26 November 2026

IndiGo

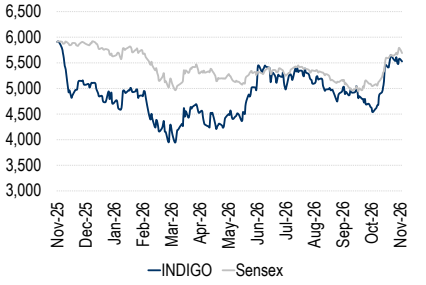
Macro tailwinds to support margin recovery from Q4FY27; maintain BUY

Rating: **BUY**
Target Price: Rs.6,600
Share Price: Rs.5,720

Key Data	INDIGO IN / INGL.BO
52-week high / low	Rs5959 / 3895
Sensex / Nifty	83938 / 25819
Market cap	Rs2136bn
Shares outstanding	387m

Shareholding Pattern (%)	Sep'26	Jun'26	Mar'26
Promoters	41.6	41.6	41.6
- of which, Pledged	-	-	-
Free float	58.4	58.4	58.4
- Foreign institutions	19.9	20.3	21.6
- Domestic institutions	33.3	31.9	31.2
- Public	5.2	6.2	5.6

Relative Price Performance



Source: Bloomberg

Recent decline in crude oil prices and INR appreciation directly address the two primary cost concerns that has been weighing on InterGlobe Aviation over last few quarters. While the airline demonstrated strong top-line performance and pricing power over the past two quarters, bottom-line and margin were compressed by a surge in Aviation Turbine Fuel (ATF) prices and forex mark-to-market (MTM) losses. On the backdrop of reversal in crude oil prices in Nov-26 along with appreciation in INR creating a favourable setup, we expect the company's margin to recover from Q4FY27/Q1FY28 onwards, as ATF prices revisions in India operate on a built-in lag of roughly up to 1 month. We believe Indigo will be the biggest beneficiary of macro tailwinds, as it has a dominant market position, a strong balance sheet (~Rs399bn of free cash as of Q2FY27), low competition (rivals face operational and financial stress) and a large OB of >900 aircrafts (vs. ~513/196/120 for AI/Akasa/SpiceJet). We introduce our FY29 estimates and continue to remain positive on IndiGo's long-term growth prospects. Accordingly, we maintain BUY rating on the stock with a revised TP of Rs6,600 (from Rs5,550 earlier), valuing it at 9x FY29e EBITDA (vs. 9.5x FY28e EBITDA previously).

Macro Tailwinds

- **Falling Crude Oil Prices:** Crude oil prices declined by over ~20-22% in Nov-26, from the of $104/barrel to $82–$85/barrel range. As fuel accounts for ~38-43% of IndiGo's cost base, lower ATF prices provide operating leverage.
- **INR Appreciation:** The INR appreciated by over 1.6% from the lows of ~94.19 in mid-Nov-26 to ~92.20-92.62 per USD recently. A stronger INR reduces dollar-denominated lease rentals, maintenance expenses and reverses MTM loss ($1 appreciation has impact of ~Rs9bn) that heavily dragged the company's net profit in last couple of quarters.
- **Unmatched Liquidity Cushion:** IndiGo maintains an incredibly robust balance sheet to weather the storm, with a total cash balance of ~Rs526.9bn, including ~Rs399.3bn in free cash.

Outlook and Valuation: Looking ahead, we expect the company's ASK (capacity) to clock ~10% CAGR over FY26-29e, on the back of ~50 aircraft addition/annum from FY28 (the company had guided to add ~1 aircraft/week till FY30). With load factors hovering at ~85%, we expect RPK (utilisation) to grow at par with ASK. As a result, passenger ticketing revenue is expected to clock 13.3% CAGR alongside ~13.8% expansion in ancillary revenue. With falling fuel prices, we expect strong margin recovery from Q4FY27/28e onwards. Accordingly, we expect the company's EBITDA to clock ~15.7% CAGR over FY26-29e, while EBITDA margin is expected to remain stable at ~25-27%. We maintain BUY rating on the stock with a revised TP of Rs6,600 (from Rs5,550 earlier), valuing it at 9x FY29e EBITDA.

Key Risks: (a) Rise in ATF prices; (b) INR depreciation; (c) delay in aircraft deliveries; and (d) external factors like pandemic/war.

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Quick Glance – Financials and Valuations

Fig 1 – Income Statement (Rs m) (pre-Ind AS)

Y/E Mar	FY25	FY26	FY27e	FY28e	FY29e
Net revenue	**8,08,029**	**8,49,619**	**10,06,720**	**10,98,337**	**12,16,759**
Growth (%)	17.3	5.1	18.5	9.1	10.8
Fleet Size	**434**	**441**	**471**	**501**	**553**
Operating cost	4,37,334	4,55,168	6,77,218	5,88,439	6,32,616
SG&A	1,43,830	1,64,013	1,90,130	2,10,620	2,25,912
EBITDAR	**2,26,865**	**2,30,438**	**1,39,372**	**2,99,279**	**3,58,230**
Rental Expenses	30,103	20,847	21,833	24,779	33,887
EBITDA	**1,96,762**	**2,09,591**	**1,17,539**	**2,74,500**	**3,24,343**
EBITDA margin (%)	24.4	24.7	11.7	25.0	26.7
Depreciation	-86,802	-1,08,082	-1,18,263	-1,34,218	-1,46,843
Other income*	16,774	-62,206	50,631	48,839	55,183
Interest expenses	-50,800	-58,908	-65,499	-74,336	-81,328
PBT	75,934	-19,605	-15,592	1,14,785	1,51,355
*Effective tax rates (%)***	4.4	-22.1	-6.0	-6.0	-6.0
+Associates / (Minorities)	-	-	-	-	-
Net income	72,584	(23,936)	(16,528)	1,07898	1,42,274
WANS	386	387	387	387	387
FDEPS (Rs)	187.9	-62	-43	279	367.6

**incl. forex gain/loss & exceptional items **majorly tax paid on other income*

Fig 2 – Balance Sheet (Rs m)

Y/E Mar	FY25	FY26	FY27e	FY28e	FY29e
Share capital	3,864	3,866	3,866	3,866	3,866
Net worth	93,682	69,711	53,183	1,61,081	3,21,517
Debt	18,000	18,063	18,063	18,063	18,063
Deferred tax liability	-	-	-	-	-
Lease & long-term liabilities	7,22,575	9,07,437	9,70,224	10,68,512	11,57,203
Capital employed	**8,34,257**	**9,95,374**	**10,41,633**	**12,47,819**	**14,96,783**
Net tangible assets	26,779	1,10,871	1,25,221	1,40,617	1,57,766
Net intangible assets	322	366	366	366	366
Goodwill	-	-	-	-	-
Right of use assets	4,90,739	5,20,540	5,85,701	6,71,206	7,35,120
CWIP (tang. & intang.)	7	387	387	387	387
Investments (strategic)	-	-	-	-	-
Investments (financial)	1,33,557	1,48,565	1,48,565	1,48,565	1,48,565
Current assets (excl. cash)	3,17,402	3,39,299	3,42,229	3,43,937	3,46,146
Cash	1,89,629	2,39,993	2,13,039	3,21,997	4,94,646
Current liabilities	3,24,178	3,64,647	3,73,875	3,79,256	3,86,212
Working capital	-6,776	-25,348	-31,646	-35,319	-40,067
Capital deployed	**8,34,257**	**9,95,374**	**10,41,633**	**12,47,819**	**14,96,783**

Fig 3 – Cash-flow Statement (Rs m)

Y/E Mar	FY25	FY26	FY27e	FY28e	FY29e
PBT	75,935	-19,605	-15,592	1,14,785	1,51,355
+ Non-cash items	1,24,726	2,36,399	1,29,831	1,49,716	1,62,988
Oper. prof. before WC	2,00,661	2,16,794	1,14,239	2,64,500	3,14,343
- Incr. / (decr.) in WC	45,177	20,473	6,298	3,673	4,747
Others incl. taxes	-4,325	-2,568	-936	-6,887	9,081
Operating cashflow	2,41,513	2,34,699	1,19,601	2,61,286	3,28,172
- Capex	-16,048	-17,101	-20,263	-22,107	-24,491
Free cashflow	2,25,465	2,17,598	99,338	2,39,179	3,03,681
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	-4,661	-3,865	-	-	-
+ Equity raised	4	2	0	-	-
+ Debt raised	-917	63	-	-	-
- Fin investments	-1,14,887	-10,404	-	-	-
- Misc. (CFI + CFF)	-1,06,018	-2,01,052	-1,26,292	-1,30,221	-1,31,032
Net cashflow	-1,014	2,342	-26,954	1,08,958	1,72,649

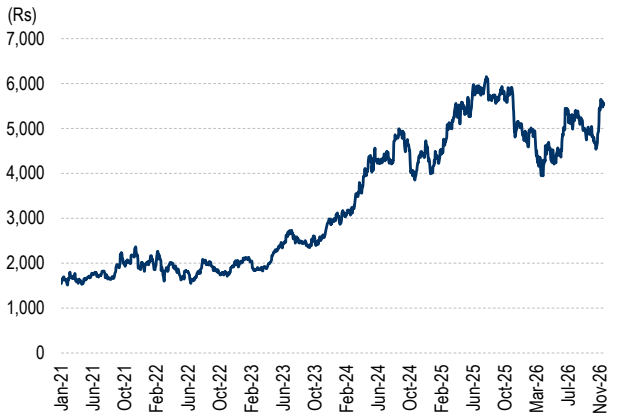
Source: Company, Anand Rathi Research

Fig 4 – Ratio Analysis

Y/E Mar	FY25	FY26	FY27e	FY28e	FY29e
P/E (x)*	30.7	NA	NA	20.6	15.6
EV / EBITDA (x)	12.7	11.9	21.2	9.1	7.0
EV / Sales (x)	3.1	2.9	2.5	2.3	2.1
P/B (x)	23.8	31.9	41.8	13.8	7.3
RoE (%)	127.7	-29.3	-26.9	100.7	61.3
RoCE (%) - after tax	15.4	13.5	-0.1	13.3	13.9
RoIC (%) – after tax	20.8	17.7	-0.1	17.4	19.8
DPS (Rs)	10.0	-	-	-	-
Dividend yield (%)	0.20	-	-	-	-
Dividend payout (%) - incl. DDT	6.4	-	-	-	-
Net debt / equity (x)	2.5	4.0	6.7	2.2	0.9
Receivables (days)	3	3	3	3	3
Inventory (days)	4	4	4	4	4
Payables (days)	19	21	21	21	21
CFO: EBITDA %	122.8	112.0	101.8	95.2	101.2

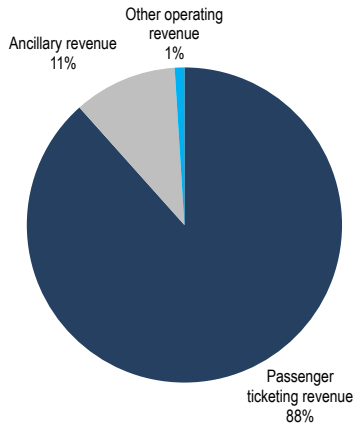
*Source: Company, Anand Rathi Research *inclusive of forex impact*

Fig 5 – Price Movement



Source: Bloomberg

Fig 6 – Segment-wise Revenue-mix Q2FY27



Source: Company

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Fig 7 – Valued at 9x FY29e EBITDA

(Rs m)	FY29e
Target EV/EBITDA (x)	9
EBITDA (Rs m)	3,24,343
Target EV (Rs m)	29,83,958
Net Debt (Rs m)	4,24,926
Market Cap (Rs m)	25,59,032
Shares O/S (m)	387
Expected Share Price (Rs)	**6,600**
CMP (Rs)	**5,720**
Upside (%)	**15.4%**

Source: Anand Rathi Research

Key Risks

- Rise in ATF prices.
- INR depreciation.
- Delay in aircraft deliveries.
- External factors like pandemic/war.

Appendix

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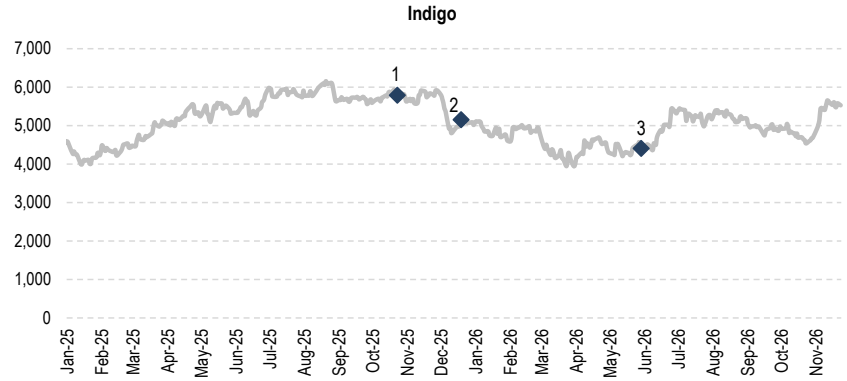

	Date	Rating	TP (Rs)	Share Price (Rs)
1	27-Oct-25	Buy	7,000	5,773
2	19-Dec-25	Buy	6,450	5,118
3	31-May-26	Buy	5,550	4,406

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