

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	5,462
12 month price target (INR)	5,199
52 Week High/Low	5,666/3,779
Market cap (INR bn/USD bn)	2,111/24.7
Free float (%)	25.1
Avg. daily value traded (INR mn)	5,576.2

SHAREHOLDING PATTERN

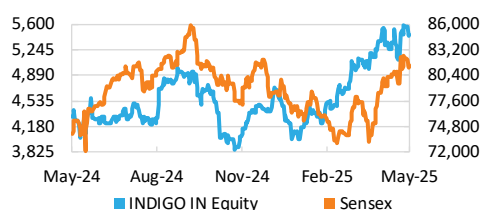
	Mar-25	Dec-24	Sep-24
Promoter	49.29%	55.29%	57.29%
FII	25.39%	24.43%	23.66%
DII	20.66%	15.45%	15.1%
Pledge	0%	0%	0%

FINANCIALS

(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	689,043	808,029	871,945	956,395
EBITDA	175,448	210,686	228,822	261,558
Adjusted profit	81,726	72,584	96,388	154,065
Diluted EPS (INR)	212.5	188.7	250.6	400.5
EPS growth (%)	nm	(11.2)	32.8	59.8
RoAE (%)	(384.6)	127.7	69.1	59.6
P/E (x)	25.6	28.8	21.7	13.6
EV/EBITDA (x)	12.7	11.5	10.4	8.4
Dividend yield (%)	0	0.2	0.2	0.4

PRICE PERFORMANCE



Strong demand buoys Q4; Q1FY26 bleak

IndiGo's Q4FY25 EBITDAR at INR70bn (+58% YoY) beat our/consensus estimate by 18%/18% due to better yield (+4%) and lower CASK (-3%).

Highlights: i) Q4 yield at INR5.3 rose 2% YoY on strong demand due to the Maha Kumbh festival with PAX jumping 20% YoY and RPKM 23% YoY. ii) Operating CASK fell 6% YoY primarily due to a drop in fuel CASK by 7% YoY following a 9% reduction in ATF prices. iii) Q1FY26 to see mid-teen percentage growth in ASKM while the impact on PRASK is uncertain due to geopolitical tensions. iv) Wide-body long-haul direct flights—a risky foray—to start in Jul-25. In all, we are trimming FY26E EBITDAR by 3% to factor in Q1FY26 guidance and uncertain demand scenario; 'HOLD' on lofty valuations and near-term industry weakness.

EBITDAR beat at 18% on higher yields (+4%), lower CASK (-3%)

IndiGo's Q4FY25 reported EBITDAR beat our and consensus estimates by 18% each on 4% higher yields (+2% YoY) amid strong demand during the quarter as PAX carried rose to 31.9mn (+20% YoY), RPKMs expanded by 23% YoY, PLF improved by 120bp YoY and capacity expanded by 21% YoY. PAX carried in FY25 stood at 118.6mn, slightly higher than 118mn guided during IndiGo's Investor Day in Mar-25. Operating CASK fell 6% YoY (3% below our estimates) on 7% lower fuel CASK (versus 9% YoY fall in ATF prices), forex gain of INR1.4bn and positive operating leverage.

Q1FY26 outlook bleak; wide-body long-haul flights to begin in July

Despite a high base, Q4FY25 PRASK rose 4% YoY to INR4.7 due to strong demand (PAX+20% YoY) on account of the 45-day Maha Kumbh festival. Management is evaluating the impact on PRASK due to geopolitical tensions as they have observed notable adverse impact on cancellation rates and booking trends while expecting ASKM to grow by mid-teens YoY in Q1FY26, marginally higher than the FY26 guidance of early double-digit growth. IndiGo will launch direct flights to Amsterdam and Manchester from Mumbai starting July, setting the foundation for its wide-body long-haul operations using B787 aircraft on damp lease from Norse Atlantic. Low cost long-haul operations have yielded mixed results globally; watch out given relatively high competition vis-à-vis India's domestic market—a duopoly.

Outlook and valuation: Near-term pain, valuation lofty; retain 'HOLD'

The near-term outlook looks challenging as growth in capacity outpaces demand, hurting yields. Current valuations are unsupportive, but positive factors make the risk-reward balanced. We are trimming FY26E EBITDAR by 3% as we factor in Q1FY26 guidance and the adverse impact on yields and demand due to geopolitical tensions. We are rolling over to FY27E, yielding a 9% rise in TP to INR5,199; retain 'HOLD'.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	188,352	178,253	5.7	221,107	(14.8)
EBITDA	(112,283)	44,123	(354.5)	59,371	(289.1)
Adjusted Profit	(136,671)	18,948	(821.3)	24,488	(658.1)
Diluted EPS (INR)	(412.5)	49.3	(937.4)	63.4	(750.2)

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	689,043	808,029	871,945	956,395
Gross profit	449,998	546,056	611,240	688,973
Employee costs	63,261	74,725	80,329	86,354
Other expenses	211,289	260,645	302,088	341,062
EBITDA	175,448	210,686	228,822	261,558
Depreciation	64,257	86,802	90,117	85,410
Less: Interest expense	41,694	50,800	48,432	39,448
Add: Other income	21,749	32,953	34,601	34,947
Profit before tax	80,493	75,934	99,590	159,162
Prov for tax	(1,233)	3,350	3,202	5,097
Less: Other adj	0	0	0	0
Reported profit	81,726	72,584	96,388	154,065
Less: Excp.item (net)	(1)	0	0	0
Adjusted profit	81,726	72,584	96,388	154,065
Diluted shares o/s	385	385	385	385
Adjusted diluted EPS	212.5	188.7	250.6	400.5
DPS (INR)	0	10.0	12.5	20.0
Tax rate (%)	0	4.4	3.2	3.2

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Average fleet size(No)	366.0	434.0	500.0	580.0
CASK (INR/ km)	3.7	3.8	3.7	3.5
EBITDA margin (%)	25.5	26.1	26.2	27.3
Net profit margin (%)	11.9	9.0	11.1	16.1
Revenue growth (% YoY)	26.6	17.3	7.9	9.7
EBITDA growth (% YoY)	140.0	20.1	8.6	14.3
Adj. profit growth (%)	nm	(11.2)	32.8	59.8

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.7	7.2	7.0	6.8
Repo rate (%)	6.5	6.0	5.0	4.5
USD/INR (average)	82.8	84.4	86.5	85.0
RPKM growth (%)	27.5	13.1	12.7	10.5
PLF (%)	85.9	86.0	86.9	85.1
Lease rent/Aircraft (USDmn)	0.4	1.2	0.9	0.4
Pax growth (%)	43.4	11.2	6.0	6.2
Yield (INR/km)	5.1	5.1	5.1	5.0

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	25.6	28.8	21.7	13.6
Price/BV (x)	104.8	22.3	11.3	6.3
EV/EBITDA (x)	12.7	11.5	10.4	8.4
Dividend yield (%)	0	0.2	0.2	0.4

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	3,860	3,864	3,864	3,864
Reserves	16,105	89,818	181,386	327,748
Shareholders funds	19,965	93,682	185,250	331,612
Minority interest	0	0	0	0
Borrowings	397,552	564,683	510,015	564,228
Trade payables	31,576	41,756	44,956	48,571
Other liabs & prov	164,843	203,134	203,134	203,134
Total liabilities	706,996	1,055,020	1,095,120	1,299,311
Net block	361,052	517,518	622,015	692,297
Intangible assets	483	299	299	299
Capital WIP	1	7	7	7
Total fixed assets	361,536	517,824	622,321	692,603
Non current inv	62,724	88,139	88,139	88,139
Cash/cash equivalent	322,917	437,377	387,434	535,360
Sundry debtors	6,425	7,397	7,982	8,755
Loans & advances	17,282	35,867	25,867	15,867
Other assets	16,099	30,582	25,542	20,753
Total assets	706,996	1,055,020	1,095,120	1,299,311

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	81,726	72,584	96,388	154,065
Add: Depreciation	10,752	30,103	25,284	12,483
Interest (net of tax)	(1,242)	4	0	0
Others	168,004	176,858	113,974	112,691
Less: Changes in WC	47,277	51,156	17,655	17,632
Operating cash flow	211,962	228,393	217,991	261,609
Less: Capex	(149,001)	(243,090)	(194,614)	(155,692)
Free cash flow	62,961	(14,697)	23,377	105,917

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	(384.6)	127.7	69.1	59.6
RoCE (%)	20.4	15.8	14.7	16.7
Inventory days	3	3	3	3
Receivable days	3	3	3	3
Payable days	17	17	18	18
Working cap (% sales)	(24.0)	(26.1)	(26.2)	(25.7)
Gross debt/equity (x)	19.9	6.0	2.8	1.7
Net debt/equity (x)	3.3	1.2	0.6	0
Interest coverage (x)	2.4	1.8	2.3	4.1

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	nm	(11.2)	32.8	59.8
RoE (%)	(384.6)	127.7	69.1	59.6
EBITDA growth (%)	140.0	20.1	8.6	14.3
Payout ratio (%)	0	5.3	5.0	5.0

Q4FY25 conference call: Key takeaways

Capacity growth seen in mid-teens for Q1; PRASK affected, but impact uncertain

Management gave Q1FY26 capacity growth guidance of mid-teens, and maintained early double-digit growth for FY26 as new aircraft additions as well as new routes are expected to contribute to growth.

The company has observed a sharp impact on bookings and cancellation rates post geopolitical tensions and is monitoring impact on PRASKs as the situation evolves.

Demand led by Maha Kumbh in Q4FY25 following a weak H1FY25

In Q4FY25, high demand across the domestic (led by the Maha Kumbh) and international markets led to a 20% YoY rise in passenger growth with international passengers growing 30% YoY. The share of the international segment in ASKM mix reached 30% in Q4; the target is 40% by FY30E.

In FY25, demand growth was heavily back-ended on account of weakness in H1 due to elections and heat waves. A sharp rebound was seen in H2 owing to a prolonged wedding season and the Maha Kumbh.

AoG number in 40s; redelivering eight damp lease aircraft

AoG situation has been improving with total AoGs peaking in the mid-70s during Q2FY25; it is currently in the 40s, which has enabled IndiGo to redeliver aircraft on damp leases. In Q4FY25, eight aircraft were redelivered along with five in Apr-25. Management aims to adjust the company's damp lease capacity according to demand, supply and inflationary trends.

Fleet size expands by 67 in FY25

The company added 67 aircraft in FY25 with 58 received from Airbus constituting 7% of Airbus's total aircraft deliveries during that period. Out of the 67, 33 were inducted through the company's entity in GIFT City.

New domestic and international destinations to support growth

The company added new destinations, multiple routes and increased frequencies. IndiGo added three new destinations to its domestic network and seven more to its international network. The company's domestic network stands at 91 destinations and a total of 40 international destinations in FY25. After adding Fujairah last week, the company has 41 international destinations.

Damp lease agreements for six 787 wide-bodies

The company has entered into damp lease agreements for six 787 wide-bodies with Norse Atlantic Airways, the first of which has been deployed on the Delhi-Bangkok route. The remaining aircraft shall be deployed on the Mumbai-Amsterdam and Mumbai-Manchester routes from July.

Capital allocation plans

Management aims to keep 20–25% of overall top line as a safety net (will be revisited when ownership model changes) with the balance allocated to growth initiatives, the biggest part of which would be allocated for digital initiatives along with infrastructural growth. The company has already started acquiring assets in the form of all kinds of aircraft, including eight ATRs, and aims to own engines.

Impact of closure of Pakistan airspace; geopolitical tensions with Turkey

Due to the closure of Pakistan's airspace, IndiGo had to suspend flights to two destinations: Almaty and Tashkent. It is expected to impact 19 routes and 34 daily flights, which is likely to result in 20–30 minutes of additional flying time. On the domestic front, 170 daily flights (out of 2,050) were affected for eight days due to the closure of 11 airports in northern India due to geopolitical tensions.

Geopolitical tensions with Turkey are not expected to have significant impact on flights to Istanbul as majority bookings are for flying to other parts of the world. Furthermore, these flights are governed by the air service agreement between the two nations and the operations are in compliance with the regulatory framework; the renewal of the same is up to the government.

Code sharing arrangement explained

There are two kinds of code sharing arrangements: in-bound and out-bound. For the in-bound code sharing, foreign operators have their codes on IndiGo's domestic flights. So, the flights of foreign operators fly to a destination in India from where an IndiGo flight connects to a further destination under a code share. IndiGo has this arrangement with ten different airlines, the latest addition being Japan Airlines.

The opposite happens for out-bound code sharing. In this arrangement, IndiGo flies to a certain destination outside India from where it code shares with another flight operator as a connector to the final destination. IndiGo has this arrangement with Turkish and Qantas Airlines.

IndiGo's hedging strategy to partly offset forex losses

To reduce the impact of currency movement on its profits, IndiGo aims to focus on improving its hedges. With improved focus on international travel, the company aims to improve on natural hedges. IndiGo already has 60–70% currency hedged for payments over the next 12 months via contracts and the natural hedge from its international segment. Management aims to continue this hedging strategy.

Stretch launched across five routes

IndiGo had launched Stretch across six domestic routes and 16 aircraft. It was also launched on the Delhi-Bangkok route on its Boeing 787 aircraft. Management is positive about adding Stretch to more routes in the future.

Exhibit 1: EBITDAR of INR70bn beat our/consensus estimate by 18% on better yields (+4%) and lower CASK (-3%)

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Nuvama estimates	vs. estimates	Consensus	vs. consensus
Revenue	2,21,519	1,78,253	24%	2,21,107	0%	2,13,738	3.6	2,18,874	1.2
EBITDAR	69,535	44,123	58%	59,371	17%	58,986	17.9	58,756	18.3
PAT	30,675	18,948	62%	24,488	25%	22,416	36.8	25,743	19.2
PAX growth (%)	20%	14%		13%					
PLF (%)	87.4%	86.2%	1%	86.9%	1%	88%	-0.7		
Yield (INR/km)	5.3	5.2	2%	5.4	-2%	5.1	3.7		
RPKM (mn)	36,800	30,000	23%	35,500	4%	36,756	0.1		

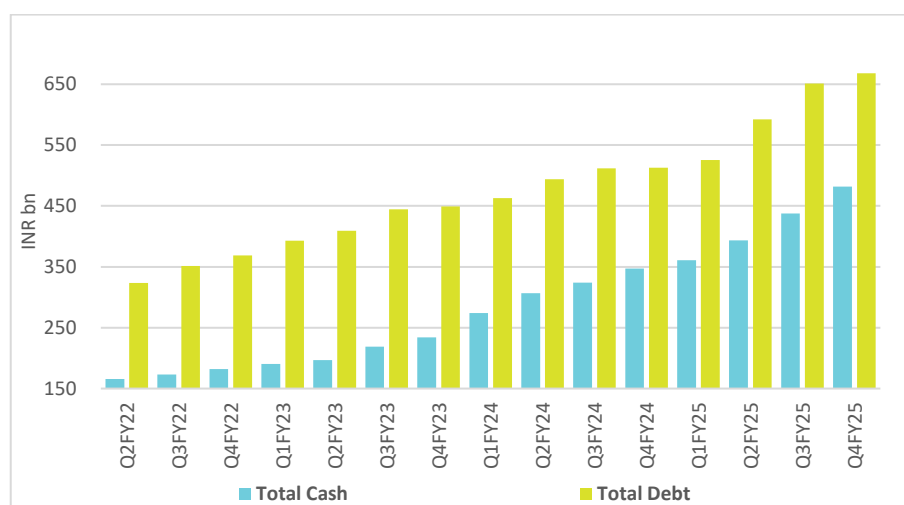
Source: Company, Nuvama Research

Exhibit 2: RPKM rises on capacity-adds; PLF up 120bp YoY to 87.4% (+47bp QoQ)

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
ASKM (bn)	42.1	34.8	21.0	40.8	3.1
RPK (bn)	36.8	30.0	22.7	35.5	3.7
Load factor (%)	87.4	86.2	1.2	86.9	0.5
Yield (INR)	5.32	5.20	2.2	5.43	(2.0)
RASK (INR)	5.26	5.12	2.7	5.41	(2.8)
CASK (INR)	4.56	4.67	(2.31)	4.85	(6.0)
Fuel CASK (INR)	1.60	1.72	(6.6)	1.57	2.0
CASK ex-fuel (INR)	2.95	2.95	0.2	3.27	(9.8)
Fuel price (INR/ltr)	93.7	103.0	(9.1)	90.1	4.0

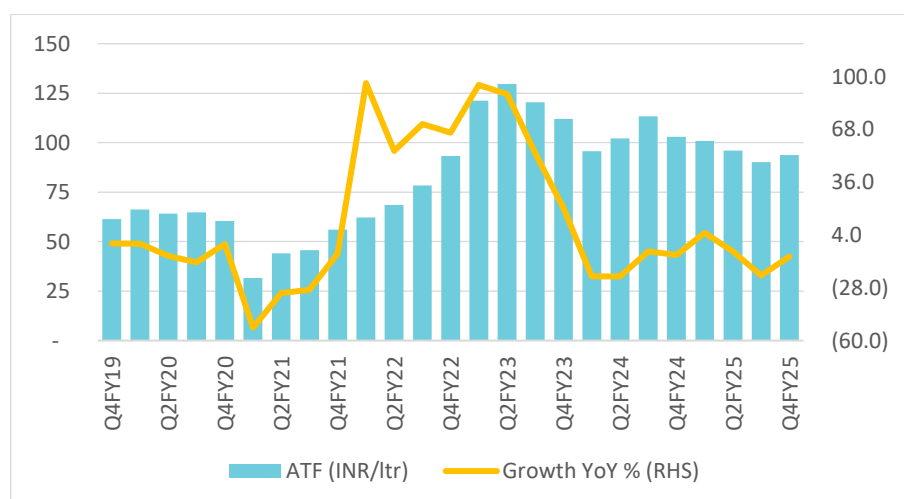
Source: Company, Nuvama Research

Exhibit 3: Net debt rises 13% YoY but decreases 13% QoQ to INR186bn



Source: Company, Nuvama Research

Exhibit 4: ATF price down 9% YoY in Q4FY25 as crude oil price declines



Source: Company, Nuvama Research

Exhibit 5: Our SotP yields TP of INR5,199/share

	FY27E	Multiple (X)	Total Value	Per Share
EBITDAR	2,61,558	8.0	21,02,922	5,467
Net debt			28,868	75
Aircraft lease rentals	12,483	6.0	74,401	193
Equity value (INR mn)			19,99,653	5,199
CMP			20,32,628	5,442
Upside (%)				-4%

Source: Company, Nuvama Research

Exhibit 6: Quarterly comparison with peers

	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)
PAX (Mn)														
Indigo	14.6	10.3	18.5	22.3	23.4	26.2	26.3	27.6	26.6	27.8	27.8	31.1	31.9	19.9
Spicejet	2.8	3.6	2.8	3.2	3.1	2.5	2.0	2.8	2.6	2.1	1.3	1.6	NA	NA
Yield (INR/km)														
Indigo	4.4	5.2	5.1	5.4	4.9	5.2	4.4	5.5	5.2	5.2	4.5	5.4	5.3	2.2
Spicejet	4.6	5.4	4.9	5.4	5.1	7.0	5.4	4.9	5.0	5.9	5.2	5.7	NA	NA
PLF (%)														
Indigo	76.5	79.6	79.1	85.1	84.2	88.7	83.2	85.8	86.2	86.7	82.7	86.9	87.4	1.4
Spicejet	80.9	84.9	84.0	88.7	89.9	90.9	87.0	88.0	91.6	90.5	80.7	84.0	NA	NA
RASK (INR/km)														
Indigo	4.0	4.7	4.5	5.2	4.7	5.1	4.2	5.3	5.1	5.4	4.4	5.4	5.3	2.7
Spicejet	4.7	5.0	4.6	5.0	4.7	6.4	4.7	4.5	4.8	5.6	4.3	4.9	NA	NA
Fuel CASK (INR/km)														
Indigo	1.6	2.2	2.3	2.0	1.8	1.6	1.7	1.9	1.7	1.8	1.7	1.6	1.6	(6.6)
Spicejet	2.5	3.4	3.5	3.5	2.2	2.2	2.1	2.1	2.1	2.2	2.0	1.9	NA	NA
CASK ex fuel (INR/km)														
Indigo	4.8	2.9	2.9	2.7	2.5	2.6	2.6	2.7	2.9	2.9	3.0	3.3	3.0	0.2
Spicejet	3.8	3.3	3.1	1.3	2.1	2.9	3.8	2.4	2.7	2.5	3.4	3.1	NA	NA
RASK-CASK (INR/km)														
Indigo	(2.4)	(0.4)	(0.6)	0.5	0.3	0.9	0.0	0.8	0.5	0.7	(0.3)	0.6	0.7	54.1
Spicejet	(1.7)	(1.7)	(2.0)	0.1	0.4	1.2	(1.2)	(0.0)	(0.0)	0.9	(1.1)	(0.1)	NA	NA

Source: Company, Nuvama Research

Exhibit 7: Annual comparison with peers

	FY20	FY21	FY22	FY23	FY24	FY25*	FY26E	FY27E	FY25-27E CAGR (%)
PAX (Mn)									
Indigo	75.0	27.8	49.8	74.4	106.7	118.6	125.7	133.6	6.1
Spicejet	24.8	7.8	9.2	12.7	9.9	7.1	8.0	9.0	12.0
Yield (INR/km)									
Indigo	3.8	3.7	4.3	5.1	5.1	5.1	5.1	5.0	(1.0)
Spicejet	3.8	3.6	4.5	5.2	5.5	5.7	5.8	6.0	1.9
RPKM growth (%)									
Indigo	18.5	-61.7	63.6	81.6	27.5	13.1	12.7	10.5	
Spicejet	36.9	-67.5	13.1	53.6	-20.9	-27.6	17.1	10.0	
PLF (%)									
Indigo	85.8	69.4	73.5	82.1	85.9	86.0	86.9	85.1	
Spicejet	89.6	76.8	79.2	86.9	89.3	86.2	90.0	90.0	
RASK (INR/km)									
Indigo	3.7	3.3	3.8	4.8	4.9	5.1	5.0	4.8	(3.0)
Spicejet	3.9	4.3	5.0	4.9	5.0	5.1	5.6	5.9	7.3
Fuel CASK (INR/km)									
Indigo	1.3	0.8	1.4	2.1	1.7	1.7	1.5	1.3	(9.9)
Spicejet	1.5	1.3	2.3	2.6	2.1	2.0	1.6	1.4	(14.5)
CASK ex fuel (INR/km)									
Indigo	3.4	3.8	3.3	2.6	2.9	3.0	3.2	3.3	5.1
Spicejet	2.5	5.0	4.2	3.1	3.8	4.3	3.8	3.3	(12.3)

Source: Company, Nuvama Research

*Note: FY25 actual numbers for IndiGo, estimates for SpiceJet

Exhibit 8: Quarterly financial snapshot (INR mn)

Year to March	Q4FY25	Q4FY24	YoY	Q3FY25	QoQ	FY25	FY26E	FY27E
Total operating income	221,519	178,253	24.3	221,107	0.2	808,029	871,945	956,395
Aircraft Fuel Expenses	67,530	59,791	12.9	64,226	5.1	261,973	260,705	267,422
Employee Expenses	19,472	17,987	8.3	19,187	1.5	74,725	80,329	86,354
Other Expenses	64,982	56,352	15.3	78,323	(17.0)	260,645	302,088	341,062
EBITDAR	69,535	44,123	57.6	59,371	17.1	210,686	228,822	261,558
Aircraft Lease Rentals	8,641	3,860	123.9	7,585	13.9	30,103	25,284	12,483
Depreciation	24,914	18,033	38.2	22,255	11.9	86,802	90,117	85,410
EBIT	35,980	22,231	61.8	29,531	21.8	93,781	113,421	163,664
Interest Expense	13,742	10,991	25.0	13,081	5.1	50,800	48,432	39,448
Other income	9,456	6,470	46.2	8,821	7.2	32,953	34,601	34,947
Adjustments	0	0	NA	0	NA	0	0	0
Profit before tax	31,694	17,710	79.0	25,271	25.4	75,934	99,590	159,162
Provision for Tax	1,019	(1,239)	NA	783	30.1	3,350	3,202	5,097
Reported Profit	30,675	18,948	61.9	24,488	25.3	72,584	96,388	154,065
Adjusted PAT	30,675	18,948	61.9	24,488	25.3	72,584	96,388	154,065
No of shares	386	385	0.3	386	-	386	385	0
Diluted EPS (INR)	79.5	49.3	61.3	63.4	25.3	188.7	250.6	400.5
Diluted P/E (x)						28.8	21.7	13.6
EV/EBITDAR (x)						11.5	10.4	8.4
as % of total operating income								
Aircraft fuel expenses	30.5	33.5		29.0		32.4	29.9	28.0
Employee expenses	8.8	10.1		8.7		9.2	9.2	9.0
Other operating expenses	29.3	31.6		35.4		32.3	34.6	35.7
EBITDAR	31.4	24.8		26.9		26.1	26.2	27.3
Aircraft lease rentals	3.9	2.2		3.4		3.7	2.9	1.3
Depreciation	11.2	10.1		10.1		10.7	10.3	8.9
Interest expenses	6.2	6.2		5.9		6.3	5.6	4.1
PAT	13.8	10.6		11.1		9.0	11.1	16.1

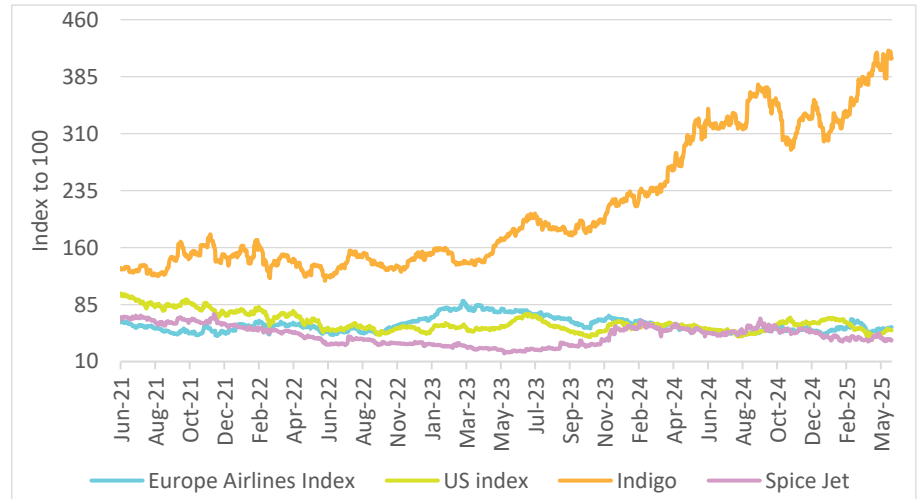
Source: Company, Nuvama Research

Downgrade follows excessive valuations

Valuations at a 1.2–2x times global peers

Since Jan-22, IndiGo's stock price has rallied ~171%, resulting in valuations trading at a hefty premium to global LCCs and other aviation peers. Furthermore, IndiGo's stock price has been the best performing by a major airline in the world since January 2019. Currently, on FY27E EV/EBITDAR, IndiGo is trading at a premium of 76%/113%/77% to its major US/European/APAC peers.

Exhibit 9: IndiGo outperform European, US airline indices by 11%–54% in last 12M



Source: Bloomberg, Nuvama Research

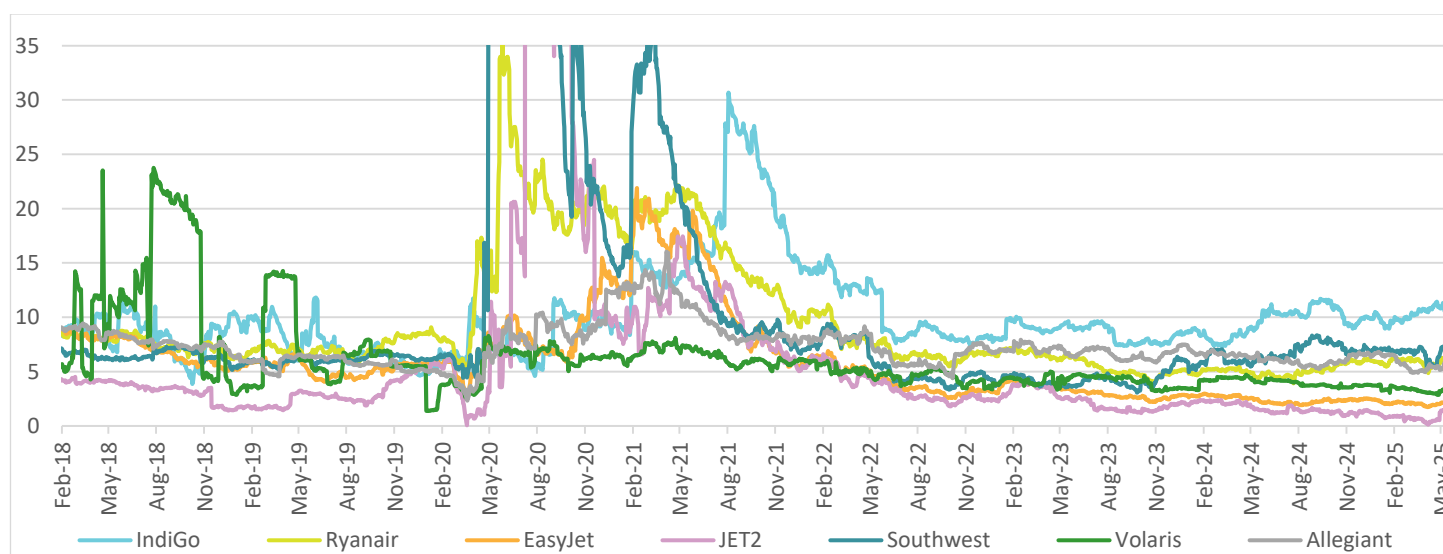
Exhibit 10: Global valuation comps

Company	Mcap	EV	EBITDAR (LC mn)			EV/EBITDAR (x)			ROE (%)		
	(USD mn)	(LC mn)	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
India Aviation											
Indigo	24,656	23,42,514	2,09,257	2,32,575	2,50,094	11.2	10.1	9.4	NM	NM	NM
Spicejet	666	45,423	17,353	17,406	18,060	2.6	2.6	2.5	NM	NM	NM
India Aviation-Mean						6.9	6.3	5.9			
US Aviation											
Delta Airlines	32,099	50,668	9,098	8,643	9,663	5.6	5.9	5.2	32.5	21.6	21.7
American Airlines	7,598	36,732	6,297	5,501	6,630	5.8	6.7	5.5	-11.8	-14.3	-11.1
South West Airlines	18,261	18,002	2,223	2,494	3,491	8.1	7.2	5.2	4.9	8.7	13.8
US Aviation-Mean						6.5	6.6	5.3	8.5	5.3	8.1
Europe Aviation											
Ryanair	28,743	24,061	2,839	3,434	3,737	8.5	7.0	6.4	21.1	25.8	24.2
Lufthansa	9,082	13,297	4,583	5,024	5,590	2.9	2.6	2.4	10.5	10.5	12.2
Europe Aviation-Mean						5.7	4.8	4.4	15.8	18.2	18.2
APAC Aviation											
Singapore Airlines	16,147	25,350	4,356	4,099	4,314	5.8	6.2	5.9	14.7	9.2	9.4
Air China	17,176	3,28,265	28,941	36,196	46,092	11.3	9.1	7.1	0.5	8.8	16.1
Cathay Pacific Airways Ltd	8,617	1,25,433	27,518	28,731	28,243	4.6	4.4	4.4	14.1	15.2	15.0
Japan Airlines Co Ltd	8,557	14,18,293	3,19,778	3,53,208	3,80,640	4.4	4.0	3.7	10.9	11.3	10.2
APAC Aviation-Mean						6.5	5.9	5.3	10.1	11.1	12.7

Source: Bloomberg, Nuvama Research

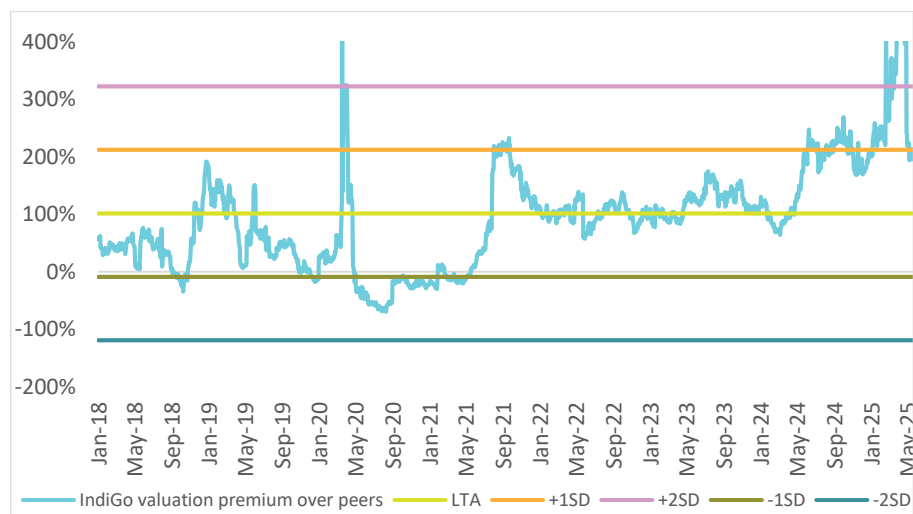
When comparing IndiGo's valuations versus other global LCCs, multiples are the highest amongst peers at ~2x of peer average. This makes current valuation premium at ~1SD above its long-term average, measured on a 1Y blended forward EV/EBITDA basis.

Exhibit 11: IndiGo trades at premium to LCCs globally (1Y BF EV/EBITDA) with premium expanding post-recent stock price rally



Source: Bloomberg, Nuvama Research

Exhibit 12: Valuation premium to global LCCs: ~1SD above LTA on 1Y BF EV/EBITDA

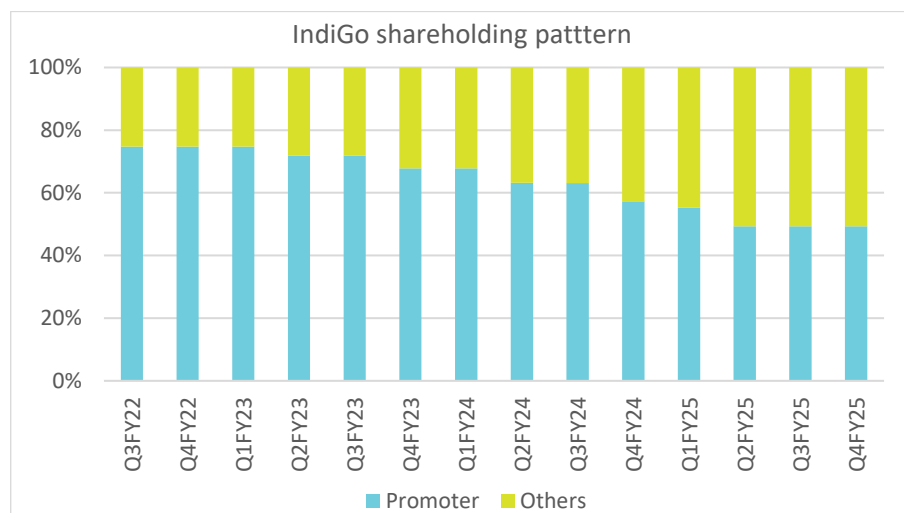


Source: Bloomberg, Nuvama Research

Continued promoter stake sales an overhang on the stock

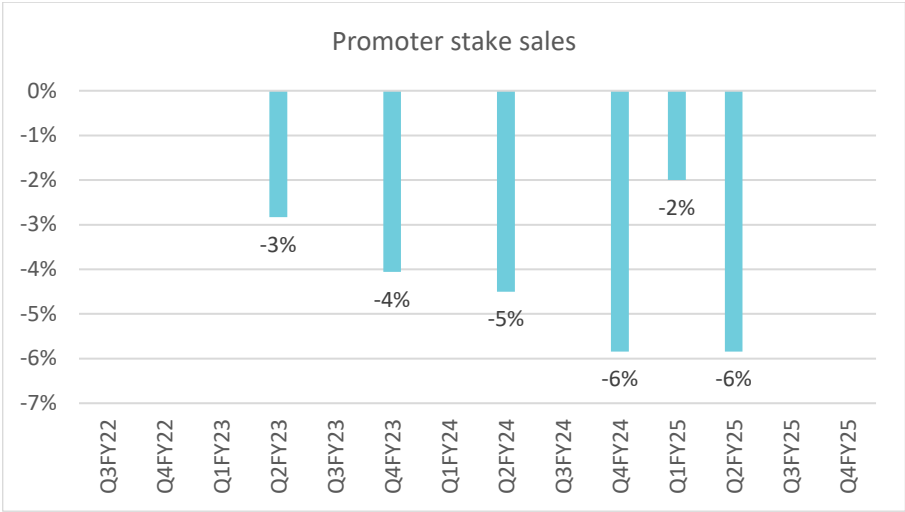
In the wake of a disagreement among promoters, one of the major promoters has been continuously trimming stake in the company—with the final objective of exiting the company. At Q3FY22, the exiting promoter’s stake stood at 36.6%, which has reduced to 13.5%. We observe the exiting promoter has been paring stake every six months or so since the Sep-22 quarter. As a surprise to the market, the other promoter sold a 2% stake in Q1FY25 (first time since the company’s listing), which raised speculation of both promoters exiting the company. However, a clarification from the other promoter alleviated those concerns given the intended objective of the sale being primarily to fund other business ventures of the promoter group.

Exhibit 13: Promoter stake has been continuously falling in recent quarters



Source: Company, Nuvama Research

Exhibit 14: Exiting promoter has been selling stakes every six months or so



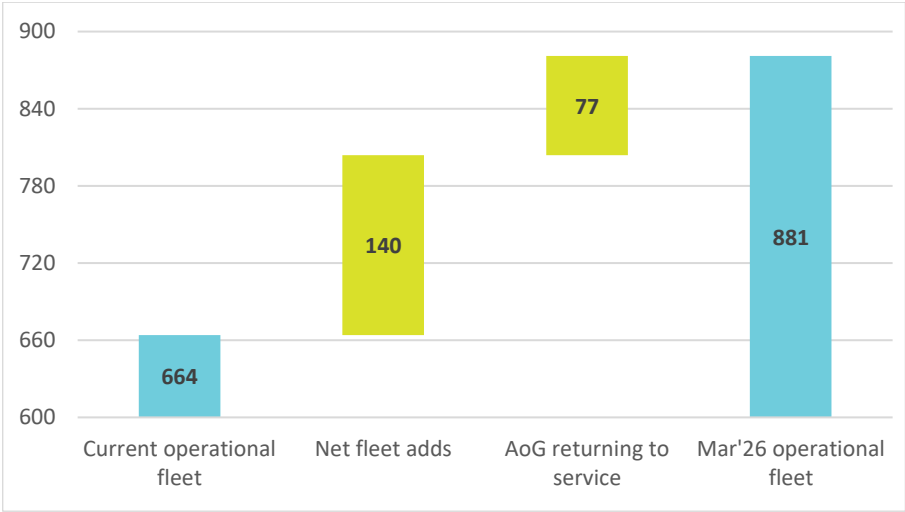
Source: Company, Nuvama Research

Industry outlook: Headwinds

Capacity growth > demand = Falling PRASK

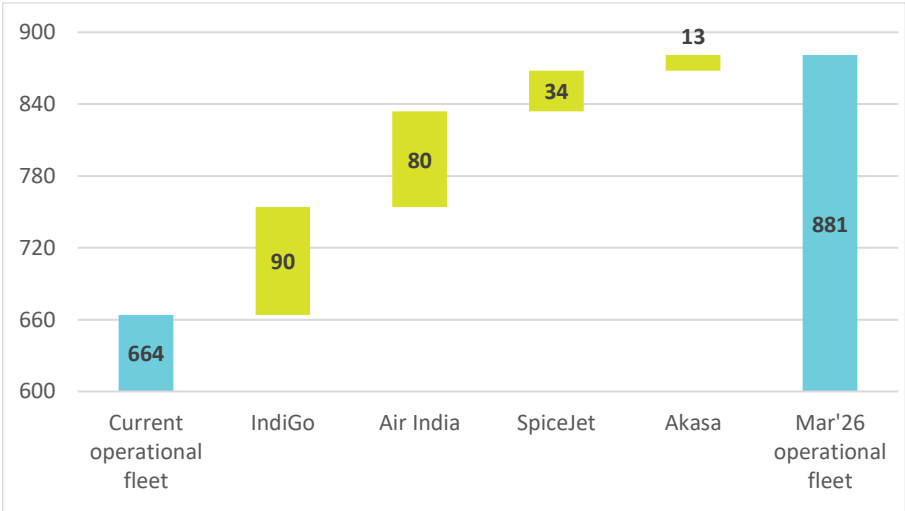
According to our analysis, the airline industry in India is adding capacity at breakneck speed, which is likely to outpace passenger growth, leading to a fall in PRASK. We estimate operational fleet shall rise by ~217 aircraft by Mar-26 with net fleet-adds amounting to ~140 with AoG returning to service numbering about 77. According to our forecasts, IndiGo and Air India are likely to add to majority of operational fleet, followed by the recently recapitalised SpiceJet and Akasa Air.

Exhibit 15: Operational fleet expected to rise by ~217 aircraft by Mar-26



Source: CAPA, Nuvama Research

Exhibit 16: IndiGo and Air India expected to lead fleet-adds by Mar-26



Source: CAPA, Nuvama Research

Exhibit 17: We expect operational fleet to rise to ~933 aircraft by Mar-26

Particulars	IndiGo	Air India Group	SpiceJet	Akasa	Industry
Current fleet	410	302	56	25	793
Less: Current AoG	68	27	34	0	129
Operational fleet	342	275	22	25	664
Net adds by Mar'25	15	17	0	1	33
Add: AoG returning to service	20	-2	14	0	32
Operational fleet by Mar'25	377	290	36	26	729
Add: Net adds by Mar'26	40	55	0	12	107
Add: AoG returning to service	15	10	20	0	45
Operational fleet by Mar'26	432	355	56	38	881
Total fleet by Mar'26	465	374	56	38	933

Source: Company, CAPA, Nuvama Research

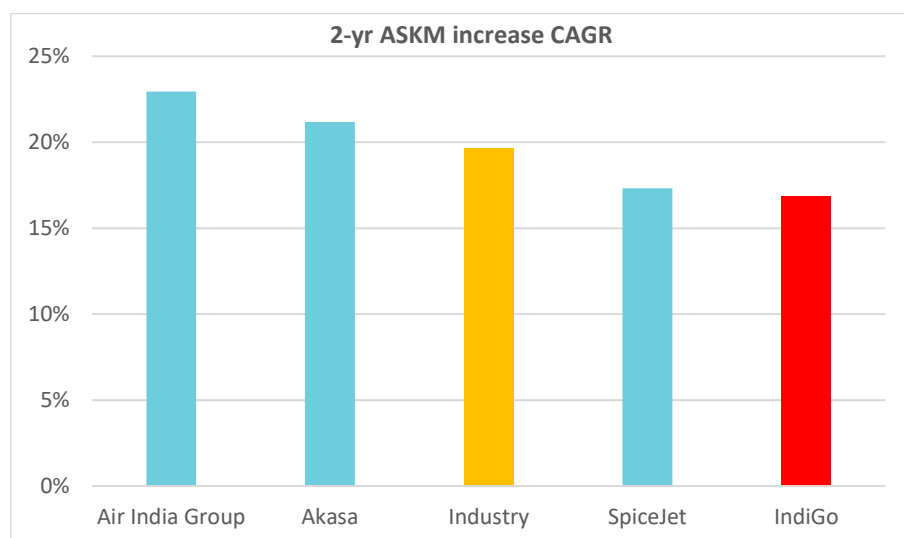
Based on new aircraft inducted and AoG returning to service, we estimate FY26E industry ASKM at ~401bn, rising at a CAGR of 20% over FY24. Among major airlines in India, we reckon Air India would grow the fastest based on its estimated fleet-adds and operational measures followed by Akasa, SpiceJet and, lastly, IndiGo. As a result, IndiGo might cede market share to competition as its capacity-adds are likely to be slower than the competition and the industry as a whole.

Exhibit 18: Based on our fleet addition estimates, we reckon industry ASKM CAGR at 20%

Particulars	IndiGo	Air India Group	SpiceJet	Akasa	Industry
Avg. FY26 operational fleet (A)	404	323	46	32	805
Avg. annual departures/aircraft (Last 9 quarters) (B)	2,525	1,588	2,106	1,836	2,014
Avg. ASKM ('000)/departures (Last 9 quarters) (C)	187	350	200	188	231
Estimated ASKMs in FY26 (bn) (A*B*C/10^6)	191	180	19	11	401
ASKMs in FY24 (bn)	139	119	14	8	279
2-yr CAGR (%)	17%	23%	17%	21%	20%

Source: Nuvama Research

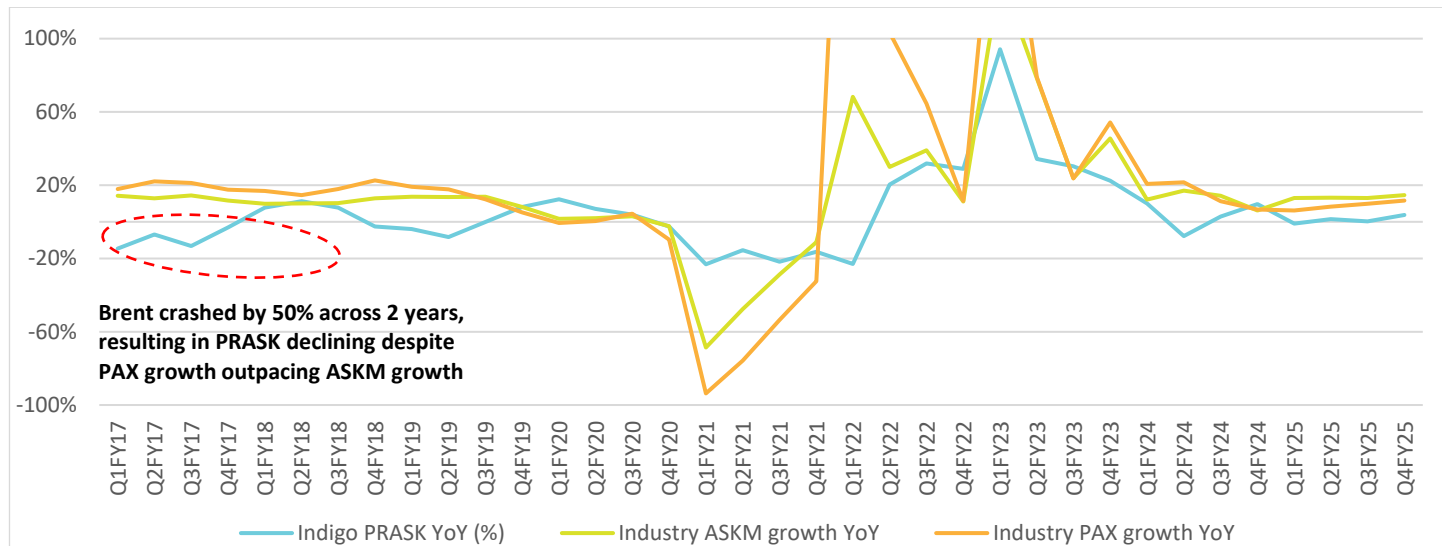
Exhibit 19: IndiGo's capacity growth to be slowest in industry



Source: Nuvama Research

According to our observation, PRASK growth is muted and even decreases in periods where ASKM growth outpaces passenger growth. Based on our analysis above, we expect ASKM CAGR at 20% over FY24–26E, above CAPA estimate for passenger growth and implied growth as per real GDP multiplier. Consequently, PRASK growth is expected to be muted/negative.

Exhibit 20: PRASK growth muted/negative when capacity growth outpaces passenger growth



Source: Company, DGCA, Nuvama Research

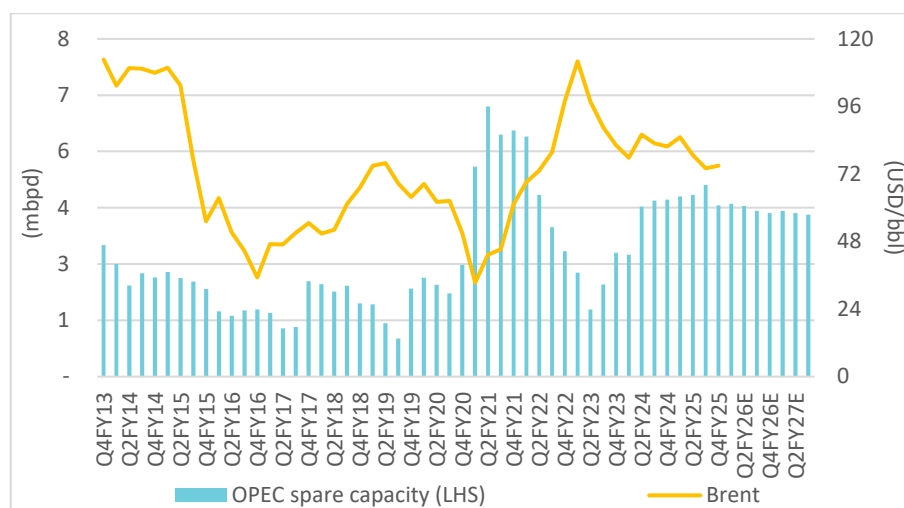
Shift to hybrid model from LCC fraught with risks

IndiGo is set to receive wide-bodied Airbus A350s in 2027 to expand its international operations. Furthermore, the company is also launching business class options on 12 metro routes by the end of 2025. This signals a shift away from the tried and trusted LCC model and more towards a hybrid model with a focus on better service on certain routes offered by the airline. Historically, we have seen full-service carriers such as Jet Airways and Kingfisher go bust, not to mention Air India suffering continuous losses. Partial business model shift to wide-bodied aircraft and full service increases risk profit erosion from the LCC model.

Bearish crude outlook portends lower ATF prices

Crude outlook turned bearish over the last few weeks on concerns of: i) slowdown in global crude demand; ii) increased probability of Saudi Arabia to cease balancing the market by cutting output and focusing on regaining lost market share; iii) increased production from non-OPEC countries; and iv) elevated OPEC spare capacity. Lower global crude demand is attributable to fuel substitution and economic slowdown in China. Although Brent prices have risen past USD80/bbl, they are not likely to sustain above that level due to the above factors.

Exhibit 21: OPEC spare capacity and Brent prices

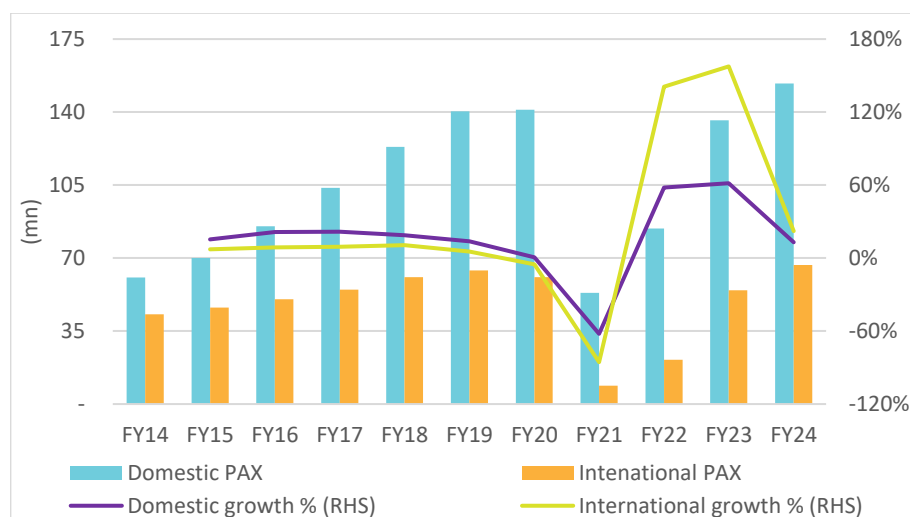


Source: US EIA, Bloomberg, Nuvama Research

International segment to provide downside support

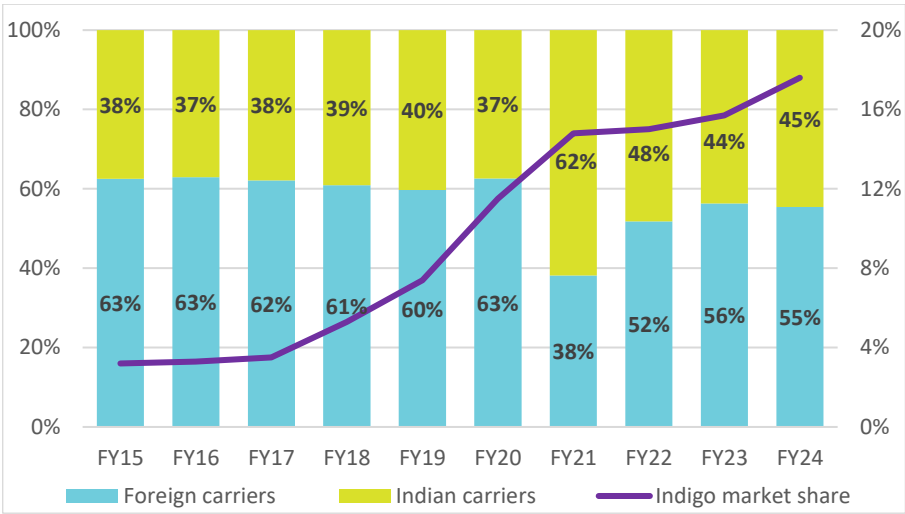
IndiGo has been focusing on international in recent years by increasing its destinations and introducing new routes due to its relatively better yields than the domestic market and faster recent growth in passengers. The company is set to receive wide-bodied aircraft and increase its fleet in the medium term to improve its operations on international routes. Indian carriers have the ability to offer lower fares than foreign carriers on account of a lower-cost structure. As a result, Indian carriers have been gaining market share in recent years.

Exhibit 22: International segment growth has recently outpaced domestic market



Source: DGCA, Nuvama Research

Exhibit 23: Indian carriers, IndiGo: Consistent MS uptick in recent years (ex-covid)



Source: DGCA, 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

We believe risk-reward is balanced on:

- (i) Premium valuations vs. global peers and other LCCs (low-cost carriers)
- (ii) Industry PRASK (Passenger Revenue per Available Seat Kilometre) are likely to deteriorate on capacity adds outpacing passenger growth
- (iii) IndiGo likely to add capacity at a slower rate than the competition, resulting in market share losses
- (iv) Actual passenger growth lagging growth implied by historical real GDP multiplier
- (v) Continued promoter stake sales acting as an overhang on the stock.

However, we believe downside is likely to be limited on –

- (i) Bearish outlook for crude oil likely to keep ATF (Aviation Turbine Fuel) prices in check
- (ii) IndiGo's focus on margin accretive international segment is likely to support earnings
- (iii) As per CAPA, short-term operational issues at aircraft and engine OEMs are likely to slow down fleet & capacity additions in the near-term.

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

Chairman	Dr. Venkataramani Sumantran
Managing Director	Mr. Rahul Bhatia
Non-executive Director	Mr. Meleveetil Damodaran
Non-executive Director	Mr. Gregg Albert Saretsky
Auditor	M/s S.R. Batliboi & Co. LLP

Holdings – Top 10*

% Holding		% Holding	
InterGlobe Ente	35.71	Westbridge Aif	2.75
Chinkerpoo Fami	8.23	SBI Funds Manag	2.07
Rakesh Gangwal	5.30	Vanguard Group	1.95
Republic of Sin	3.58	BlackRock Inc	1.72
ICICI Prudentia	3.31	HDFC Asset Mana	1.53

*Latest public data

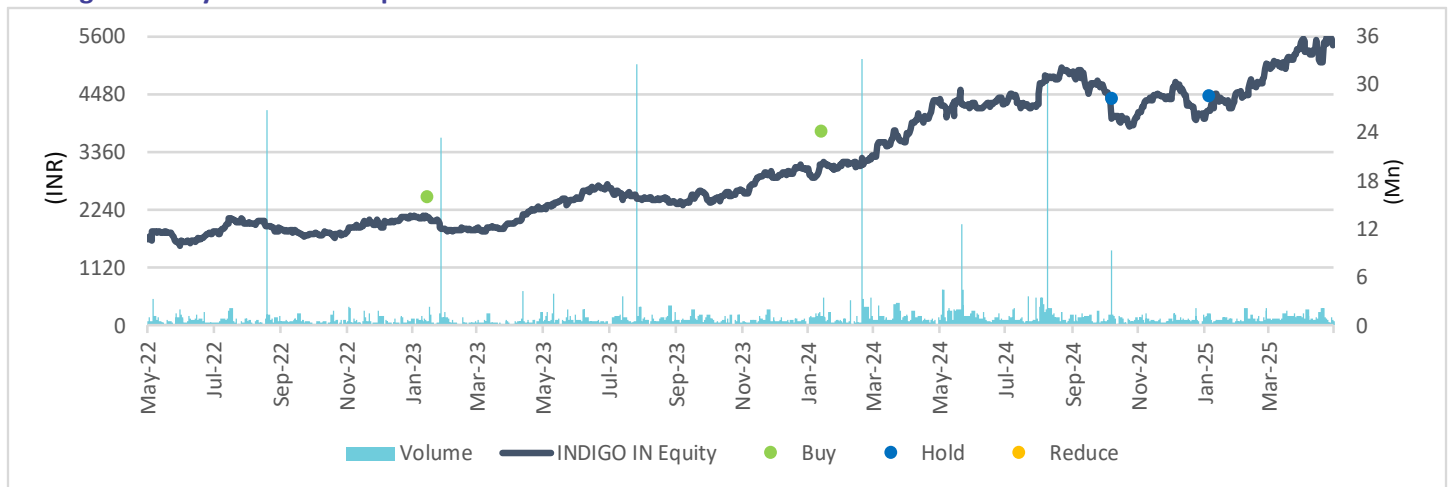
Recent Company Research

Date	Title	Price	Reco
19-Mar-25	Going global; international ASKM to rise; <i>Company Update</i>	4980	Hold
25-Jan-25	Better yields, PLF drive beat; Q4 mixed; <i>Result Update</i>	4066	Hold
27-Oct-24	Interglobe Aviation (INDIGO IN, INR 4,36; <i>Result Update</i>	4366	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
26-Feb-25	SpiceJet	Signs of improvement; recovery gradual; <i>Result Update</i>
20-Feb-25	Aviation	Q4 flights growth healthy, led by IndiGo; <i>Sector Update</i>
20-Dec-24	Aviation	SpiceJet, IndiGo gain at Air India's cos; <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%	204
Hold	<15% and >-5%	63
Reduce	<-5%	34

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Abneesh Roy

Head of Research Committee

Abneesh.Roy@nuvama.com