



Interglobe Aviation Ltd. operates Indigo, which is one of the largest passenger airlines in India, with a market share of 37.4% (as of August 31, 2015). As per a report by CAPA, Indigo is the seventh largest LCC in the world by total seats (as of FY2015). Indigo started operations in August 2006 with a single aircraft and has grown its fleet size to 97 Airbus A320s with an average fleet age of 3.7 years. Presently, it operates services to 33 airports in India and to 5 international airports, with a maximum of 623 domestic flights per day. It operates on a LCC business model with particular focus on the domestic Indian air travel market, while the share of its international routes is relatively low. It has an asset light model with 22 of the current 97 aircrafts on finance lease and the remaining 75 on an operating lease. It has an order book of 430 A320neo aircrafts that are slated to be delivered over the next decade. The A320neo aircrafts are the new engine option aircrafts that have enhanced seating capacity and deliver fuel savings of up to 15%. Its bulk aircraft procurement strategy and focus on being a pure LCC enables it to maintain one of the lowest CASK (Cost per Available Seat Kilometer) ex-fuel compared to other Indian and international airline operators. CASK measures the unit costs of a carrier (total costs divided by ASK). Indigo has the lowest CASK amongst Indian carriers (for FY2014 its was US\$5.95 for IndiGo, US\$6.37 for GoAir, US\$6.68 for SpiceJet, US\$9.05 for Jet Airways and US\$9.82 for Air India). This is largely attributable to its single model fleet, well negotiated maintenance contracts, capital light business model (using operating leases primarily), better utilization rates, and low average age of its aircraft fleet (IndiGo - 3.2, GoAir - 3.9, Air Costa - 3.9, SpiceJet - 4.1, Jet Airways - 5.9, and Air India - 8.9). For FY15, company reported total revenue of Rs. 14,309 crore, with PBT and PAT of Rs. 1,836 crore and Rs. 1,296 crore respectively, owing to crude prices halving to ~US\$ 50 per barrel from ~US \$ 100 per barrel prevailing at the start of the fiscal. In Q1FY16, which is seasonally a strong quarter, coupled with crude prices remaining soft, PBT improved to Rs. 925 crore, on revenue of Rs. 4,317 crore. While FY14 witnessed 21% jump in topline, PBT nearly halved YoY to Rs. 472 crore in FY14, as rupee depreciated from Rs.54 levels in April 2013, to Rs.66 in September 2013, against the US dollar. Again, in FY12, company's PBT fell 90% YoY to Rs. 75 crore, from Rs. 715 crore in FY11, despite 45% jump in revenues, as rupee moved sharply against US\$, from sub 45 levels to about 54, between Aug 2011 to Jan 2012. Thus, on one hand FY15 and Q1FY16 profitability present a good picture; profitability took a hit FY14 and FY12 thanks to wild fluctuations in forex / crude movement. This exposes an investor to unpredictable macro risks. On an average, two-thirds of the total costs are denominated in the US dollars, while approximately half the cost is towards fuel, both beyond the company's control. However there are few more concerns: a) The Company has a negative networth of Rs. 1,394 mn as on Q1FY16 on account of significant amount paid as dividend. Apart from paying dividend, entire Capital Redemption Reserve of Rs. 1554 mn and about 80% of General Reserves, being Rs. 1539. mn, were used for issuing bonus, of 9 shares for every 1 share held, on 25<sup>th</sup> June, 2015. b) Current Liabilities of the company stood at Rs. 3,2.48 bn, with Current Assets of Rs. 3,0.68 bn (including cash balance of Rs. 22.70 bn) on that date.

At the upper end of the price band, the Company is valued at 2.1x EV/Sales and a P/E of 20x at FY15 EPS and with due consideration to factors like a) India's aviation potential as it is still underpenetrated, b) market leadership position, c) significant cost competitive advantage owing to A320 neo aircrafts, d) asset light business model, e) India's only profitable airline with profitability witnessed in last 7 years, f) management's capability to drive profitability growth, we recommend "SUBSCRIBE for listing gains" .

Issue date	Oct. 27 - 29, 2015			
Type of issue	Fresh issue of 16.6 mn shares and offer for sale of 26.1 mn shares			
Issue size	Rs. 32.69 bn at upper end of the price band			
Face Value	Rs.10			
Price Band	Rs. 700 - 765 per share			
Lot size	15 equity Shares and in multiples of 15 equity shares thereof			
Issue structure	QIB: 50%, Retail: 35% Non - Institutional: 15%			
Post issue market capitalization	Rs. 275.66 bn at upper price band			
Book Running Lead Managers	Barclays, Kotak, UBS, Citigroup, JP Morgan, Morgan Stanley			
Registrar to the issue	Karvy Computershare Pvt. Ltd.			
Y/e 31 Mar (Rs. mn)	Q1FY16	FY15	FY14	FY13
Total income	42,115	139,253	111,166	92,031
Growth (%)	-	25.3	20.8	65.4
EBITDA	9,724	18,697	5,049	8,936
EBITDA Margin (%)	23.1	13.4	4.5	9.7
Reported PAT	6,404	12,956	4,733	7,834
PAT margin (%)	15.2	9.3	4.3	8.5
Post issue EPS	18.6	37.7	13.8	22.8
P/E (x)	-	20	55	34
Equity Capital	3,437	344	344	344
Networth	(1,394)	4,262	4,207	3,891
RoE (%)	-	304	113	201
Book Value	69	12.4	12.2	11.3
P/BV (x)	11	62	63	68

Shareholding Pattern (%)	Pre Issue	Post Issue
Promoters group	100	88.15
Non promoter	-	11.85
Total	100	100



**STOCK BROKING, INVESTMENT BANKING, CORPORATE ADVISORY & INSURANCE**

**Objects of the issue**

- 1) Offer for sale proceeds will go to the Selling Shareholders – Rs. 19.96 bn;
- 2) Retirement of certain outstanding lease liabilities and consequent acquisition of aircraft – Rs. 11.65 bn;
- 3) Purchase of ground support equipment for its airline operations– Rs. 0.342 mn; and
- 4) Balance amount to be used for general corporate purposes – Rs. 0.722 bn

**Disclaimer**

Ajcon Global Services Ltd. is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Ltd. research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Ltd. is registered as Research Analyst with SEBI bearing registration Number INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Ltd. or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and five days after the publication of a research report.

We and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions in act as a principal in, and buy or sell the securities or derivatives thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

The information and opinions in this report have been prepared by Ajcon Global Services Ltd. and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Ltd. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Ltd. is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Ltd. from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Ltd. will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Ltd. accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Ltd. or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Ltd. or its associates have not received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

Ajcon Global Services Ltd. encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Ltd. or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Ltd. nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Akash Jain – MBA (Financial Markets), research analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

**Research Analyst**

**Akash Jain, MBA (Financial Markets)**

Corporate Off. : 408, Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall,  
Western Express Highway, Malad (East), Mumbai - 400 063. Tel : 91-22-67160400  
mail : research@ajcon.net Website : www.ajcononline.com



**Ajcon Global**™  
Your Friendly Advisor  
Since 1986



**STOCK BROKING, INVESTMENT BANKING, CORPORATE ADVISORY & INSURANCE**

Ajcon Global Services Ltd. or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that Akash Jain – MBA (Financial Markets) research analyst do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Ltd. may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor Ajcon Global Services Ltd. have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Ltd. by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Ajcon Global Services Ltd. and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.



**For research related queries contact:**

Mr. Akash Jain – Vice President (Research) at [research@ajcon.net](mailto:research@ajcon.net), 022-67160431 (D)

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

**Website:** [www.ajcononline.com](http://www.ajcononline.com)

**Corporate and Broking Division**

408 - (4<sup>th</sup> Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062

**Registered Office:**

101, Samarth, Off. Hinduja Hospital, 151 Lt. P.N. Kotnis Road, Mahim (West), Mumbai – 400016. Tel: 022-24460335/36/40

**Research Analyst**

**Akash Jain, MBA (Financial Markets)**

Corporate Off. : 408, Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall, Western Express Highway, Malad (East), Mumbai - 400 063. Tel : 91-22-67160400  
mail : [research@ajcon.net](mailto:research@ajcon.net) Website : [www.ajcononline.com](http://www.ajcononline.com)