

InterGlobe Aviation (INDIGO) - BUY

Company Update

Current Market Price (CMP)

Rs.4228

Target Price

Rs.5700

Rationale:

- Probability of Indigo breaching margin peaks increasing.
- CAPA suggests a modest 12% growth in aggregate fleet versus our expectations.
- CAPA suggests another year of large losses for challengers in FY25.
- Benefits of cost deflation would likely get retained in the medium term.
- We expect earnings per share of Rs253.4 in FY25E and Rs254 in FY26E.
- We increase our FV to Rs5,700 (from Rs5,100) while retaining valuation methodology.

Company update:

Positives:

- Indigo is likely to report healthy profits versus rest of the sector being in red.
- ATF price declined by 7% mom in June to Rs95.
- We increase our PAT estimates by 11-13% for FY26-27.
- We see growing probability of Indigo make new highs on spreads, a key upside risk to our FV.

Negatives:

- Stiff supply increase is a risk to pricing for airlines.

(CAPA: Centre for Asia Pacific Aviation; FV: Fair Value; ATF: Aviation Turbine Fuel; PAT: Profit After Tax; FV: Fair Value)

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For detailed report dated 6th June 2024. Note: CMP & valuation may differ due to difference in dates.



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