CASK (INR/ km)	3.7	3.3	3.4	3.5
EBITDA margin (%)	13.4	25.5	30.1	28.3
Net profit margin (%)	(0.6)	11.9	16.4	17.3
Revenue growth (% YoY)	105.5	26.6	12.0	20.0
EBITDA growth (% YoY)	536.9	140.0	32.5	13.0
Adj. profit growth (%)	(95.0)	nm	54.9	26.7

Assumptions (%)

Year to March	FY23A	FY24A	FY25E	FY26E
GDP (YoY %)	7.2	5.8	6.3	6.2
Repo rate (%)	6.5	5.5	5.0	5.0
USD/INR (average)	81.0	83.0	84.0	82.0
RPKM growth (%)	4.4	4.0	4.0	4.1
PLF (%)	82.1	85.9	85.8	87.0
Lease rent/Aircrart(USDmn)	0.2	0.4	0.5	0.5
Pax growth (%)	49.6	44.4	10.7	6.8
Yield (INR/km)	5.1	5.1	5.1	5.3

Valuation Metrics

Year to March	FY23A	FY24A	FY25E	FY26E
Diluted P/E (x)	(565.2)	21.1	13.7	10.8
Price/BV (x)	(27.7)	89.7	11.8	5.6
EV/EBITDA (x)	26.9	11.6	8.4	7.0
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY23A	FY24A	FY25E	FY26E
Share capital	3,855	3,855	3,855	3,855
Reserves	(66,321)	15,405	142,028	302,431
Shareholders funds	(62,465)	19,261	145,883	306,286
Minority interest	0	0	0	0
Borrowings	448,542	509,713	564,767	614,315
Trade payables	32,090	63,870	67,103	82,532
Other liabs & prov	94,268	88,614	101,012	120,412
Total liabilities	591,698	686,695	885,259	1,131,483
Net block	276,477	316,856	358,438	400,911
Intangible assets	107	107	107	107
Capital WIP	208	236	236	236
Total fixed assets	276,792	317,199	358,782	401,254
Non current inv	24,501	24,502	24,502	24,502
Cash/cash equivalent	233,977	283,307	433,916	626,994
Sundry debtors	5,199	6,580	7,372	8,844
Loans & advances	10,398	10,398	10,398	10,398
Other assets	11,913	16,063	17,077	20,082
Total assets	591,698	686,695	885,259	1,131,483

Free Cash Flow (INR mn)

Year to March	FY23A	FY24A	FY25E	FY26E
Reported profit	(3,058)	81,726	126,623	160,403
Add: Depreciation	3,259	10,752	13,331	16,294
Interest (net of tax)	0	(1,242)	0	0
Others	171,419	(30,927)	99,050	120,137
Less: Changes in WC	44,340	(52,188)	15,081	31,795
Operating cash flow	127,279	112,497	223,922	265,039
Less: Capex	(98,502)	(104,665)	(109,868)	(115,362)
Free cash flow	28,777	7,832	114,054	149,677

Key Ratios

Year to March	FY23A	FY24A	FY25E	FY26E
RoE (%)	5.0	(378.3)	153.3	70.9
RoCE (%)	6.2	17.9	17.9	16.1
Inventory days	3	4	5	5
Receivable days	3	3	3	3
Payable days	21	25	31	29
Working cap (% sales)	(22.9)	(10.4)	(10.6)	(11.6)
Gross debt/equity (x)	(7.2)	26.5	3.9	2.0
Net debt/equity (x)	(3.4)	11.8	0.9	0
Interest coverage (x)	0.6	2.4	5.2	7.5

Valuation Drivers

Year to March	FY23A	FY24A	FY25E	FY26E
EPS growth (%)	(95.0)	nm	54.9	26.7
RoE (%)	5.0	(378.3)	153.3	70.9
EBITDA growth (%)	536.9	140.0	32.5	13.0
Payout ratio (%)	nm	0	0	0

Q1FY25 management call takeaways

IndiGo received delivery of 15 aircraft in Q1; total aircraft at 382

IndiGo inducted 15 aircraft during Q1FY25, of which eight are from original order book and the remaining seven were inducted as part of their mitigation measures in the form of damp leases and secondary leases. As of 30th Jun-24, IndiGo has a total of 382 aircraft, of which 14 are on finance leases and 18 on damp leases. Furthermore, subject to regulatory approval, the company will induct six more aircraft from Qatar Airlines for the Doha route on wet or damp lease over coming quarters.

Healthy capacity additions in Q1; FY25 guidance intact

Capacities in Q1FY25 grew by 11% YoY driven by robust demand growth and induction of new aircraft coupled with introduction of new destinations. Management maintained the guidance for a capacity addition of early double-digits % for FY25 and is optimistic to meet the same.

Q2 seasonally weak; capacity additions in high single digits

Management expects Q2 to be generally weak on account of seasonality. Therefore, IndiGo expects capacities to rise by high single digits YoY in Q2 vs 11% in Q1.

AOG stands at mid-70s; compensation agreement finalised

The aircraft-on-ground (AOG) situation remained stable QoQ at mid-70s due to lack of spare engine availability. Management has finalised an amendment in an agreement with Pratt & Whitney to account for a customised compensation to IndiGo for the lack of spare engine availability leading to the current AoG situation.

Codeshare agreement with Japan Airlines to strengthen International presence

During Q1FY25, codeshare partnership with Japan Airlines, under which Japan Airlines' customers will be able to travel to 14 Indian cities through Delhi and Bengaluru. This forms a part of IndiGo's cohesive Internationalization strategy.

Total order book at 975; induction at ~1 aircraft per week

IndiGo's total pending order book stands at 975 aircraft that will enable the company to receive more than one aircraft per week and contribute to the mitigation measures for shortfall caused by the AOG situation.

Q1FY25 operational highlights

IndiGo served ~28mn passengers during Q1FY25. Capacity expanded 11% YoY to 36.3 bn kms while load factor inched down 200bp YoY in Q1FY25. RASK grew 5% YoY primarily driven by compensation accruals from OEMs for the AoG situation. On the cost side, Fuel CASK increased by 11% YoY led by uptick in ATF prices. The company has added 30 new routes on a YoY basis taking the tally to more than 540 routes currently. Further, in line with growing demand, the company is further enhancing their international capacity deployment to Central Asia.

Tailor-made product launch; focus on enhancing customer experience

IndiGo is the process of launching a customized tailor-made product for India's busiest and business routes to serve the unique needs of a certain class of customers. Additionally, IndiGo's constant focus on customer experience is evident by the following:

1. Started testing in-flight entertainment on a select routes.
2. Web check-in seat selection, especially for women passengers.
3. In the process of revamping the mobile application and website.
4. Hotel booking feature on the app itself etc,

We await further details to be potentially unveiled next week on the company's 18th anniversary.

Exhibit 1: Indigo reported EBITDAR of INR58bn (+11% YoY/+31% QoQ) on strong demand and rise in capacity

	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Consensus	vs. consensus
Revenue	1,95,707	1,66,831	17%	1,78,253	10%	1,87,167	4.6
EBITDAR	57,833	52,109	11%	44,123	31%	43,990	31.5
PAT	27,288	30,872	-12%	18,948	44%	25,034	9.0
PAX growth (%)	6%	154%		18%			
PLF (%)	86.7%	88.7%	-2%	86.2%	1%		
Yield (INR/km)	5.2	5.2	1%	5.2	1%		
RPKM (mn)	31,475.0	29,000.0	9%	30,000.0	5%		

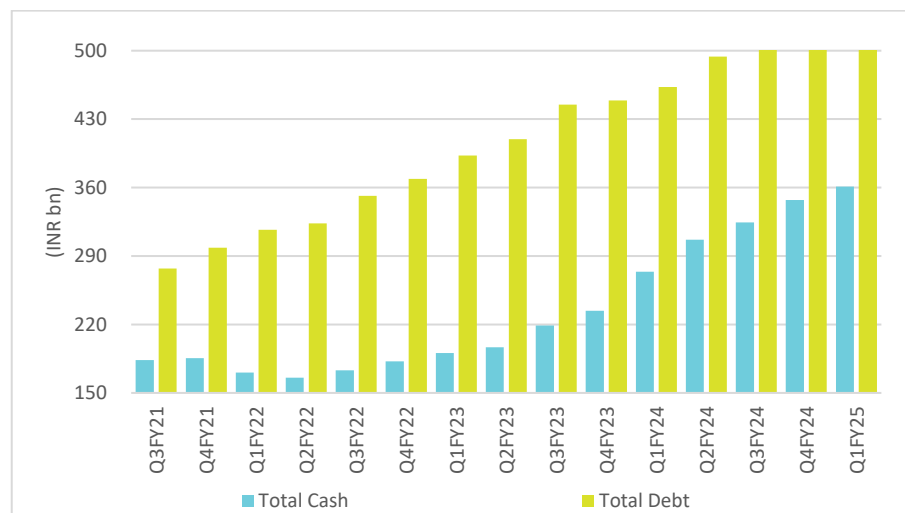
Source: Company, Nuvama Research

Exhibit 2: ASKM/RPKM rises on capacity addition; PLF down ~200bp YoY to 86.7%

	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
ASKM (bn)	36.3	32.7	11.0	34.8	4.3
RPK (bn)	31.5	29.0	8.5	30.0	4.9
Load factor (%)	86.7	88.7	(2.0)	86.2	0.5
Yield (INR)	5.24	5.17	1.4	5.20	0.8
RASK (INR)	5.39	5.10	5.7	5.12	5.3
CASK (INR)	4.62	4.17	10.79	4.62	-
Fuel CASK (INR)	1.76	1.60	10.0	1.72	2.3
CASK ex-fuel (INR)	2.86	2.57	11.28	2.90	(1.4)
Fuel price (INR/ltr)	100.8	96.0	5.0	103.0	(2.1)

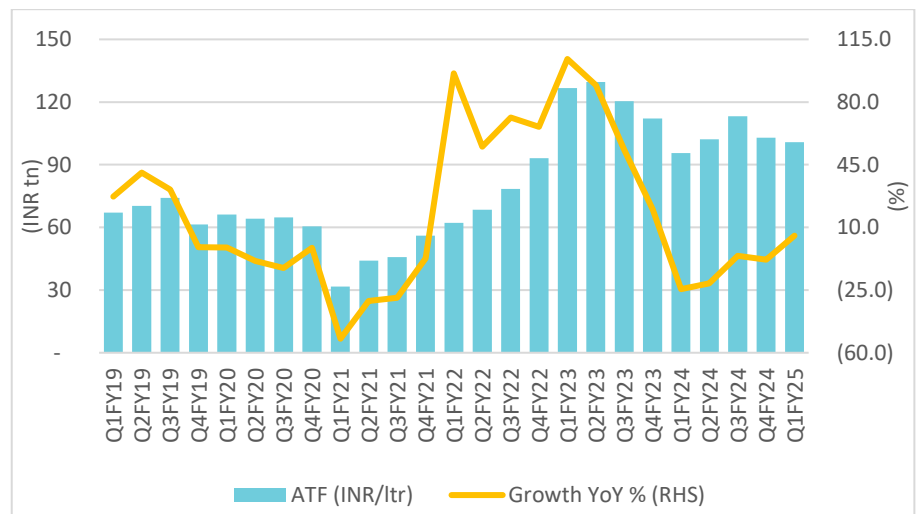
Source: Company, Nuvama Research

Exhibit 3: Net debt balance stood at INR164bn versus INR165bn at end-Q4FY24



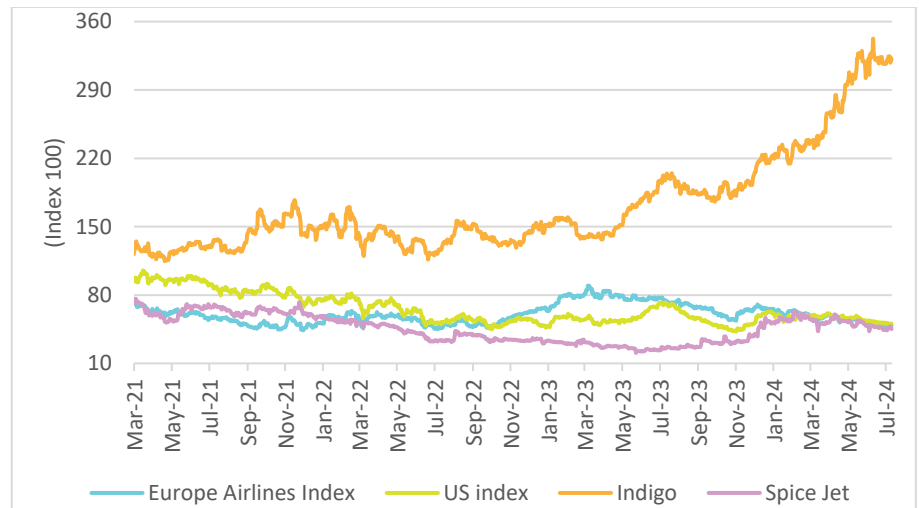
Source: Company, Nuvama Research

Exhibit 4: ATF prices up 5% YoY in Q1FY25 as crude oil prices rise



Source: Company, Nuvama Research

Exhibit 5: Comparing Indigo and SpiceJet share prices with European and US indices



Source: Bloomberg, Nuvama Research, Company

Exhibit 6: Our SotP leads to a TP of INR5,300/share

	FY26E	Multiple (X)	Total Value	Per Share
EBITDAR	262,544	9.0	2,362,893	6,143
Net debt			226,405	589
Operating lease rent	16,294	6.0	97,766	254
Equity value (INR mn)			2,038,721	5,300
CMP			1,678,319	4,493
Upside (%)				18%

Source: Company, Nuvama Research

Exhibit 7: Quarterly comparison with peers

	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
PAX (Mn)															
Indigo	10.8	10.4	6.3	11.2	17.8	14.6	10.3	18.5	22.3	23.4	26.2	26.3	27.5	27.5	27.8
Spicejet	2.7	3.2	1.3	1.7	3.3	2.8	3.6	2.8	3.2	3.1	2.5	2.2	2.6	2.7	NA
Yield (INR/km)															
Indigo	3.7	3.7	3.6	4.2	4.4	4.4	5.2	5.1	5.4	4.9	5.2	4.4	5.5	5.2	5.2
Spicejet	3.6	3.5	4.1	4.4	4.5	4.6	5.3	4.8	5.2	5.1	5.2	5.0	5.3	5.3	NA
PLF (%)															
Indigo	71.9	70.3	58.9	70.9	79.7	76.5	79.6	79.1	85.1	84.2	88.7	83.3	85.8	86.2	86.7
Spicejet	77.0	77.3	69.5	78.0	85.2	80.4	86.4	85.0	91.0	92.4	93.5	89.0	92.0	92.0	NA
RASK (INR/km)															
Indigo	3.2	3.2	2.7	3.7	4.1	4.0	4.7	4.5	5.2	4.7	5.1	4.2	5.3	5.1	5.4
Spicejet	4.1	3.9	4.9	5.4	5.1	4.7	5.0	4.6	5.0	5.8	6.0	5.7	6.3	6.3	NA
Fuel CASK (INR/km)															
Indigo	1.0	1.1	1.2	1.4	1.6	1.9	2.5	2.3	2.1	2.0	1.8	1.7	1.6	1.4	1.3
Spicejet	1.1	1.5	1.7	1.9	2.1	2.5	3.4	3.5	3.5	3.0	2.7	2.8	2.7	2.6	NA
CASK ex fuel (INR/km)															
Indigo	4.0	4.1	4.5	4.7	3.8	3.9	3.2	3.0	3.1	3.0	3.0	2.8	3.1	2.5	2.6
Spicejet	3.7	3.6	6.1	5.2	2.7	4.1	3.9	3.8	2.4	3.1	4.6	4.3	4.2	4.0	NA
RASK-CASK (INR/km)															
Indigo	(1.8)	(2.0)	(4.9)	(2.4)	(1.2)	(1.7)	(1.1)	(0.8)	(0.0)	(0.3)	0.3	(0.2)	0.7	1.2	1.5
Spicejet	(0.7)	(1.1)	(2.9)	(1.6)	0.3	(2.0)	(2.3)	(2.7)	(0.9)	(0.3)	(1.3)	(1.4)	(0.6)	(0.4)	NA

Source: Company, Nuvama Research

Exhibit 8: Annual comparison with peers

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY22-26E CAGR (%)
PAX (Mn)								
Indigo	75.0	27.8	49.8	74.4	107.5	119.0	127.1	26.4
Spicejet	24.8	7.8	9.2	12.7	9.9	11.4	12.8	8.6
Yield (INR/km)								
Indigo	3.8	3.7	4.3	5.1	5.1	5.1	5.3	5.6
Spicejet	3.8	3.7	4.5	5.1	5.2	5.3	5.3	4.5
RPKM growth (%)								
Indigo	18.5	-61.7	63.6	81.6	27.5	15.0	19.6	
Spicejet	36.9	-67.8	15.2	55.8	-22.7	12.3	7.7	
PLF (%)								
Indigo	85.8	69.4	73.5	82.1	85.9	85.8	87.0	4.3
Spicejet	89.6	75.9	79.7	88.7	91.6	90.5	90.0	3.1
RASK (INR/km)								
Indigo	3.7	3.3	3.8	4.8	4.9	4.8	4.9	6.8
Spicejet	3.9	4.3	5.0	4.9	5.2	5.7	5.7	3.3
Fuel CASK (INR/km)								
Indigo	1.3	0.8	1.4	2.1	1.7	1.6	1.8	6.4
Spicejet	1.5	1.3	2.3	2.6	2.2	2.6	2.4	1.9
CASK ex fuel (INR/km)								
Indigo	3.4	5.2	4.4	2.4	2.3	2.4	2.3	(14.7)
Spicejet	2.5	5.0	4.2	3.2	3.5	3.4	3.3	(6.0)
Maintenance costs (INR/km)								
Indigo	0.4	1.1	0.8	0.4	0.4	0.4	0.4	(16.0)
Spicejet	0.7	0.9	0.9	0.7	0.8	0.7	0.7	(5.4)
Airport handling charges (INR km)								
Indigo	0.3	0.4	0.4	0.3	0.3	0.3	0.3	(3.7)
Spicejet	0.4	0.5	0.6	0.4	0.5	0.4	0.4	(10.8)
RASK-CASK (INR/km)								
Indigo	-0.9	-2.7	-2.0	0.3	0.9	0.8	0.8	
Spicejet	-0.1	-2.0	-1.4	-1.0	-0.5	-0.2	-0.0	

Source: Company, Nuvama Research

Exhibit 9: Global valuation comps

Company	CMP (LC)	Mcap	EV	EBITDAR (USD Mn)			EV/EBITDAR (x)			ROE (%)		
		(USD mn)	(USD Mn)	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
India Aviation												
Indigo	4483	14,855	21,968	1,972	2,131	2,404	11.4	10.7	9.5	NA	NA	NA
SpiceJet	58	515	744	168	256	302	4.4	2.9	2.5	NA	NA	NA
India Aviation-Mean							20.1	9.4	4.4	NA	NA	NA
US Aviation												
Delta Airlines	32	20,604	64,021	-8,738	7,226	9,122	-7.3	8.9	7.0	25.2	44.0	32.0
American Airlines	11	7,450	70,182	-5,075	6,982	7,249	-13.8	10.1	9.7	NA	-1.1	14.3
South West Airlines	23	13,806	23,274	-2,285	2,699	2,426	-10.2	8.6	9.6	5.1	7.7	12.6
US Aviation-Mean							-10.4	9.2	8.8	15.1	16.9	19.6
Europe Aviation												
Ryanair	1295	17,979	16,928	-265	2,473	3,026	NA	6.8	5.6	22.6	27.1	26.2
Lufthansa	7	9,230	21,275	-2,727	3,039	5,995	NA	7.0	3.5	12.3	18.2	16.9
Europe Aviation-Mean							NA	6.9	4.6	17.5	22.7	21.5
APAC Aviation												
Singapore Airlines	6	13,601	17,628	-360	5,008	4,967	-49.0	NA	3.5	NA	13.8	8.7
Air China	8	15,563	42,270	9,528	-14,503	48,541	4.4	-2.9	0.9	-90.9	3.0	11.2
Cathay Pacific Airways Ltd	8	6,393	15,758	2,988	3,116	3,116	5.3	5.1	5.1	NA	14.4	12.7
Japan Airlines Co Ltd	2747	7,983	9,123	2,743	3,001	3,001	3.3	3.0	3.0	4.1	10.7	11.8
APAC Aviation-Mean							-9.0	1.7	3.1	(43.4)	10.5	11.1

Source: Company, Nuvama Research, Bloomberg

Exhibit 10: Quarterly financial snapshot (INR mn)

Year to March	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ	FY24	FY25E	FY26E
Total operating income	1,95,707	1,66,831	17.3	1,78,253	9.8	6,89,043	7,77,809	9,26,223
Aircraft Fuel Expenses	64,165	52,281	22.7	59,791	7.3	2,39,046	2,63,128	3,34,536
Employee Expenses	17,572	13,140	33.7	17,987	(2.3)	63,261	70,547	79,618
Other Expenses	56,137	61,891	(9.3)	56,352	(0.4)	2,11,289	2,06,822	2,49,510
EBITDAR	57,833	52,109	11.0	44,123	31.1	1,75,448	2,37,312	2,62,559
Aircraft Lease Rentals	6,241	26,197	(76.2)	3,860	61.7	10,752	13,331	16,294
Depreciation	18,758	13,532	38.6	18,033	4.0	64,257	68,286	72,889
EBIT	32,834	12,381	165.2	22,231	47.7	1,00,438	1,55,694	1,73,375
Interest Expense	11,576	9,537	21.4	10,991	5.3	41,694	29,085	23,000
Other income	6,782	4,775	42.0	6,470	4.8	21,749	15,153	23,048
Adjustments	0	23,255	NA	0	NA	-1	0	0
Profit before tax	28,040	30,872	(9.2)	17,710	58.3	80,493	1,41,762	1,73,423
Provision for Tax	752	0	NA	-1,239	NA	-1,233	10,632	13,007
Reported Profit	27,288	30,872	(11.6)	18,948	44.0	81,726	1,31,130	1,60,417
Adjusted PAT	27,288	30,872	(11.6)	18,948	44.0	81,726	1,31,130	1,60,417
No of shares	386	385	0.3	385	0.3	374	386	385
Diluted EPS (INR)	70.7	80.3	(11.9)	49.3	43.5	212.5	340.9	417.0
Diluted P/E (x)						20.7	12.9	10.6
EV/EBITDAR (x)						11.4	8.1	6.8

Source: Company, Nuvama Research

Company Description

IndiGo, operated by Interglobe Aviation Limited, having commenced operations in August 2006 with a single aircraft, has grown its fleet over the years and is now the leader in the domestic airline industry with a market share of ~50% (FY22).

Investment Theme

The Indian domestic aviation market has been clocking healthy growth driven by the changing socio-economic profiles of Indian consumers with income levels rising amid low level of air travel penetration. We expect robust growth to continue driven by growth in tourism and leisure travel, and the need for air travel driven by geographical distribution of the Indian working class.

IndiGo has been taking big bets by placing bulk purchase orders for aircraft/engines, helping it negotiate favourable terms with OEMs. The airline flies limited point-to-point destinations that are selected based on attractiveness of market. All this has helped the company achieve the lowest cost structure in a highly competitive industry.

The company has been delivering best-in-class performance, thereby gaining market share. Despite being largely domestic-focused, IndiGo has among the best aircraft utilisation levels.

Key Risks

Uncertainty and unpredictability of the policy/regulatory framework continues to be a concern. Adverse taxation structure will drive up the cost of doing business hurting profitability.

Economic slowdown can pressure demand for corporate/leisure travel, which in turn would impact load factors and hence profitability given the high operating leverage structure of the airline business.

Existing airports at the Indian metros such as Mumbai, Chennai and Kolkata running at peak capacity could prove to be bottlenecks for growth.

Rising competition from the likes of Air India and higher oil prices.

Additional Data

Management

CEO	Mr. Pieter Elbers
Non-executive Director	Mr. Rahul Bhatia
Non-executive Director	Mr. Rakesh Gangwal
Non-executive Director	Ms. Rohini Bhatia
Auditor	E&Y

Holdings – Top 10*

	% Holding		% Holding
InterGlobe Ente	37.87	HDFC Asset Mana	1.29
Gangwal rakesh	23.10	Kotak Mahindra	1.14
The Chinkerpoo	13.58	Vanguard Group	0.87
ICICI Prudentia	1.93	ICICI Prudentia	0.70
Franklin Resour	1.35	BlackRock Inc	0.68

*Latest public data

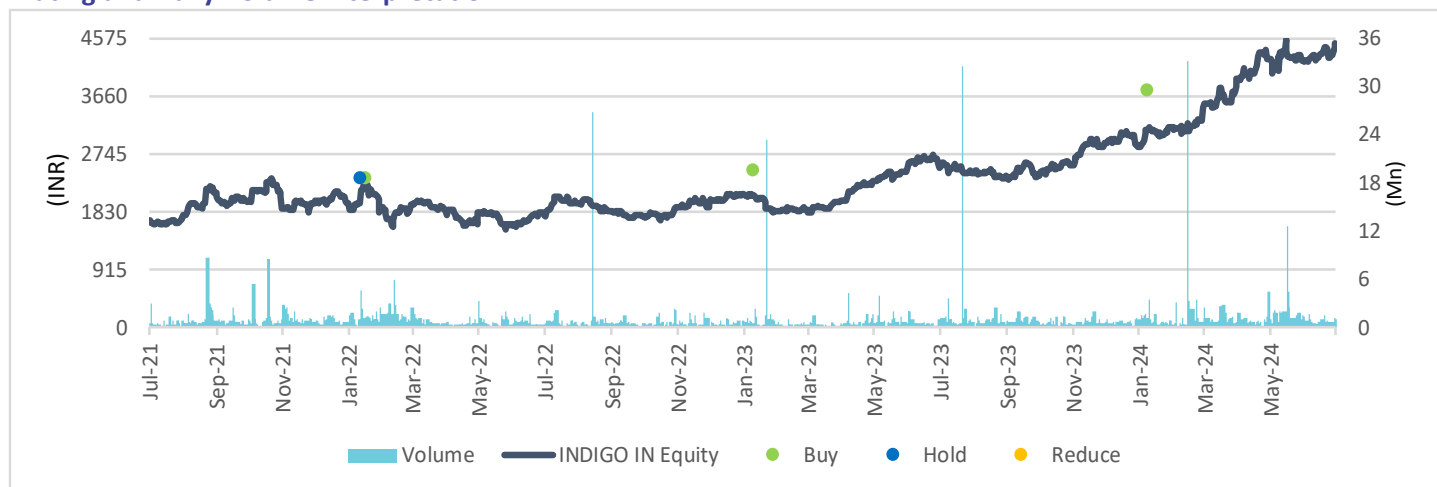
Recent Company Research

Date	Title	Price	Reco
23-May-24	Turbulence in Q1; clearer skies ahead; <i>Result Update</i>	4,401	Buy
01-May-24	Charting a course across new frontiers; <i>Company Update</i>	3,986	Buy
26-Mar-24	Clearer skies; eying greater heights; <i>Company Update</i>	3,214	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
10-Jul-24	Aviation	Steady demand; Indigo reign continues; <i>Sector Update</i>
03-Jun-24	Aviation	Resilient demand; poised for lofty highs; <i>Sector Update</i>
10-Apr-24	Aviation	Resilient demand; poised for lofty highs; <i>Sector Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	214
Hold	<15% and >-5%	65
Reduce	<-5%	24

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Abneesh Roy
Head of Research Committee
Abneesh.Roy@nuvama.com
