InterGlobe Aviation Limited

ISIN :INE646L01027 | NSE :INDIGO

Price: 5,501
Recommendation: Buy
Industry: Airline
Sector: Services
Report Date: 21-Apr-2025

IndiGo is strategically enhancing its market position by focusing on internationalization, revenue growth, and diversification while maintaining cost leadership. The company plans to expand its fleet to over 600 aircraft by 2030, increasing international capacity to 40%. New aircraft models will enable access to underserved routes. IndiGo is also boosting its digital presence and ancillary revenue, though risk management and operational efficiency remain crucial for sustained success.

Sales		Profit & Loss		Profitability Matrix	
Current Year	76476 Cr	Operating Profit(Year)	15908 Cr	Operating Profit Margin	20.8 %
Previous Year	54446 Cr	Operating Profit(Quarter)	5160 Cr	EBITDA Margin	23.09 %
Current Quarter	22111 Cr	PAT (Year)	7172 Cr	Net Profit Margin	10.4 %
Previous Quarter	16970 Cr	PAT (Quarter)	2442 Cr	EPS	157
Revenue (QYoY)	19452 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	35.0	Sales Growth	17.2 %	Sales Growth	30.29 %
PEG Ratio	0.34	PAT Growth	-1025.42 %	Sales Growth QYoY	13.67 %
EV/EBITDA	13.5	EPS Growth	-25.94 %	PAT Growth	-346.92 %
P/B	56.9	Dividend Yield	0.00	PAT Growth QYoY	-18.55 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	%	Promoter	49.3 %	Debt/Equity	15.9
RoA	10.2 %	FII	25.1 %	Debt	59237 Cr
RoCE	24.5 %	DII	20.7 %	Market Cap	212576 Cr
RoIC	28.9 %	Public	4.88 %	Enterprise value	255216 Cr
		No of Shares	38.6 Cr	Cash Equivalents	16597 Cr

source : Company filings

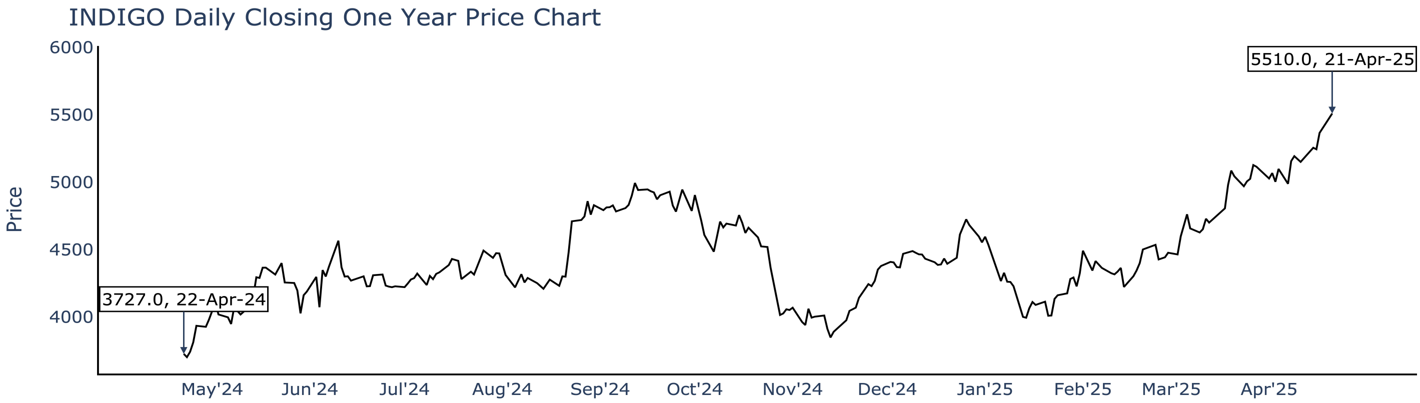
Company's Overview Based on Recent Concall and Performance:

IndiGo's recent meeting highlighted several strategic initiatives aimed at enhancing its market position and operational efficiency. The company is focusing on internationalization, revenue enhancement, and diversification, alongside maintaining cost leadership and operational efficiency. A key initiative is the expansion of its fleet, with plans to add one aircraft per week until 2030, reaching over 600 aircraft. This expansion supports their strategy of increasing international capacity share to approximately 40% by 2030. The introduction of new aircraft models like the A350 and A321 XLR is set to enhance range and flexibility, allowing IndiGo to tap into underserved international routes and maximize its reach with longer-range aircraft.

IndiGo is also embracing a tailored strategy for internationalization, leveraging India's geographical advantage to enhance international inbound and outbound leisure travel. The company is capitalizing on rising disposable incomes and aspirations, with a focus on under-penetrated opportunities in diverse tourist destinations. The domestic market remains a core strategic priority, with IndiGo being the third-largest domestic aviation market. The company is enhancing its distribution reach through a multi-channel strategy, increasing direct sales, and embracing new distribution capabilities to enhance customer reach and cross-sell opportunities.

Looking ahead, IndiGo is poised for significant growth, with a focus on scaling its operations and expanding its network. The company plans to launch new routes across Asia and Europe, enhancing capabilities through XLRs and maximizing reach with longer-range aircraft. The introduction of premium seating and curated meals on select routes is expected to enhance revenue opportunities. IndiGo's commitment to digitalization is evident in its redesigned website and app, which have seen significant increases in traffic and user engagement. The company is also focusing on ancillary revenue growth, with new offerings and promotions aimed at enhancing the overall travel experience.

While IndiGo's growth prospects are promising, there are areas for improvement. The company could further enhance its risk management processes to mitigate external factors such as fuel volatility and supply chain disruptions. Additionally, while the expansion of the fleet and network is a positive step, ensuring operational efficiency and maintaining cost leadership will be crucial to sustaining profitability. The company's focus on innovation and entrepreneurship, with investments in aviation and allied sectors, is a positive move, but ensuring these initiatives translate into tangible benefits will be key to long-term success. Overall, IndiGo's strategic initiatives and growth plans position it well for future success, but careful execution and risk management will be essential to achieving its ambitious goals.



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
TAAL Enterprises	771.31	16.54	23.40%	-11.71%	-1.63%	-21.82%	47.92%
SpiceJet	6520.20			35.13%	-35.33%	105.65%	108.28%
Global Vectra	332.36		3.61%	14.71%	10.02%	27.71%	-188.76%
Interglobe Aviat	212576.48	35.01		30.30%	13.67%	346.97%	-18.56%
Afcom	1792.76	55.79	28.46%	15.86%	25.12%	42.02%	54.72%

Aspect	Commentary
Revenue	The company shows a robust revenue increase, with a significant year-over-year growth, indicating strong market demand and effective sales strategies. The quarterly growth further supports a positive trend, suggesting sustained performance and potential for future expansion.
Profit & Loss	Operating profit margins are healthy, reflecting efficient cost management. However, the net profit margin indicates room for improvement. The quarterly profit figures suggest a stable financial position, but attention to cost control could enhance profitability.
Profitability Matrix	The operating profit margin and EBITDA margin are strong, indicating effective operational efficiency. However, the net profit margin suggests potential areas for cost optimization. The EPS is solid, reflecting shareholder value creation.
Valuation Matrix	The trailing P/E ratio suggests the stock is valued at a premium, possibly due to growth expectations. The PEG ratio indicates potential undervaluation relative to growth. EV/EBITDA and P/B ratios suggest a balanced valuation perspective.
Growth (YoY)	Year-over-year sales growth is impressive, highlighting strong market performance. However, the negative PAT growth indicates challenges in cost management or extraordinary expenses. EPS growth decline suggests potential earnings pressure.
Growth (QoQ)	Quarterly sales growth is robust, indicating effective short-term strategies. However, the negative PAT growth suggests potential operational inefficiencies or cost pressures that need addressing to sustain profitability.
Capital Allocation	The return on assets and capital employed are strong, indicating efficient use of resources. However, the absence of RoE data limits a complete assessment. The focus should be on maintaining or improving these metrics for sustained growth.
Holdings	The promoter holding is substantial, indicating confidence in the company's prospects. Institutional holdings are significant, reflecting market trust. Public holding is minimal, suggesting limited retail investor participation.
Leverage	The high debt/equity ratio indicates significant leverage, which could pose risks if not managed properly. The substantial market cap and enterprise value suggest strong market positioning, but debt management remains crucial for financial stability.

Analyst viewpoint: IndiGo is currently well-positioned for short to mid-term growth due to its strategic focus on expansion and diversification. The company has demonstrated a robust quarter-on-quarter sales growth of 30.29%, reflecting effective management strategies and emerging market demand. Its valuation metrics suggest compelling growth potential, with a trailing P/E of 35.0 and an attractive PEG ratio of 0.34, indicating possible undervaluation in relation to its growth outlook. Capital allocation has been efficient, showcasing a return on capital employed at 24.5%, reinforcing confidence in their strategic investments. Additionally, IndiGo's balance sheet remains solid with substantial cash reserves and manageable debt levels, further buoyed by its market-leading position in the aviation sector.

The company continues to outpace its peers by adopting advanced aircraft and increasing its fleet size to penetrate underserved routes, thus capturing a larger international market share. From our recent concall observations, IndiGo is significantly enhancing its digital footprint and customer engagement strategies, ensuring sustained revenue enhancement and operational efficiency. While the long-term company outlook is positive, potential challenges could include managing operational costs amid expanding fleet size. Safeguarding cost leadership alongside the planned growth trajectory will be essential for maintaining Indigo's profitability edge.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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