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Aviation

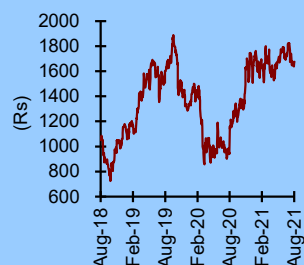
Annual report analysis

Target price: Rs1,800

Shareholding pattern

	Dec '20	Mar '21	Jun '21
Promoters	74.9	74.8	74.8
Institutional investors	22.9	23.1	23.1
MFs and others	3.9	3.3	2.6
FIs/Banks	1.4	1.2	1.0
FII	17.6	18.6	19.5
Others	2.2	2.1	2.1

Price chart



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INDIA

ICICI Securities

InterGlobe Aviation

ADD

Maintained

Annual report analysis: Liquidity management remains the mainstay in anticipation of traffic recovery

Rs1,697

Liquidity management and traffic recovery remain the two most important earnings drivers for InterGlobe Aviation (IndiGo) going forward. While the company has a plan for raising funds, and gradual domestic recovery is indeed in sight, international recovery remains the bigger challenge. Maintain ADD.

- **Covid has led to considerable tactical short-term planning to maximise business potential and raise cash:** Due to covid, IndiGo had to transform from a scheduled airline to a hybrid scheduled / charter operation, from cargo in the aircraft belly only to cargo in the cabin. To bolster liquidity, IndiGo raised Rs66bn of additional funds in FY21. Besides, the company has also announced additional liquidity measures of Rs45bn for FY22. It is also considering issue of equity shares through Qualified Institutions Placement up to Rs30bn. IndiGo has initiated a freighter programme, under which it is sourcing four A321CEO aircraft, which will be converted to full freighter configuration. Liquidity measures undertaken by the company include: 1) acquiring NEOs financed through operating leases, 2) securing favourable credit terms from suppliers, 3) sale and leaseback of unencumbered assets, 4) obtaining moratorium towards principal repayment for aircraft on finance leases, and 5) working capital loans from banks. Closing balance of secured loans increased from Rs6.8bn in FY20 to Rs25bn in FY21. Rate of interest on working capital loans ranges from 3.20% to 7% per annum.
- **International operations remain the bigger challenge:** As per management, international operations as of date are severely restricted due to the second wave and it is not possible to predict, with any degree of certainty, when scheduled international operations will resume. Company however remains confident that demand for international air travel will rebound as vaccination progresses across the globe and governments collectively establish processes to enable seamless travel of vaccinated persons. IndiGo's international operations in FY21 were only around 17% of its pre-covid operations.
- **Movement of right-of-use asset and lease obligation on per aircraft basis:** The lease obligation per aircraft increased 14% from Rs841mn in FY20 to Rs960mn in FY21. However, the right-of-use (RoU) asset per aircraft increased 16% from Rs544mn in FY20 to Rs631mn in FY21. Higher increase in RoU per aircraft could be due to lower SLB profits from deliveries in FY21.
- **Scheduled cash outflows:** As per liquidity details stated in the FY21 annual report, IndiGo expects cash outflow of Rs110bn over the next six months. The lease liability driven outflow is Rs73bn over the next 12 months, which gives an approximate idea of the annual rental payments for the company. Total cash outflow due to supplementary rentals is Rs44.7bn over the coming 12 months.

Market Cap	Rs654bn/US\$8.8bn	Year to March	FY20	FY21	FY22E	FY23E
Reuters/Bloomberg	INGL.BO/INDIGO IN	Revenue (Rs mn)	3,57,560	1,46,406	2,61,659	4,08,349
Shares Outstanding (mn)	385	Net Income (Rs mn)	(2,337)	(58,064)	(40,294)	34,639
52-week Range (Rs)	1860 / 1126	EPS (Rs)	(6.1)	(150.9)	(104.7)	90.0
Free Float (%)	25.2	% Chg YoY	(24.7)	NM	NM	NM
FII (%)	19.5	P/E (x)	NM	NM	NM	19.0
Daily Volume (US\$'000)	20,661	CEPS (Rs)	97.2	(28.8)	18.7	214.7
Absolute Return 3m (%)	(1.1)	EV/E (x)	9.8	(106.0)	26.8	5.6
Absolute Return 12m (%)	41.9	Dividend Yield (%)	-	-	-	-
Sensex Return 3m (%)	11.5	RoCE (%)	9.4	(12.0)	(5.0)	19.9
Sensex Return 12m (%)	45.9	RoE (%)	(4.0)	NM	NM	NM

Please refer to important disclosures at the end of this report

Key Observations

Table 1: Movement in contract liabilities – forward sales and trade receivables

	FY21	FY20	% chg.
Trade receivables	2,190	2,594	-16%
Forward sales	11,554	14,333	-19%
Total	13,744	16,927	-19%

Source: Company data, I-Sec research

Table 2: Mapping the net liability with restricted cash

	FY21
Current Investments	73,394
Bank deposits under lien	
Interest accrued but not due on bank deposits---non current	2
Interest accrued but not due on bank deposits---current	389
Maintenance recoverable	2,473
Insurance claim recoverable	-
Others (including credit recoverable)	3,331
Cash and Bank balance	1,12,277
Total Cash (A)	1,91,866
Foreign currency loan	3,816
Indian Rupee loan	21,240
Current maturity of FL obligations	-
Supplementary rentals LT	17,204
Supplementary rentals current	44,039
Aircraft Maintenance liability	12,009
Interest accrued not due on borrowings current	33
Employee related liabilities	1,379
Total Debt (B)	99,719
Net debt (C=B-A)	-92,147
Free Cash	89,281

Source: Company data, I-Sec research

As per the liquidity details, IndiGo expects cash outflow of Rs110bn over the next six months. The lease liability driven outflow is Rs73bn over the next 12 months, which gives an approximate idea of the annual rental payments for IndiGo. Total cash outflow due to supplementary rentals is Rs44.7bn over the next 12 months.

Table 3: Exposure to liquidity risk

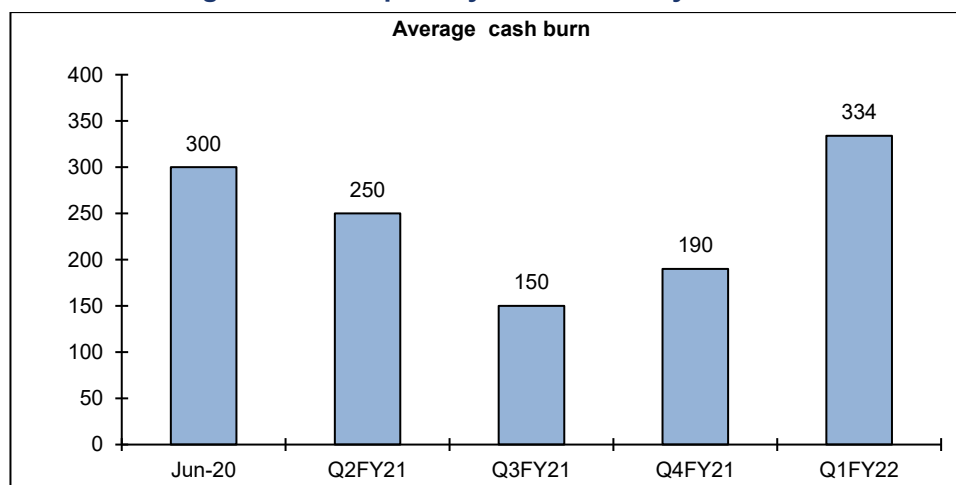
(Rs mn)	Carrying amount	Contractual cashflows				
		Less than 6 months	Between six months and one year	Between 1 and 5 years	More than 5 years	Total
Borrowings	25,056	21,240	-	3,816	-	25,056
Lease liabilities	2,73,540	37,262	35,824	1,96,717	60,746	3,30,548
Interest accrued but not due on borrowings	33	33	-	-	-	33
Supplementary rentals*	61,242	33,963	10,758	19,473	632	64,826
Aircraft maintenance	12,008	1,807	1,433	8,851	1,149	13,241
Trade payables	15,561	15,561	-	-	-	15,561
Unclaimed dividend	1	1	-	-	-	1
Total	3,87,441	1,09,865	48,015	2,28,858	62,527	4,49,265

Source: Company data, I-Sec research

Table 4: Sensitivity analysis due to change in currency

1% depreciation / appreciation in INR against following foreign currencies	FY21		FY20	
	Gain / Loss on		Gain / Loss on	
	Appreciation	Depreciation	Appreciation	Depreciation
AED	-1.5	1.5	4	-4
CHF	0.3	-0.3	0	-0
EUR	2.3	-2.3	3	-3
GBP	0.4	-0.4	0	-0
NPR	-0.6	0.6	-0	0
OMR	-0.0	0.0	0	-0
SGD	-1.0	1.0	1	-1
THB	-1.2	1.2	0	-0
QAR	-0.7	0.7	0	-0
LKR	-0.0	0.0	0	-0
BDT	0.1	-0.1	0	-0
USD*	2,444.9	-2,444.9	1,835	-1,835
HKD	-0.1	0.1	-0	0
KWD	-0.2	0.2	1	-1
MYR	-0.0	0.0	0	-0
SAR	0.2	-0.2	2	-2
TRY	-0.0	0.0	-0	0
CNY	-0.0	0.0	-2	2
MVR	-	-	-	-
PLN	-	-	-	-
VND	-	-	-	-
Total	2,442.8	-2,442.84	1,845	-1,845

Source: Company data, I-Sec research

Chart 1: Average cash burn per day over last one year

Source: Company data, I-Sec research

Aircraft orders placed by IndiGo

IndiGo commenced operations in August 2006 with a single aircraft and has grown its fleet to 285 as of March 31, 2021.

- Company placed an order for 430 A320 NEO family aircraft in FY11 and FY15.
 - Besides, in October 2019, IndiGo placed an additional firm order for 300 A320 NEO family aircraft, which includes A321 XLRs in addition to A320 NEOs and A321 NEOs.
- IndiGo placed an order with Avions de Transport Regional GIE, or ATR, in August 2017, for the purchase of up to 50 ATR72-600 turboprop aircraft. As of March 31, 2021, IndiGo had 26 ATR aircraft in its fleet.
- Company initiated a freighter programme and is in the process of sourcing four A321CEO aircraft, each of which will be converted from passenger jets to a full freighter configuration. A letter of intent has been signed with a lessor for two aircraft.
- As at March 31, 2021, IndiGo had 159 A320 NEO family aircraft. Of this, 120 are A320 NEOs, which are about 15% more fuel efficient as compared to the A320 CEOs without sharklets, and 39 aircraft are A321 NEOs (which have lower unit costs compared to A320 NEOs because of higher seating capacity and longer range).

Management details

Table 5: Board of directors details

Directors	Designation
Mr. Meleveetil Damodaran	Chairman and Independent Director
Dr. Anupam Khanna	Independent Director
Ms. Pallavi Shardul Shroff	Independent Director
Dr. Venkataramani Sumantran	Independent Director
Mr. Rahul Bhatia	Director
Mr. Rakesh Gangwal	Director
Ms. Rohini Bhatia	Director
Mr. Anil Parashar	Director
Mr. Gregg Albert Saretsky	Director
Mr. Ronojoy Dutta	Whole Time Director and Chief Executive Officer

Source: Company data, I-Sec research

Table 6: Key managerial person

	Designation
Mr. Ronojoy Dutta	Whole Time Director and Chief Executive Officer
Mr. Wolfgang Prock-Schauer	President and Chief Operating Officer
Mr. Jiten Chopra*	Chief Financial Officer
Mr. Sanjay Kumar	Chief Strategy and Revenue Officer
Mr. William Boulter	Chief Commercial Officer

*Mr. Jiten Chopra was appointed as the Chief Financial Officer with effect from February 22, 2021, replacing Mr. Aditya Pande, who resigned with effect from February 21, 2021. Mr. Jiten Chopra has been associated with Company since February 2020 and had earlier held the position of Head - Governance, Risk and Compliance

Source: Company data, I-Sec research

Table 7: Committee details

	Audit Committee	Nomination and Remuneration committee	CSR	Shareholder committee	Risk Management committee
Mr. Meleveetil Damodaran	✓	✓			✓
Dr. Anupam Khanna	✓	✓	✓		✓
Ms. Pallavi Shardul Shroff		✓		✓	
Dr. Venkataramani Sumantran	✓				✓
Mr. Rahul Bhatia					
Mr. Rakesh Gangwal					
Ms. Rohini Bhatia			✓	✓	
Mr. Anil Parashar	✓	✓	✓		✓
Mr. Gregg Albert Saretsky					✓
Mr. Ronjoy Dutta				✓	✓

Source: Company data, I-Sec research

Remunerations

Table 8: Remuneration of the whole-time director and CEO

Salary & Allowances	Committed Bonus*	Committed Bonus*	Total#
56.69	93.69	1.93	152.31

*Committed bonus as per the terms of letter of appointment has been paid in FY21

The above figures do not include provisions for encashable leave, gratuity, and company's contribution to provident fund.

Table 9: Related party transactions: No major changes

(Rs mn)	FY17	FY18	FY19	FY20	FY21
Rent	50	82	131	46	-
Commission	368	69	181	337	46
Reservation Cost	295	474	302	-	-
Crew Accommodation and transportation	174	191	181	193	24
Training	636	775	974	1,003	211
Operating Cost Software	343	304	220	28	-
Repair and maintenance	26	26	24	16	16
CSR	-	22	-	-	-
Miscellaneous Income				17	16
Miscellaneous expenses	0	2	7	12	11
Reimbursement	-	24	22	13	12
Ground handling charges				3,517	2,934
InterGlobe Hotels Private Limited	0	1	5	-	
Caddie Hotels Private Limited	6	3	-	-	
InterGlobe Enterprises Limited	13	9	-	-	
InterGlobe Air Transport Limited	0	0	1	-	
Pegasus Utility Maintenance and Services Private Limited	1	1	1	-	
InterGlobe Real Estate Ventures Private Limited	-	5	13	-	
Purchase of PPE from InterGlobe Enterprises	4	197	-	59	-
Legal	162			5	1
Depreciation under Ind-AS 116				276	703
Interest under Ind-AS 116				164	377
Total	2,078	2,184	2,059	5,686	4,350
Payables	298	281	225	230	114
Receivables	-	85	238	54	157
Lease Liabilities				6,081	5,429

Source: Company data, I-Sec research

Arbitration proceedings filed with the London Court of International Arbitration

The IGE Group had submitted a Request for Arbitration dated October 01, 2019, to the London Court of International Arbitration under the Shareholders' Agreement dated April 23, 2015 (as amended on September 17, 2015) (Shareholders Agreement) executed between, inter-alia, the IGE Group, the RG Group, and the Company. In the arbitration proceedings, the IGE Group has sought certain reliefs against the RG Group, including reliefs in relation to compliance with the Shareholders Agreement and Company's Articles of Association (Articles) as well as damages. The RG Group also sought certain reliefs against the IGE Group, including carrying out all requisite steps and actions, providing consents and assistance to remove certain provisions from Company's articles.

The Company is a proper party to the arbitration and the IGE Group or the RG Group has sought no monetary claim, including any compensation, from the Company. Accordingly, the Company believes that the claims filed in the arbitration do not impact its financial results. The pleadings of the IGE Group, the RG Group and the Company in the arbitration are complete.

Financial summary

Table 10: Profit & Loss statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Operating Income	3,57,560	1,46,406	2,61,659	4,08,349
Operating Expenses	3,01,512	1,51,773	2,37,102	2,97,741
EBITDA	56,048	(5,366)	24,556	1,10,608
% margins	15.7	(3.7)	9.4	27.1
EBITDAR	61,015	(2,562)	28,062	1,14,990
% margins	17.1	(1.7)	10.7	28.2
Depreciation & Amortization	39,739	46,994	47,500	48,000
Gross Interest	18,759	21,420	25,000	28,000
Other Income	15,355	10,370	7,500	11,700
Recurring PBT	12,905	(63,411)	(40,444)	46,308
Add: Extra ordinaries	15,462	(5,230)	-	-
Less: Taxes	(220)	(116)	(150)	11,670
Less: Minority	-	-	-	-
Adjusted Net Income#	(2,337)	(58,064)	(40,294)	34,639

Source: Company data, I-Sec research

#does not include MTM impact.

Table 11: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Assets				
Total Current Assets	2,20,013	2,05,400	1,26,157	1,99,432
Cash and Current Investments	2,03,716	1,85,671	1,06,548	1,70,335
Total Current Liabilities	85,868	81,178	32,735	73,196
Net Current Assets	1,34,146	1,24,221	93,422	1,26,236
Deferred tax asset (net)	2,993	3,027	3,027	3,027
Long-term loans and advances	17,311	17,093	17,093	17,093
Other non-current assets	11,498	14,654	14,654	14,654
Non-Current Investments	1	1	1	1
Net Fixed Assets	1,69,195	1,88,884	1,81,838	2,10,483
Total Assets	3,35,143	3,49,333	3,11,488	3,72,947
Liabilities				
Borrowings	34,225	51,347	51,347	51,347
Deferred Tax Liability	-	-	-	-
Lease Liability	2,20,335	2,73,540	2,75,989	3,02,809
Provisions and Incentives	21,804	23,337	23,337	23,337
Equity Share Capital	3,848	3,849	3,849	3,849
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	54,931	(2,741)	(43,034)	(8,396)
Net Worth	58,779	1,109	(39,185)	(4,547)
Total Liabilities	3,35,143	3,49,333	3,11,488	3,72,947

Source: Company data, I-Sec research

Table 12: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Operating Cashflow ex WC	53,616	(5,214)	(15,297)	43,233
Working Capital Changes	16,102	(10,928)	(29,329)	51,899
Capital Commitments	10,883	4,369	2,000	2,000
Free Cashflow	58,835	(20,510)	(46,626)	93,132
Cashflow from Investing Activities	(45,680)	31,970	5,500	9,700
Issue of Share Capital	245	93	-	-
Inc. (Dec) in Borrowings	421	18,342	-	-
Dividend paid	(2,318)	-	-	-
Cash from financing	(24,131)	(17,931)	(39,997)	(41,044)
Chg. in Cash & Bank balance	(94)	(2,102)	(79,123)	63,788

Source: Company data, I-Sec research

Table 13: Key ratios

(Year ending March 31)

	FY20	FY21	FY22E	FY23E
Per Share Data (in Rs.)				
EPS(Basic Recurring)	(6.1)	(150.9)	(108.8)	88.3
Diluted Recurring EPS	(6.1)	(150.9)	(108.8)	88.3
Recurring Cash EPS	97.2	(28.8)	14.6	213.0
Dividend per share (DPS)	-	-	-	-
Book Value per share	152.8	2.9	(105.9)	(17.6)
Growth Ratios (%)				
EBITDA	NM	NM	NM	NM
EBITDAR	27.2	NM	NM	NM
Recurring Net Income	(24.7)	NM	NM	NM
Revenue	25.5	(59.1)	79.6	55.3
Valuation Ratios (x)				
P/E	NM	NM	NM	18.8
P/CEPS	17.4	NM	90.5	7.9
P/BV	11.1	NM	NM	NM
EV / EBITDA	9.7	NM	26.6	5.6
EV / EBITDAR	8.9	NM	23.3	5.3
EV / FCF	9.3	NM	(14.0)	6.6
Adjusted EV/EBITDAR	9.5	NM	24.2	5.6
FCF yield	9.0	(3.1)	(7.1)	14.3
Operating Ratios (%)				
Fuel/Sales	34.8	26.2	31.3	28.6
Net Rentals/Sales	1.4	1.9	1.3	1.1
Other Income / PBT	119.0	(16.4)	(18.5)	25.3
Effective Tax Rate	25.2	25.2	25.2	25.2
NWC / Total Assets	40.0	35.6	30.0	33.8
Inventory Days	3.5	7.6	7.6	7.6
Receivables (days)	2.6	5.5	5.5	5.5
Payables (days)	16.0	38.7	15.0	15.0
Net D/E Ratio (x)	(1.81)	NM	NM	NM
Return Ratios (%)				
Recurring Net Income Margins	(0.7)	(39.7)	(15.4)	8.5
RoCE	9.4	(12.0)	(5.0)	19.9
RoNW	(4.0)	NM	NM	NM
Dividend Payout Ratio	-	-	-	-
EBITDA Margins	15.7	(3.7)	9.4	27.1

Source: Company data, I-Sec research

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