

InterGlobe Aviation (INDIGO) - BUY

Company Update

Current Market Price (CMP)

Rs.1,759

Target Price

Rs.2,100

Our fair value of Rs.2,100 offers 19.4% upside from the current market price.

Rationale:

- Competitive environment at present is more benign.
- Go Air's DRHP corroborates the large cost benefits of fleet modernization. (DRHP - Draft Red Herring Prospectus)
- We cut FY22 estimates while maintaining FY23 estimates.
- We expect earnings per share (EPS) Rs129.5 in FY23E.
- Stock is trading at a PE of 13.6x FY23E EPS.

Company update:

Positives:

- Potential IPO of Go Air unlikely to increase competitive intensity.
- Share of fuel-efficient aircraft will further increase over the next two years.
- Fuel cost per ASK at current crude price is lower than FY20 average; should fall further (ASK - Available Seat Kilometers)
- Indigo is a net cash company; expect free cash flow in FY23E.

Negatives:

- We expect Indigo to report net loss in FY22E.

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For detailed report dated 18th May 2021. Note: CMP & valuation may differ due to difference in dates.



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