

Interglobe Aviation

Delayed recovery

Indigo reported a weak 1QFY21 (loss of Rs 28.4bn) due to the adverse impact of COVID (flights commenced only from end of May-20). The demand will take longer to recover, in our view, with several restrictions in place on flying as well as weak demand from the corporate segment (50% of domestic). Amidst this uncertain backdrop, IndiGo remains better placed to withstand the downturn due to its dominant market share (current market share of 52.5%), a healthier balance sheet (as compared to competition) and cost reduction measures. We re-iterate our ADD rating.

- 1QFY21 Financials:** Due to 2 months of countywide lockdown, revenues declined 92% YoY to Rs 7.6bn. Load factor was at 61.7% vs. 89/83% YoY/QoQ. However, yields at Rs 4.5 improved 9% YoY. Ancillary revenue contributed 24% to the revenue vs. 14% QoQ driven by higher cargo volumes. The airline reported an EBITDAR loss at Rs 15.3bn due to the adverse environment and higher operating expenses. Net loss in the quarter came in at Rs 28.4bn.
- Call & other takeaways:** (1) After the restrictions being lifted in May-20 end, IndiGo operated 200 flights/day, which has now risen to 400 flights/day. (2) The co expects to trim down the fixed costs (leasing costs, payrolls, others) by 15-20% for FY21. With salary cuts, management expects 30% lower staff cost than pre-COVID levels. (3) Cash burn rate was Rs 400mn/day in Mar-20, which has now come down to Rs 300mn/day owing to cost cutting initiatives. The company will raise additional funds to further strengthen its balance sheet. Cash balance is at Rs 184bn in 1QFY20. (4) Prior to COVID situation, leisure to business travel ratio was 50:50. However, the corporate travel remains weak.
- We are lowering our EBITDAR estimates by ~33% over FY21/22E to factor in the above. We set a revised Jun-22 TP of Rs 940 (we continue to value the stock on 6x EV/EBITDAR). **Key risks:** Any resolution of promoter differences on the upside, an increase in oil prices on the downside.

Financial Summary

YE Mar (Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	7,667	94,201	(91.9)	82,990	(90.8)	284,968	357,560	204,937	285,623	372,907
EBITDAR	(15,376)	26,522	NA	(127)	NA	47,940	45,348	15,826	51,426	86,953
APAT	(28,443)	12,005	NA	(8,735)	NA	1,562	(2,481)	(27,374)	(511)	30,230
Adj. EPS (Rs)	(74.0)	31.2	NA	(22.7)	NA	4.1	(6.5)	(71.2)	(1.3)	78.6
P/E (x)						223.8	(140.8)	(12.8)	(683.4)	11.6
EV/EBITDAR						11.9	8.8	25.4	7.1	3.5
RoE (%)						2.2	(3.9)	(60.5)	(1.6)	66.7

Source: Company, HSIE Research

Change in Estimates

Rs mn	New		Old		Change (%)	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenues	204,937	285,623	279,803	330,140	(26.8)	(13.5)
EBITDAR	15,826	51,426	24,827	75,281	(36.3)	(31.7)
Adj. PAT	(27,374)	(511)	(19,258)	21,547	NA	NA
EPS	(71.2)	(1.3)	(50.1)	56.1	NA	NA

Source: HSIE Research

ADD

CMP (as on 29 July 2020)	Rs 910
Target Price	Rs 940
NIFTY	11,203

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 1,110	Rs 940
EPS %	FY21E	FY22E
	NA	NA

KEY STOCK DATA

Bloomberg code	INDIGO IN
No. of Shares (mn)	385
MCap (Rs bn) / (\$ mn)	350/4,687
6m avg traded value (Rs mn)	2,797
52 Week high / low	Rs 1,911/765

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(1.3)	(37.8)	(42.4)
Relative (%)	(17.6)	(30.2)	(43.4)

SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	74.9	74.9
FIs & Local MFs	9.2	7.6
FPIs	13.6	14.8
Public & Others	2.4	2.8
Pledged Shares	0.0	0.0

Source : BSE

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