NAVRATNA

RESEARCH DESK

BY NAKAMICHI SECURITIES

Dīwalī Pick 2026

Celebrating Happiness, Victory, and Unity

InterGlobe Aviation Ltd. (IndiGo)

Sector: Aviation II NSE: INDIGO II BSE:539448

Market Capitilisation	Rs 2,11,739 Cr
52 week High/Low	₹ 5,970 / 3,895
ROCE , ROE	4.92%, -30.2%
P/E	--

ABOUT COMPANY

InterGlobe Aviation Ltd. (IndiGo) is India's largest low-cost carrier, with ~67% domestic market share (Jul-26). Its Airbus narrow-body fleet of 442 aircraft (Sept-26) is backed by an orderbook of 900+ aircraft, including 60 A350s and 40 A321XLRs. It is expanding from a domestic carrier into an international and long-haul platform over FY26-30.

KEY TRIGGERS

- International expansion: IndiGo aims to recapture traffic now routed via Gulf hubs, using its Tier-2/3 feeder network and long-haul aircraft (A350, A321XLR). The target is direct international capacity at ~40% of total by FY30. Rising outbound travel (32.8m departures in CY25, +6.3%), low passport penetration (~9%) and a growing middle class support demand.
- Fleet de-risking: The Jul-26 MoU for 1,000+ CFM LEAP-1A engines (510 A320neo-family aircraft) is the largest LEAP order in CFM's history. It also includes a domestic engine MRO facility, which cushions fleet induction against the P&W GTF engine

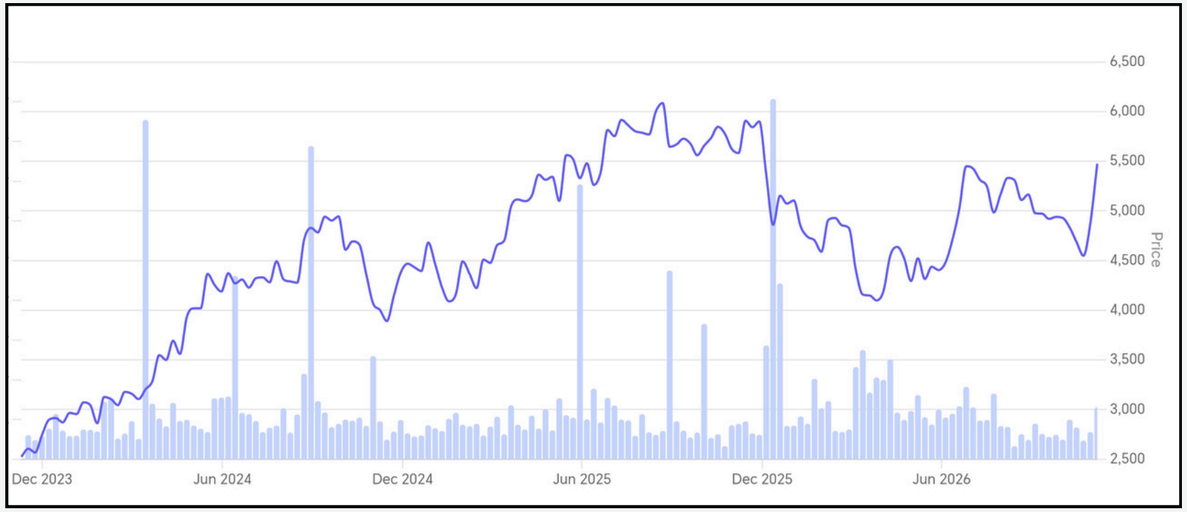
Shareholding (%)	Sept 26	Jun 26	Sept 25
Promoter	41.57	41.57	41.58
FII	19.9	31.9	28.44
DII	33.2	20.3	24.58
Govt	0.04	0.04	0.07
Others	5.23	6.2	5.32

- Market share momentum: Domestic share hit 67.4% in Jul-26, a 14-month high. Q1FY27 revenue was ₹245.8bn (+~20% y/y), with yields up ~21% y/y. EBITDAR margin fell to ~15.5% on the West Asia-led ATF spike. In Q2,PRASK: +31% YoY (beat guidance of “more than 25%”)
- Ownership shift and forex: Owned and finance-leased aircraft are ~22% of the fleet, with a 30–40% target by FY30. Hedge cover is rising from ~15% to ~33% by FY27-28E, which should narrow the gap between reported PAT and cash generation (~₹423bn cumulative FCFF over FY22-26 despite an FY26 reported loss).

TICKER	CMP	BENCHMARK	TIME HORIZON	RATING
INDIGO	5476	NIFTY 50	3-5 YEARS	**BUY**

Q2 FY27 SNAPSHOT

- Total income was ₹243bn (+24% y/y). EBITDAR was ₹25bn (around 11% margin) against ₹11bn (6%) a year ago. Reported net loss was ₹19bn (vs ₹26bn loss last year). Excluding MTM and hedging, EBITDAR margin fell ~5pp and the net loss was ~₹7bn against a ~₹1bn profit last year. Fuel CASK rose ~69% y/y (Singapore jet fuel +60%), and CASK ex-fuel ex-forex MTM was ₹3.45 (+~15% y/y), driven by 9% INR depreciation, fixed-cost under-absorption from capacity cuts and contractual escalations.



- **Pricing power intact in a soft quarter**: Q2 FY27 PRASK rose ~31% y/y (guidance was >25%) and yield rose ~34%, even as load factor slipped ~2pp. Industry seat deployment was ~5% lower y/y, and IndiGo trimmed capacity flight-by-flight (domestic ASKs flat, international ~-2.9%). Q3 PRASK is guided at >25% y/y on October trends, with flat load factor and early single-digit capacity growth.

- **Widebody damp-lease exit is margin-protective:** IndiGo ended its widebody damp-lease operations on 1 Nov, citing high fuel and rupee weakness. Management expects this to be accretive to spreads (RASK–CASK). Long-haul operating experience carries into the A350 induction in 2028, and the Amsterdam slot is being held using the A321XLR. Long-term international ambitions are unchanged, but near-term growth is "measured".
- **Liquidity and fleet de-risking**: Total cash is ₹527bn (₹399bn free, ₹128bn restricted), a buffer to ride out fuel and FX volatility. The Jul-26 CFM MoU (1,000+ LEAP-1A engines for 510 A320neo-family aircraft, plus a domestic MRO) covers future induction. Q2 saw 22 inductions (all via the GIFT City entity) against 12 exits, taking the fleet to 442 (432 at Jun-26). Hedge cover is rising from ~15% to ~33% by FY27-28E.
- **Emerging revenue levers**: Ancillary revenue per passenger rose from ~₹525 to ~₹590 in Q2, and cargo revenue grew 37% y/y. "Stretch" premium seating and the BluChip loyalty programme (approaching20Million members, 30+ partners) are early-stage and did not meaningfully drive Q2 yield, so they are forward levers.

RISKS & CONCERNS

Sustained high ATF/crude prices and geopolitical escalation remain the main risks. INR depreciation is another: each ₹1 move drives ~₹8-9bn of forex losses. Widebody exit lowers long-haul cargo capacity and defers the international build-out until the XLR/A350 ramp. Further risks are aircraft and engine delivery delays, competitive intensity, possible government fare-moderation measures, and regulatory scrutiny of airport–airline ownership.

To summarise:

- **Domestic network leadership (~67% share) with strong PRASK momentum**
- **Disciplined capacity and a de-risked fleet pipeline, with ancillary, cargo, premium and loyalty levers building**
- **Industry-leading cost base (CASK ex-fuel ex-forex ~44% below global LCC peers) and ₹399bn free cash**

Rating Methodology

EXPLAINATION OF INVESTMENT RATING	
Investment Rating	**Expected Return (over 12 months)**
BUY	>=15%
SELL	<-10%
NEUTRAL	-10% TO <15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock

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Sources: Investor Presentation, Interglobe Aviation concall, MOFSL report

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