Interglobe Aviation Ltd

TP: 6030 | Upside: 23% | BUY

Aviation

19th Feb, 2026

Market Cap - ₹ 1,89,440 Cr.	Current Price - ₹ 4,900	High / Low - ₹ 6,232 / 4,268	Dividend Yield - 0.20 %
EPS - ₹ 83.7	Promoter holding – 41.6%	ROE - 104 %	ROCE - 17.3 %

Key Sensitivities & External Factors

Key Aviation Affairs & Impact on IndiGo

➢ Pilot Fatigue Regulations (FDTL)

- Following a "meltdown" in December 2025 that led to ~4,500 flight cancellations, IndiGo is operating under strict DGCA scrutiny.
- **Impact**: A government-mandated 10% capacity cut remains in place through March 2026. IndiGo is now aggressively hiring 1,000+ pilots to create a robust "crew buffer" and prevent future groundings.

➢ Deployment of the Airbus A321XLR

- In January 2026, IndiGo became the first Indian carrier to induct the long-range A321XLR.
- **Impact**: This aircraft has enabled the launch of non-stop flights to Athens (January 2026) and is the cornerstone of IndiGo's plan to reach 50 international destinations by the end of the year.

➢ Entry of New Competitors

- Three new airlines—Shankh Air, Al Hind Air, and FlyExpress—are set to begin operations in 2026.
- **Impact**: These players aim to dilute the dominance of the IndiGo-Air India duopoly, specifically targeting regional tier-II and tier-III routes where IndiGo currently holds over 60% market share.

➢ Geopolitical Airspace Constraints

- Ongoing regional tensions around Iran have forced the extended cancellation of IndiGo routes to Central Asia (Tashkent, Almaty, Baku) until at least late March 2026.
- **Impact**: Rerouting long-haul flights has significantly increased fuel burn and operational costs, putting pressure on the airline's traditionally high-efficiency, low-cost model.

➢ Budget 2026 & MRO Push

- The Union Budget 2026 introduced customs duty exemptions on aircraft parts to promote domestic Maintenance, Repair, and Overhaul (MRO).
- **Impact**: IndiGo is capitalising on this by building a massive 31-acre MRO facility in Bengaluru, aiming to reduce downtime for its fleet of 400+ aircraft and lower maintenance costs previously sent abroad.

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Industry Overview

- The global aviation industry is entering a phase of stabilization and "intelligence-led reinvention" in 2026, with revenues projected to surpass $1 trillion for the first time. India remains the world's fastest-growing domestic market, on track to overtake the UK as the second-largest by the end of 2026.

Global Industry Highlights

- Profitability and Traffic: Global net profits are expected to reach a record $41 billion in 2026, with a stable net margin of 3.9%. Total passenger traffic is forecast to grow 4.9% YoY, reaching 5.2 billion passengers.
- Supply Chain Constraints: Persistent aircraft delivery delays and labor shortages continue to keep load factors at record highs (projected 83.8%), supporting yields despite rising costs.
- Technological Shift: The industry is moving from experimental AI to "Agentic AI," using autonomous systems to manage operations, predictive maintenance, and hyper-personalized retail ecosystems.
- Sustainability Hurdles: While committed to net-zero by 2050, Sustainable Aviation Fuel (SAF) is projected to cover less than 1% of total fuel consumption in 2026 due to high costs and scarcity.

- Domestic (India) Highlights
- Market Growth: India’s domestic passenger traffic is projected to rise 7–10% YoY in FY26, reaching up to 181 million. The market is currently dominated by IndiGo (63%) and Air India (28%).
- Fleet Expansion: Indian carriers have roughly 2,000 commercial aircraft on order, the highest growth percentage globally to supplement the current fleet of approximately 700.
- New Entrants: Three new airlines - Shankh Air, Al Hind Air, and FlyExpress are approved to begin operations in 2026, aiming to improve regional connectivity in Tier-II and Tier-III cities.
- Infrastructure & Policy: The Union Budget 2026 shifted focus toward domestic aerospace manufacturing and MRO (Maintenance, Repair, and Overhaul) through customs duty exemptions on parts.
- Operational Strains: Recent "stress tests," including an operational meltdown at IndiGo in December 2025 and a fatal crash in June 2025, have increased regulatory scrutiny.

Business Overview

IndiGo, formally known as InterGlobe Aviation Ltd, is India's largest airline and one of the fastest-growing carriers in Asia. Founded in 2005, with operations beginning in August 2006, the airline is headquartered in Gurgaon, Haryana. Under the leadership of CEO Pieter Elbers, IndiGo has built a reputation for punctuality, efficiency, and affordability, operating primarily as a low-cost carrier. Its business model emphasizes uniformity in its fleet, mainly consisting of Airbus A320 family aircraft, which helps reduce maintenance and training costs while maximizing aircraft utilization.

The airline commands roughly 64% of India's domestic air travel market, making it the dominant player in the industry. IndiGo operates over 2,200 daily flights to more than 130 destinations, including domestic and international routes. Its focus on operational efficiency, combined with ancillary revenue streams such as extra baggage fees, priority services, and onboard sales, has allowed the airline to maintain strong financial performance while keeping ticket prices competitive.

Expanded Business Model

IndiGo follows a classic low-cost carrier (LCC) model centered on cost leadership, high asset utilization, and simplified operations. Key pillars of its business model include:

- Single Aircraft Family Strategy

By operating primarily the Airbus A320 family (including A320neo and A321neo variants), IndiGo reduces complexity in pilot training, maintenance, spare parts inventory, and crew scheduling. This fleet commonality significantly lowers operating and capital costs.

- High Aircraft Utilization & Quick Turnarounds

IndiGo maximizes aircraft flying hours per day through efficient scheduling and quick turnaround times at airports. Faster ground handling means more flights per aircraft, increasing revenue generation without proportionally increasing fixed costs.

- Point-to-Point Network

Instead of relying heavily on hub-and-spoke systems, IndiGo focuses on direct, point-to-point routes, which reduce connection complexities and operational bottlenecks. This model supports on-time performance and lowers transit-related expenses

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- Sale-and-Leaseback Strategy

A significant portion of IndiGo's fleet is acquired through sale-and-leaseback agreements. This strategy allows the airline to maintain a modern fleet without tying up large amounts of capital, improving liquidity and financial flexibility.

- Cost Discipline and Lean Operations

IndiGo maintains tight control over operational costs, including fuel efficiency measures, digitalization of processes, standardized service offerings, and optimized staffing ratios.

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Company Financials

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	862.5	1033.4	1143.4
EBITDA	162.8	230.6	273.9
NP	23.9	80.4	96
EPS (INR)	95.4	208	248.5
Growth (%)	-49.3	118.1	19.5
BV/Sh (INR)	301	498.9	735.4
Ratios			
Net D:E	3.5	1.9	1.4
RoE (%)	35.3	52.3	40.5
RoCE (%)	15.3	24	25.1
Payout (%)	5.3	5.3	5.3
Valuations			
P/E (x)	51.5	23.6	19.8
P/BV (x)	16.3	9.8	6.7
Adj.EV/EBITDAR(x)	13.4	9.5	8.2
Div. Yield (%)	0.1	0.2	0.3
FCF Yield (%)	-0.8	2.6	-1.7

Standalone - Cash Flow Statement

(INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	-58.3	-61.7	-3.2	80.4	75.9	41.8	107.4	128.3
Depreciation	47.0	50.7	51.0	64.1	86.4	106.1	123.4	151.9
Interest & Finance Charges	11.1	16.3	31.1	41.7	50.9	15.0	-0.1	-6.3
Direct Taxes Paid	0.0	0.0	-3.9	-5.1	-4.1	-1.5	-27.0	-32.3
(Inc)/Dec in WC	-3.8	21.4	31.2	43.4	44.6	-20.0	55.9	35.7
CF from Operations	**-4.0**	**26.7**	**106.2**	**224.5**	**253.6**	**141.3**	**259.5**	**277.3**
CF from Operating incl EO	**-4.0**	**26.7**	**127.0**	**211.8**	**240.6**	**126.6**	**259.5**	**277.3**
(Inc)/Dec in FA	-67.2	-76.4	1.4	-13.2	-20.3	-142.0	-209.4	-308.8
Free Cash Flow	**-71.2**	**-49.7**	**128.4**	**198.6**	**220.4**	**-15.3**	**50.1**	**-31.5**
(Pur)/Sale of Investments	22.1	-7.4	-43.5	-109.1	-119.0	0.0	0.0	0.0
Others	10.4	7.2	1.6	4.8	11.5	44.2	54.8	59.5
CF from Investments	**-34.8**	**-76.5**	**-40.6**	**-117.6**	**-127.8**	**-97.8**	**-154.6**	**-249.4**
Inc/(Dec) in Debt	68.6	61.7	-16.7	-2.8	-0.9	-22.7	-49.0	-24.8
Interest Paid	-21.4	-23.6	-26.7	-35.0	-0.3	-59.1	-54.6	-53.2
Dividend Paid	0.0	0.0	0.0	0.0	-3.9	-1.3	-4.3	-5.1
CF from Fin. Activity	**42.7**	**38.8**	**-84.3**	**-99.8**	**-109.7**	**-83.1**	**-107.9**	**-83.1**
Inc/Dec of Cash	**4.0**	**-11.1**	**2.2**	**-5.5**	**3.1**	**-54.3**	**-3.1**	**-55.1**
Opening Balance	108.3	112.3	101.2	118.1	167.1	188.6	134.3	131.3
Closing Balance	**112.3**	**101.2**	**118.1**	**167.1**	**188.6**	**134.3**	**131.3**	**76.2**

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Standalone - Income Statement

(INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	**146.4**	**259.3**	**544.5**	**689.0**	**808.0**	**862.5**	**1,033.4**	**1,143.4**
YoY Chg (%)	-59.1	77.1	110.0	26.6	17.3	6.7	19.8	10.6
EBITDAR	**2.6**	**8.4**	**68.1**	**173.7**	**210.2**	**182.0**	**261.6**	**307.2**
Margin (%)	1.7	3.2	12.5	25.2	26.0	21.1	25.3	26.9
Aircraft & Engine Lease Rentals	2.8	3.1	3.3	10.8	30.1	19.2	30.9	33.2
EBITDA	**-0.3**	**5.3**	**64.8**	**162.9**	**180.1**	**162.8**	**230.6**	**273.9**
Margin (%)	-0.2	2.0	11.9	23.6	22.3	18.9	22.3	24.0
Depreciation	47.0	50.7	51.0	64.1	86.4	106.1	123.4	151.9
EBIT	**-47.2**	**-45.4**	**13.8**	**98.9**	**93.7**	**56.7**	**107.3**	**122.1**
Int. and Finance Charges	21.4	23.6	31.3	41.7	50.9	59.1	54.6	53.2
Other Income	10.4	7.2	14.3	23.3	33.1	44.2	54.8	59.5
PBT	**-58.3**	**-61.7**	**-3.2**	**80.4**	**75.9**	**41.8**	**107.4**	**128.3**
PBT after EO Exp.	**-58.3**	**-61.7**	**-3.2**	**80.4**	**75.9**	**27.1**	**107.4**	**128.3**
Tax	0.0	0.0	0.0	-1.2	3.3	3.2	27.0	32.3
Tax Rate (%)	0.0	0.0	0.0	-1.5	4.4	11.7	25.2	25.2
Reported PAT	**-58.3**	**-61.7**	**-3.2**	**81.7**	**72.5**	**23.9**	**80.4**	**96.0**
Change (%)	Loss	Loss	Loss	LP	-11.2	-49.2	118.1	19.5
Margin (%)	-39.8	-23.8	-0.6	11.9	9.0	4.3	7.8	8.4

Standalone - Balance Sheet

(INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	3.8	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Total Reserves	-3.1	-64.2	-66.9	15.5	89.2	111.8	187.9	278.8
Net Worth	**0.7**	**-60.4**	**-63.0**	**19.3**	**93.1**	**115.7**	**191.8**	**282.7**
Total Loans	227.9	289.6	344.8	397.6	567.5	544.8	495.8	471.0
Capital Employed	**228.6**	**229.2**	**281.7**	**416.9**	**660.6**	**662.2**	**689.2**	**755.4**
Gross Block	295.3	370.7	485.4	633.3	874.9	1,016.9	1,226.3	1,535.1
Less: Accum. Deprn.	107.2	157.9	208.9	272.9	359.3	465.4	588.7	740.6
Net Fixed Assets	**188.2**	**212.8**	**276.5**	**360.4**	**515.6**	**551.5**	**637.5**	**794.5**
Capital WIP	0.7	1.2	0.2	0.0	0.0	0.0	0.0	0.0
Total Investments	**72.9**	**80.3**	**115.1**	**164.5**	**264.0**	**264.0**	**264.0**	**264.0**
Curr. Assets, Loans&Adv.	**168.0**	**164.3**	**198.6**	**295.8**	**379.5**	**338.6**	**375.5**	**346.1**
Inventory	3.2	4.1	5.9	6.2	8.2	9.3	10.6	11.5
Account Receivables	2.2	3.3	5.2	6.4	7.4	7.9	9.5	10.5
Cash and Bank Balance	112.3	101.2	118.1	167.1	188.6	134.3	131.3	76.2
Loans and Advances	50.4	55.7	69.4	116.0	175.3	187.1	224.1	248.0
Curr. Liability & Prov.	**201.2**	**229.4**	**308.7**	**403.8**	**498.6**	**492.0**	**587.8**	**649.3**
Account Payables	15.6	31.5	32.1	31.9	41.9	47.7	54.1	58.6
Other Current Liabilities	164.2	184.6	260.7	344.2	415.7	443.7	531.6	588.1
Provisions	21.4	13.2	15.9	27.7	41.0	0.6	2.1	2.6
Net Current Assets	**-33.1**	**-65.1**	**-110.1**	**-108.0**	**-119.1**	**-153.4**	**-212.4**	**-303.2**
Appl. of Funds	**228.6**	**229.2**	**281.7**	**416.9**	**660.6**	**662.2**	**689.2**	**755.4**

➢ Revenue & Growth Trend

- Sales grow from ₹146 bn (FY21) to ₹808 bn (FY25) and further to ₹1,143 bn (FY28E).
- Strong multi-year expansion, though growth moderates post FY27.
- FY26 shows a dip in PAT (₹23.9 bn), followed by sharp recovery in FY27 (₹80.4 bn).
- **Takeaway**: The company is in a high-growth phase, transitioning from aggressive scaling to more stable expansion.

➢ Profitability Profile

- **EBITDA / EBITEBITDA** improves from negative/low levels in FY21–22 to:
  - ₹180 bn (FY25)
  - ₹274 bn (FY28E)
- EBIT expands strongly as operating leverage kicks in.

Margins improve structurally as revenue scales a sign of:

- Better cost absorption
- Strong pricing power or operating efficiency

➢ Net Profit & ROE

- PAT turns strongly positive in FY24 (₹81.7 bn).
- FY27 shows a big jump (₹80.4 bn), then moderates to ₹96 bn in FY28E.
- **ROE remains very strong:**
  - 35% (FY26E)
  - 52% (FY27E)
  - 40% (FY28E)
- **Interpretation**: High ROE + improving profits = capital-efficient growth business.

➢ Balance Sheet Strength

- Net Worth improves from negative in FY22–23 to ₹282.7 bn by FY28E.
- Capital Employed steadily rises, indicating ongoing expansion.
- However,
  - Net Current Assets remain negative
  - Working capital is stretched
  - Current liabilities are high relative to current assets

This suggests:

- Heavy reliance on operating cycle funding
- Possibly strong supplier credit.

➢ Cash Flow Analysis

Operating Cash Flow (OCF)

- Strong and rising:₹253 bn (FY25)
- ₹277 bn (FY28E)

Free Cash Flow (FCF)

Volatile due to heavy capex:Investing, Large outflows (capex heavy growth phase)

Interpretation: This is a reinvestment-heavy company prioritizing expansion over near-term free cash flow.

Key Strengths

Market Leadership & Pricing Power

IndiGo controls the majority share of India's domestic aviation market. In a price-sensitive but fast-growing market like India, scale brings major advantages:

- Strong bargaining power with airports, OEMs, and suppliers
- Better slot access at high-traffic airports
- Ability to sustain competitive fares during price wars
- Brand preference among cost-conscious travelers

In an environment where smaller airlines struggle with cost pressures and consolidation risks, IndiGo's dominant scale creates resilience.

Ultra-Low-Cost Structure

Rising fuel prices and currency volatility continue to pressure airline margins globally. IndiGo's structurally low cost base gives it a defensive edge:

- High aircraft utilization ratesQuick turnaround times
- Fleet commonality (Airbus A320/A321 family)
- Lean staffing ratios
- Strong cost discipline

This allows the airline to remain profitable even when industry margins tighten.

Strong Domestic Demand Tailwinds

India remains one of the fastest-growing aviation markets globally:

- Expanding middle class
- Infrastructure growth (new airports under UDAN/regional connectivity schemes)
- Increasing business and leisure travel
- Limited rail substitution on long routes

IndiGo is best positioned to capture this demand due to its network depth and frequency dominance.

Strategic International Expansion

IndiGo is transitioning from a purely domestic LCC to a broader regional and long-haul player:

- Expansion into Middle East and Southeast Asia
- Increasing international capacity mix
- Orders for larger aircraft (e.g., A321XLR) enabling longer routes

International routes diversify revenue and improve yields compared to hyper-competitive domestic sectors.

Diversified Revenue Streams Beyond Base Fares

While ticket sales are core, IndiGo increasingly relies on:

- Ancillary revenue (baggage, seat selection, priority services)
- Cargo operations (IndiGo CarGo)
- Charter services
- Co-branded financial partnerships
- Onboard sales

Ancillary revenue improves per-passenger yield and cushions fare volatility.

Strong Order Book & Fleet Modernization

IndiGo has one of the world's largest aircraft order books with Airbus.This provides:

- Fuel-efficient next-gen aircraft (lower CASK)
- Long-term capacity visibility
- Ability to phase out older aircraft quickly
- Competitive advantage in sustainability metrics

Fuel-efficient aircraft are especially critical amid high ATF prices and ESG scrutiny.

Scalable Growth Model

India's aviation penetration (air trips per capita) remains low compared to developed markets. As demand scales:

- IndiGo can add capacity efficiently
- Margins can improve with network maturity
- Economies of scale continue strengthening

Overall Strategic Position

Under current industry conditions — rising fuel costs, global supply chain constraints, increasing domestic demand, and airline consolidation, InterGlobe Aviation's strengths lie in:

✓ Scale dominance
✓ Cost leadership
✓ Fleet efficiency
✓ Revenue diversification
✓ Financial flexibility
✓ Structural demand tailwinds in India

These factors position IndiGo as one of the structurally strongest airlines in emerging markets, with both defensive stability and long-term growth potential.

Peer Comparison

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1	Interglobe Aviat	4900	41.76	189440.3	0.2	612.6	-21.69	23471.9	6.16	17.34
2	SpiceJet	16.77		2559.27	0	-269.27	-1104.04	1384.31	12.45	9.1
3	TAAL Tech	2958	17.93	921.8	2.19	11.58	-0.44	45.79	5.58	32.73
4	FlySBS Aviation	510.05	18.74	882.57	0	23.84	358.46	137.61	64.39	34.65
5	Global Vectra	172.8		241.92	0	-11.11	-270.33	146.93	3.05	6.66
	Median: 5 Co.	510.05	18.74	921.8	0	11.58	-21.69	146.93	6.16	17.34

Key Risks

Operational Vulnerabilities & Crew Shortages

IndiGo's highly optimized low-buffer operating model - with minimal spare crew and tight scheduling became a structural risk when regulatory changes hit. A failure to adequately prepare for stricter pilot rest norms led to one of the worst operational breakdowns in its history: thousands of flights were canceled, causing nationwide disruption and reputational damage.

Risks include:

- Inability to quickly scale pilot and cabin crew numbers when rules change.
- Dependence on lean rosters leaving little room for unexpected shortages.
- Logistical challenges adjusting schedules quickly across a large network.

Regulatory & Compliance Pressures

Recent aviation safety and duty-time regulation updates have visibly strained IndiGo's operations:

- The Directorate General of Civil Aviation (DGCA) issued show-cause notices and required detailed compliance plans.
- Continued scrutiny may lead to operational constraints or fines if future lapses occur.

This underscores a broader risk: regulatory changes can rapidly increase costs and complexity, especially when airlines have optimized heavily for past norms.

Reputational & Customer Confidence Damage

The 2025 scheduling crisis eroded public perception of IndiGo's reliability long one of its core competitive advantages. Thousands of passengers were stranded, baggage mishandled, and operational chaos made headlines nationwide.

Risks arising from this:

- Lower brand loyalty and repeat business.
- Negative social media and news coverage impacting future bookings.
- Pressure on customer service and compensation liabilities.

Financial Impact & Rising Costs

The operational meltdown has had direct financial consequences:

- Exceptional costs from refunds, compensations, and roster changes sharply reduced profits in Q3 FY26.
- Analyst reports warn that compliance with new pilot workforce requirements could increase cost per available seat-km (CASK) and compress margins if base fares remain competitive.

Higher costs in crew wages, training, and scheduling systems may persist as the industry adjusts.

Market Dominance Could Trigger Regulatory Scrutiny

IndiGo's near-monopoly position (over 60 % of domestic market) brings strategic risk:

- Government and antitrust bodies such as the Competition Commission of India are examining complaints and may investigate whether dominance harms consumer choice.
- Regulators might impose conditions on pricing, schedule approvals, or market behavior to protect broader industry health.

External Industry Headwinds

While not IndiGo-specific, the airline is exposed to broader systemic aviation risks:

- Fuel price volatility and currency swings affect operating margins.
- Global supply chain bottlenecks make aircraft and pilot training resources scarce.
- Airport congestion and seasonal weather can amplify operational disruptions.

Execution Risk in Growth Versus Stability

IndiGo's aggressive growth strategy expanding domestic and international routes could stretch managerial and operational capacity. Without sufficient investment in staffing, training, and systems, growth can magnify execution risks, especially when regulatory or economic environments shift.

Valuation and Outlook

The company has moved from losses to a strong profitability phase, driven by rapid revenue growth, improving margins, and high ROE (35–50% range). While near-term valuation appears expensive (FY26E P/E 51x), earnings are expected to scale sharply, bringing the multiple below 20x by FY28E. Cash flows remain volatile due to heavy reinvestment and working capital intensity, making this a growth-oriented rather than cash-yield story. Overall, it looks attractive for medium to long term, investors comfortable with execution risk should **Buy** at current levels.

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