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Interglobe Aviation
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INITIATING COVERAGE	INDIGO IN EQUITY	July 11, 2025

Global ambitions take wing

IndiGo's plans to increase fleet capacity to >600 aircraft by CY30 backed by expansion to international long and mid-haul destinations plus established domestic market share will drive next leg of growth. Focus on underserved international routes will drive yields and increase market share in international operations in the long term. Since Elbers became CEO, IndiGo increased international footprint from 22 destinations in Sept'22 to ~40 in Mar'25. By introducing premium offering Stretch on select domestic/international routes, it's transforming from traditional LCC to hybrid model. Strong net-cash balance sheet and track record in tiding over disruptions provide confidence in IndiGo's ability to protect market share while replicating domestic success globally. 1yr DCF-based TP of ₹7,000 implies 8x 1yr fwd EV/EBITDA and 7x 1yr fwd EV/EBITDAR. Risks: Delayed fleet deliveries and aircraft on ground (AOG) issues.

Competitive position: STRONG   Changes to this position: POSITIVE

Sector consolidation drove domestic market share gains

Airlines operating in India dwindled from ~10 in 2015 to just 5. Downfall of many carriers is due to poor cost control and preference for full service carrier (FSC) model. In contrast, IndiGo leveraged low-cost, no-frills strategy and big aircraft orderbook to seize market share; commands ~64% of domestic market (FY25).

Focus on tapping underserved international markets

Increasing codeshare agreements and strong network put IndiGo in sweet spot to capture growing share of inbound/outbound traffic. IndiGo is strategically expanding into underserved Asian markets by launching routes to less-frequented destinations like Almaty, Baku, Tashkent, Tbilisi, Jakarta and Nairobi, aiming to capture growing demand in areas with minimal competition.

Plans to utilise capital effectively

IndiGo maintains 30-40% of its cash balance as 'restricted cash'. However, it now plans to utilise cash effectively by investing in aerospace parts, procuring ATR aircraft which will reduce exposure to FX losses. Furthermore, deploying more international routes would lead to booking realisations in foreign currency, leading to lower impact of FX losses and higher yields.

Valuations reasonable for steady long-term, mid-teen compounder

IndiGo trades in line with median valuation of global airlines despite superior scalability prospects. ~25% discount to domestic travel-linked plays (hotels, airports) should narrow with consistent profitability and execution. We expect 14%/17% revenue/EBITDA CAGR over FY25-28E. Current orderbook (~2.2x existing fleet) drives visibility on scalability.

Key Financials

Year to March (₹ mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	689,043	808,029	911,434	1,041,573	1,197,652
EBITDA	163,176	180,583	217,065	249,992	287,522
PAT	81,725	72,584	84,809	94,269	108,687
EPS (diluted)	211	188	220	244	282
pre-tax RoCE	18.6%	12.3%	12.1%	13.2%	13.8%
PE	28	31	27	24	21
EV/EBITDA	12.0	10.2	7.6	6.1	4.9

Source: Company, Ambit Capital research

Aviation

Recommendation

Mcap (bn):	₹2,257/US$26.3
6M ADV (mn):	₹6,705/US$78.1
CMP:	₹5,840
TP (12 Mths):	₹7,000
Upside (%):	20

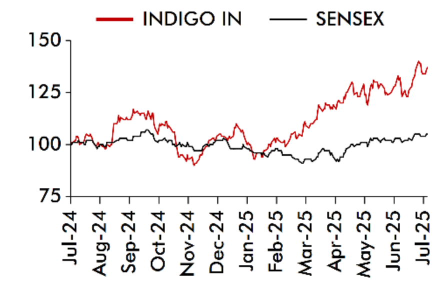
Flags

Accounting:	GREEN
Predictability:	GREEN
Earnings Momentum:	GREEN

Catalysts

- Yields to improve by ~1% to ₹5.19/5.23 in FY26/27 vs ₹5.15 in FY25.
- ASK to grow by ~12.5% in FY26E.

Performance



Source: ICE, Ambit Capital Research

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