

BUY (ADD) ▲

Current Price (Rs)	: 4,443
Target Price (Rs)	: 5,450 (5,100)
Potential Upside	: 23%

Market Data

No. of shares	: 386 mn
Free Float	: 50.7%
Market Cap (USD)	: 19,699 mn
52-week High/ Low (Rs)	: 5,035/ 3,020
Avg. Daily Volume (6M)	: 1.20 mn
Avg. Daily Value (6M;USD)	: 62.42 mn
Bloomberg Code	: INDIGO IB
Promoters Holding	: 49.3%
FII / DII	: 25% / 17%

Price Performance

(%)	1M	3M	12M
Absolute	6.4	4.1	39.6
Relative	8.5	11.0	37.6

Source: Bloomberg

IndiGo is expanding its market share in international routes (mostly underpenetrated), while maintaining its domestic dominance. It aims to add ~50 aircraft annually (mix of A320/321 Neos, XLR, wide-body) to (1) deepen its domestic presence (feeding traffic into Tier-1 cities) and (2) expand its international connect to 6-9-hour journeys (from 4-6 hours) – focus on Southeast Asia, Europe, CIS countries. Global supply chain issues continue to moderate aircraft supply near term, aiding D-S balance and supporting yields. Higher crude and rupee depreciation would be key risks to earnings, though we expect India's duopoly market to support pass-through. Upgrade to **BUY** (from ADD) with TP at Rs 5,450 (9x FY27E EV/EBITDAR; Rs 5,100 earlier) as we assume coverage.

Focus on gaining international market share, while domestic share stays intact

IndiGo's extensive (and expanding) domestic network is helping it connect smaller towns/cities to Tier-1 cities, where its multiple grounding slots in metros/Tier-1 cities help it solidify its domestic market share. This is backed by its strong operations team, thrust to cut costs, and efficient logistics/planning, optimizing its flying routes. Expanding its addressable market, IndiGo is extending its reach to underpenetrated international destinations as well, where its new aircraft will help it extend connections to countries with 6-9 hours of flying time (vs 4-6 hours earlier), which will drive its long-term growth.

Yield expected to be largely stable...

Industry consolidation over FY22-23 (GoAir bankruptcy, SpiceJet leverage issues) led to a demand-supply imbalance in the domestic market, increasing yields for the industry in general over FY24-25E. This was further accentuated by delays in new aircraft supplies, given Boeing-specific issues (big supplier for Air India). There is a gradual pickup in Boeing's monthly production, but full recovery in aircraft delivery could most likely be back-ended in CY26/27. Till then, the limited aircraft supplies may keep the overall yield stable.

- Expansion in international routes may put some pressure on yields but is expected to be negated by addition of business class ASKs in key domestic routes (~10% share).

...as aircraft addition will be gradual, given ongoing issues with global vendors

IndiGo aims to add ~50 aircraft annually, given its outstanding order book of 950+ aircraft to be delivered over FY25-33E. With pickup in delivery of A320/321 Neos, management has been adding wet leases to capitalize on the healthy near-term demand. Such flexibility has helped it smoothen the aircraft on ground (AOG) challenge over FY24-25, as AOGs have declined from the 70s in H1FY25 to the 60s in Q3 and are expected to dip to the 40s by Q1FY26 – this will lower overhead costs and aid overall spreads.

Ankur Periwal assumes coverage of the Airlines sector for Axis Capital.

Financial summary (Consolidated)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Sales (Rs mn)	5,44,465	6,89,043	7,99,914	8,96,986	10,09,737
EBITDA (Rs mn)	64,954	1,63,176	1,63,532	2,00,993	2,45,037
Adj. PAT (Rs mn)	(3,058)	81,725	57,070	78,412	99,837
Con. EPS* (Rs)	-	-	160.6	199.5	226.4
EPS (Rs)	(7.9)	211.7	147.9	203.2	258.7
Change YoY (%)	(95)	(2,770)	(30)	37	27
Previous EPS (Rs)	-	-	223.4	228.5	207.2
RoE (%)	5.0	(384.6)	117.7	67.5	48.6
RoCE (%)	8.8	26.9	18.5	19.4	20.7
P/E (x)	(560.2)	21.0	30.1	21.9	17.2
EV/E (x)	31.3	12.7	12.8	9.9	7.6

Source: *Consensus broker estimates, Company, Axis Capital

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