

INTERGLOBE AVIATION LIMITED (INDIGO): Very Good IPO Note: Making Profit since 2009 Ranking:***

Issue details

Price band (Rs)	Rs. 700 - Rs. 765
IPO Opening Date	27-10-2015
IPO Closing Date	29-10-2015
Issue Size	Rs. 1,272.20 Crore

Recommendations

The Indigo is only aviation company which makes profit while other peer companies like Jet Airways and Spicejet making losses. Indigo Airlines IPO has been the most awaited IPO of the recent years. However, terms of the IPO have significantly changed to benefit the existing shareholders of the company at the expense of new share holders. Offer price has been increased significantly and the company has distributed dividend to the existing shareholders bringing the net worth to the negative territory. Promoters are also selling fewer shares in the IPO compared to the original DRHP filing details.

While this has been viewed in a negative light by the subscribers looking to make listing gains from the IPO, we believe long-term investors should subscribe to the IPO. The company operates with one of the most efficient cost structures in the industry globally. It has proven track record of their capital expense strategies as well as consistently generating returns for the shareholders. Even during the high fuel cost regime, the company generated profits and grew to be the largest low-cost carrier of the country. There are no other aviation companies that can match the performance of Indigo Airlines. India's per-capita air travel stands at 0.08, which is even lower than the the average of 0.35 to 0.65 of countries like Brazil, Turkey, Russia & China. **This shows the fantastic growth opportunities available in this sector in India. In summary, with long-term horizon, we recommend investing in IPO of Indigo Airlines' parent company Interglobe Aviation.**

Highlights

- InterGlobe Aviation Ltd, owner of India's biggest airline IndiGo
- India's largest airline by passengers, IndiGo, has posted record profits last fiscal, making FY15 its seventh profitable year of operation in a row.
- Reported a record net profit of Rs.1295 crore for the year ended 31 March 2015—a fourfold jump over the previous year.
- IndiGo, has been consistently profitable since 2009.
- At present, the airline is operating a fleet of 97 planes and offering 648 flights a day.
- On 15 August, IndiGo confirmed an order to buy as many as 250 Airbus A320neo single-aisle jets. At list price, the order is worth \$26.5 billion.

Financial Valuations

In FY15, the company has posted net profit of Rs.1295 crore on income of Rs.14309 crore. It reported EPS of Rs.37.69. For Q1 of current fiscal it has posted net profit of Rs. 640.44 cr. on a turnover of Rs. 4317.20 cr. If we annualized and attribute to fully diluted equity post IPO, EPS will be around Rs. 70.00. The company has total debt of Rs.3912 crore as on June 2015. At the upper price band of Rs.765, the company offers shares at PE of 10.92.

Company Introduction

Company Profile

InterGlobe Enterprises is a leader in aviation, hospitality and travel related services, growing the market through innovation and service leadership. We build businesses and represent global brands that deliver quality and value. Established in 1989, with headquarters in



WWW.interglobe.com

Financial Summary

Particulars	FY2012	FY2013	FY2014	FY2015
Total Income	5708.62	9440.23	11432.12	14309.14
Net Profit	140.59	783.35	474.44	1295.58
EPS (Rs)	4.09	22.79	13.80	37.69

Source: Ace Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Gurgaon, today InterGlobe has a network of 126 offices across 59 cities globally. InterGlobe employs more than 17,000 professionals across its businesses which include IndiGo (InterGlobe Aviation, InterGlobe Technologies, InterGlobe Air Transport, InterGlobe Technology Quotient, InterGlobe Hotels and InterGlobe Education. IndiGo was set up in early 2006 by Rahul Bhatia of InterGlobe Enterprises and Rakesh Gangwal, a United States-based NRI. InterGlobe holds 51.12% stake in IndiGo and 48% is held by Gangwal's Virginia-based company Caelum Investments. IndiGo was expanding rapidly and was the only profitable airline in India. IndiGo strongly adheres to a low-cost model, buying only one type of aircraft and keeping operational costs as low as possible along with an emphasis on punctuality. IndiGo added a new plane every six weeks and sometimes even faster.

Recent Development

IndiGo, which operates a fleet of around 100 planes, last month finalised the purchase of 250 Airbus A320neo aircraft, the European planemaker's largest-ever order and the latest in a series of huge orders made by the airline as it pushes to grab a bigger share of the Indian market.

Issue Proceed

To meet the funding for retirement of certain outstanding lease liabilities and consequent acquisition of aircrafts, purchase of ground support equipments and meet other corpus funding, the company is coming out with a maiden IPO of approx. 1.66 crore equity share of Rs. 10 each in a price band of Rs. 700-765 to raise Rs. 1272.20 crore. It is also having offer for sale of 26112000 shares by existing stakeholders. Thus the overall issue size is for Rs. 3270 crore at the upper price band. IAL plans to reserve permissible quota for eligible employees and they will be offered discount equivalent to 10% on the final price.

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