India

Neutral *(no change)*

Highlighted Companies

Container Corp of India Ltd

ADD, TP Rs940, Rs661 close

We expect sharp volume growth for Container Corporation over FY24F-25F, driven by the shift of cargo from road to rail after the commissioning of the Dedicated Freight Corridor (DFC).

Gujarat Pipavav Port Ltd

ADD, TP Rs148, Rs120 close

Going ahead, connectivity to the DFC is likely to boost GPPV in FY24F-25F while JNPT could be connected to the DFC in two years.

InterGlobe Aviation Ltd

REDUCE, TP Rs1600, Rs2460 close

We factor in a yearly growth of 13% in ASK and RPK over FY23F-25F. We value the business at 9.5x FY25F EV/EBITDAR.

Summary Valuation Metrics

P/E (x)	Mar22-F	Mar23-F	Mar24-F
Container Corp of India Ltd	38.28	32.79	25.54
Gujarat Pipavav Port Ltd	30.06	17.85	14.5
InterGlobe Aviation Ltd	-15.35	-34.94	-153.85

P/BV (x)	Mar22-F	Mar23-F	Mar24-F
Container Corp of India Ltd	3.74	3.46	3.16
Gujarat Pipavav Port Ltd	2.86	2.78	2.65
InterGlobe Aviation Ltd	-15.7	-10.83	-10.12

Dividend Yield	Mar22-F	Mar23-F	Mar24-F
Container Corp of India Ltd	1.36%	0.91%	1.17%
Gujarat Pipavav Port Ltd	4.01%	4.57%	5.21%
InterGlobe Aviation Ltd	0%	0%	0%

Transport Infra - Overall

1QFY24 results review

- Major ports (MPs) + Adani Ports (APSEZ) cargo grew 5% yoy in Jul 2023. We have an ADD rating on Gujarat Pipavav (GPPV) and APSEZ.
- Rail export-import container cargo (tkm) rose by 11.8% yoy in Jul 2023. ADD Concor, REDUCE VRL Logistics (VRL) & BlueDart Express (BDE).
- In Jul 2023, IndiGo's passenger load factor (PLF) and tariff have declined sharply. We have a REDUCE rating on IndiGo (InterGlobe Aviation).

Ports: Tepid growth in Jul 2023 – ADD Gujarat Pipavav, APSEZ

Major ports (MPs) + APSEZ cargo grew 5% yoy in Jul 2023. For **APSEZ (ADD; TP Rs823),** ex-acquisitions, we expect a 12% EBITDA CAGR (FY20-24F). Our target price implies 11.6x FY25F EV/EBITDA (10% discount to five-year avg.). APSEZ has appointed M/s. M SKA & Associates, Chartered Accountants, as its auditor. MSKA is an independent member firm of BDO International, a Top-6 global audit firm. This follows the resignation of Deloitte as statutory auditor. Connectivity to the Dedicated Freight Corridor or DFC may boost **GPPV (ADD; TP Rs148)** in FY24F, while JNPT could be connected to the DFC in 1.5-2 years. We forecast an 18% EBITDA CAGR (FY23-25F).

Logistics: ADD Container Corporation; REDUCE VRL and BDE

In Jul 2023, Indian Railways (IR) export-import (EXIM) container cargo rose 11.8% yoy (vs. 3.7% yoy growth in 1QFY24). The weak 1QFY24 of IR and Container Corporation or Concor was because, in Jun 2023, rail container cargo (tkm) declined 6.5% yoy due to precautions after the train accident in Odisha on 2 Jun 2023. We expect a sharp volume growth for **Concor (ADD; TP Rs940)** over FY23-25F, driven by the shift in cargo from road to rail after the start of the DFC. Over FY20-22, **BDE's (REDUCE; TP Rs6,100)** EBITDA grew 2x, driven by low competition in the air cargo segment (70% of revenue) as competing airlines carrying belly cargo were hamstrung by the Covid-19 pandemic (FY21-22). We expect BDE's EBITDA margin to decline to 16.4% due to intense competition in the air cargo business (like in 3QFY23-1QFY24). We value BDE at 14x FY25F EV/EBITDA. We expect **VRL Logistics' (REDUCE; TP Rs426)** GT segment's EBITDA margin to fall from 15.6% in FY23 to 14.2% in FY25F due to commissioning of the DFC in FY24F-25F. We factor in a 7% GT volume CAGR (FY23-25F). We value VRL at 10x EV/EBITDA FY25F.

Aviation: Sharp dip in PLF (Jul 2023); REDUCE IndiGo (TP Rs1,600)

Indian aviation sector's domestic PLF dipped by 652bp MoM in Jul 2023. While Jul month comes under a lean tourist season, we feel the MoM fall in Jul 2023 was more than the average fall over Jul 2017, 2018 and 2019 (149bp). Further, the domestic industry's PLF in Jul 2023 was at 84.3%, lower than the average over Jul 2017, 2018 & 2019 (85.4%). In IndiGo's 1QFY24 con-call, management stated that the yield declined 13-19% between 1QFY24 till now and attributed it to 2Q being a seasonally weak quarter. However, over FY18-20, in 2Q, tariff declined by just 8% qoq. We believe the sharp dip in PLF in Jul 2023 and the decline in IndiGo's tariff was not only due to seasonality (Jul month comes under a lean tourist season) but it signals a rise in competition and an end to supernormal profit after the stoppage of GoAir in May 2023. We factor in a yearly growth of 13% in IndiGo's ASK and RPK over FY23-25F. We value the business at 9.5x FY25F EV/EBITDAR.

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Figure 1: 1QFY24 results summary

(Rs m)	Revenue	yoy %	qoq %	EBITDA	yoy %	qoq %	Adj. PAT	yoy %	qoq %
Adani Ports	62,476	24	8	37,537	14	15	21,056	-12	-8
Gujarat Pipavav	2,149	3	-8	1,128	0	-16	746	11	-18
Concor	19,193	-3	-11	4,016	-15	-20	2,517	-14	-22
VRL Logistics	6,742	10	-3	1,019	12	-11	339	-13	-44
BlueDart Express	12,376	-4	2	1,907	-29	-4	613	-48	-12
IndiGo	1,66,831	30	18	48,518	140	94	29,711	728	348
SpiceJet	20,036	-18	-7	2,690	na	na	2,012	na	na

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Ports, logistics & aviation: 1Q results review

Figure 2: Results summary

Company	1QFY24	1QFY23	yoy %	4QFY23	qoq %
Adani Ports (Consolidated)					
Sales (Rs m)	62,476	50,581	23.5	57,969	7.8
SEZ EBITDA (Rs m)	50	60	(16.7)	220	(77.3)
EBITDA (Rs m)	37,537	32,905	14.1	32,713	14.7
EBITDA excluding SEZ (Rs m)	37,487	32,845	14.1	32,493	15.4
EBITDA margin %	60.1	65.1		56.4	
Cargo volume (mt)	101.4	90.9	11.6	86.3	17.5
Adj. PAT (Rs m)	21,056	23,956	(12.1)	22,851	(7.9)
Gujarat Pipavav (Standalone)					
Sales (Rs m)	2,149	2,082	3.2	2,347	(8.4)
EBITDA (Rs m)	1,128	1,133	(0.4)	1,339	(15.7)
EBITDA margin %	52.5	54.4		57.1	
Cargo volume (mt)	3.8	3.9	(0.4)	3.9	(1.4)
Adj. PAT (Rs m)	746	669	11.5	908	(17.9)
Concor (Standalone)					
Sales (Rs m)	19,193	19,783	(3.0)	21,660	(11.4)
EBITDA (Rs m)	4,016	4,723	(15.0)	4,997	(19.6)
EBITDA margin %	20.9	23.9		23.1	
Volume handled (k TEU)	1,094	1,013	8.0	1,119	(2.3)
Adj. PAT (Rs m)	2,517	2,913	(13.6)	3,207	(21.5)
VRL Logistics (Standalone)					
Sales (Rs m)	6,742	6,143	9.8	6,982	(3.4)
EBITDA (Rs m)	1,019	913	11.6	1,141	(10.7)
EBITDA margin %	15.1	14.9		16.3	
Adj. PAT (Rs m)	339	391	(13.3)	605	(44.0)
BlueDart Express (Consolidated)					
Sales (Rs m)	12,376	12,933	(4.3)	12,166	1.7
EBITDA (Rs m)	1,907	2,672	(28.6)	1,992	(4.3)
EBITDA margin %	15.4	20.7		16.4	
Adj. PAT (Rs m)	613	1,188	(48.4)	694	(11.7)
IndiGo (Standalone)					
Sales (Rs m)	1,66,831	1,28,553	29.8	1,41,606	17.8
EBITDA (Rs m)	48,518	20,220	140.0	24,955	94.4
EBITDA margin %	29.1	15.7		17.6	
Adj. PAT (Rs m)	29,711	3,590	727.6	6,632	348.0
SpiceJet (Consol)					
Sales (Rs m)	20,036	24,568	(18.4)	21,451	(6.6)
EBITDA (Rs m)	2,690	(316)	na	(757)	na
EBITDA margin %	13.4	(1.3)		(3.5)	
Adj. PAT (Rs m)	2,012	(4,196)	na	(674)	na

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Ports (Jul 2023): yoy decline in coal volume at major ports was partly due to the high base ➤

Jul 2023 cargo at major ports (MPs) + Adani Ports or APSEZ (ex-Gangavaram) grew 5% yoy (vs. a 4% yoy rise in 1QFY24). The growth in 1QFY24 was driven by coal cargo (up 10% yoy).

Jul 2023 MP cargo grew 4% yoy (vs. a 2% yoy rise in 1QFY24). The 4% yoy rise was on a high base as Jul 2022 MPs' cargo was up 15.1% yoy. Further, MPs' cargo in FY23 was 9.5% higher than in FY22.

Coal cargo at MPs fell 21% yoy as thermal coal declined 35% yoy. The decline was on a high base as Jul 2022 coal cargo rose 53% yoy. Further, cargo in FY23 was ~30% higher than in FY22. This was in line with our thesis (link to the report: Port sector report 11 Jun 2022).

Container cargo at MPs rose 11% yoy and the volume at JNPT (key container port among MPs) rose 3.8% yoy (vs. a 1.4% yoy growth in 1QFY24). Petroleum, oil and lubricants cargo rose 4% yoy.

APSEZ's Jul 2023 volume was at 34mt (including Gangavaram and Haifa). Its Jul 2023 volume rose 5% yoy and was 23% higher than the run-rate in 2HFY23 (26.9mt).

Figure 3: Major ports and Adani Ports volume – Jul 2023

	Volume (mt)		Growth %		
	1QFY24	Jul 23	1QFY24	Jul 23	
			(yoy)	(yoy)	(mom)
Major Ports	**200**	**66**	**2**	**4**	**(0)**
POL	59	21	(1)	4	1
Iron Ore	14	4	18	90	2
Fertilizer	5	2	37	41	5
Coal-Thermal	35	9	10	(35)	(19)
Coal-Coking	15	5	7	22	6
Container	44	15	2	11	9
Others	29	11	(13)	18	0
Adani Ports (ex-GPL)	**89**	**30**	**9**	**5**	**(0)**
Container	34		7		
Crude	6		(34)		
Coal	34		12		
Others	16		41		
Major Ports + Adani Ports	**289**	**96**	**4**	**5**	**(0)**
Container	78		4		
Crude	66		(5)		
Coal	83		10		
Others	63		**6**		

SOURCE: INDIAN PORTS ASSOCIATION, INCRED RESEARCH, COMPANY REPORTS

APSEZ: Steady EBITDA growth, in line with volume: Ports' EBITDA grew 11% yoy. Mundra's port EBITDA rose 13% yoy and EBITDA/t increased 17% yoy. Ex-Mundra, ports' EBITDA grew 10% yoy, with EBITDA/t declining 11% yoy. As a result, blended port EBITDA/t was flat yoy. APSEZ maintained its guidance for 370-390mt cargo, Rs240-250bn revenue, Rs145-150bn EBITDA and a capex of Rs40-45bn. This is in line with our estimates of 380mt cargo (up 12% yoy) and Rs146bn EBITDA (up 14% yoy). Our volume growth estimate for APSEZ in FY24F is higher than our estimate for the sector (up 7% yoy).

GPPV: Strong results, adjusted for disruption due to cyclone: 1QFY24 was disrupted for 16 days due to cyclone Biparjoy. In this context, flat volume yoy/ qoq was impressive. EBITDA was flat yoy and the margin was 52.5% (vs. 54.4% yoy). Sales grew 3% yoy, despite a flat volume. Containers (199kTEU; 75% of total cargo) grew 7% yoy. Bulk cargo (0.9mt) declined 17% yoy (lower coal and fertilizer), as UltraTech Cement's jetty (close to GPPV), which was damaged by a cyclone in 1-2QFY22, regained volume. GPPV has added three services which would contribute 32kTEU pa (4% of current container cargo run-rate of 800kTEU pa). In 1QFY24, JNPT + Mundra + GPPV's container cargo (3.4mTEU) grew 4% yoy.

Railways (Jul 2023): Surge in EXIM container cargo by 11.8% yoy

Rail cargo (tkm) declined 3.5% yoy (vs. 3.5% yoy fall in 1QFY24) but container cargo (tkm) rose 9.6% yoy (vs. 0.9% yoy growth in 1QFY24).

EXIM (export-import) container cargo rose 11.8% yoy (vs. 3.7% yoy growth in 1QFY24). We believe this was due to commissioning of the Dadri-to-Rewari stretch of Indian Railways' Dedicated Freight Corridor or DFC in May 2023. This augurs well for Concor's volume growth in 2QFY24F.

The gap between volume growth of Concor and Indian Railways (IR) narrowed from 1511bp in FY23 to 339bp in 1QFY24. Concor's originating cargo (TEU km) dipped 2.5% yoy (vs. a 6.1% yoy dip in FY23). IR's performance in containers in 1QFY24 was similar – cargo rose 0.9% yoy (vs. 9% yoy rise in FY23).

The weak 1QFY24 of IR and Concor was because, in Jun 2023, rail container cargo (tkm) declined 6.5% yoy due to precautions after the train accident in Odisha on 2 Jun 2023. In this context, the weak volume of Concor is understandable.

Figure 4: Railway cargo volume – Jul 2023

	1QFY24	qoq growth %	Jul 23	Jul 23 mom growth %
Total Rail Cargo (mt)	384	(4.7)	124	0.7
yoy growth %	1.1		1.5	
Total Rail Cargo (mtkm)	2,20,509	(6.5)	**71,791**	2.9
yoy growth %	(3.5)		(3.5)	
Rail Container (mt)	20	(8.0)	7.2	20.1
yoy growth %	0.6		8.5	
Rail Container - EXIM (mt)	15	(6.9)	5.6	24.9
yoy growth %	1.7		10.6	
Rail Container (mtkm)	16,610	(9.8)	**6,082**	18.5
yoy growth %	0.9		9.6	
Rail Container - EXIM (mtkm)	10,887	(6.7)	4,064	23.5
yoy growth %	3.7		11.8	
Concor (m TEU) originating	0.57	(6.2)		
YoY growth %	(5.4)			
Concor EXIM (m TEU) originating	0.5	(3.6)		
YoY growth %	(6.1)			

SOURCE: MINISTRY OF RAILWAYS, INCRED RESEARCH, COMPANY REPORTS

Concor: Keep the faith!: Sales declined 3% yoy due to a 2.5% yoy dip in originating volume (TEU km). Gross margin (44%) was similar yoy, despite higher empty loss/sales (6% vs. 5.3% yoy). The EBITDA margin (20.9%) declined by 295bp yoy due to higher land license fee (LLF) and the impact of fixed costs on lower volume. LLF (Rs1.3bn) was higher yoy and qoq. Concor mentioned that this includes Rs0.1bn for the prior period. Removing the same, the increase in LLF (Rs0.2bn qoq) was due to a revision of LLF at Tughlakabad. Thus, Concor raised the LLF guidance for FY24F from Rs4.3bn to Rs5bn.

VRL Logistics: Weak volume and margin: EBITDA declined 11% qoq as the margin fell by 122bp and the volume declined 4%. The EBITDA margin dip qoq was due to (a) volume dip, and (b) flat tariff. While VRL is optimistic of a 15-20% GT volume CAGR over two-to-three years, average quarterly volume CAGR of 3QFY22-1QFY24 (vs. FY20 – pre-Covid) was just 7.2%. VRL expects a capex of Rs4.8bn in FY24F. VRL will scrap 13kt capacity, resulting in a 20% net capacity addition.

BDE: Weak volume, margin & air market share: Consolidated sales fell 4% yoy (vs. 3% yoy volume growth). Thus, blended tariff fell 7% yoy. It is disconcerting that the tariff, after plateauing in the last two quarters, fell 3% qoq. As a result, EBITDA fell 29% yoy. The EBITDA margin dipped by 525bp yoy to 15.4%, below our margin estimate for FY25F (16.4%). This was the fifth consecutive quarter of margin decline, and in line with our thesis. However, the silver lining is that the pace of qoq decline abated from 351bp in 1QFY23 to 97bp in 1QFY24.

Aviation: Sharp decline in industry domestic PLF (Jul 2023) on a month-on-month (MoM) basis ➤

Jun 2023 traffic – We did not compare with Jun 2020 as the Covid-19 pandemic started in Mar 2020, but we compared with daily Feb 2023 numbers: Daily domestic traffic was 3.7% lower than in Feb 2023 (Feb 2023 was 2% below Feb 2020). Daily international traffic of Indian carriers was 3.1% higher (Feb 2023 was 10% higher than in Feb 2020 due to start of the Covid-19 pandemic in Feb 2020 – down 16% MoM).

Figure 5: Air traffic (passengers) and RPK (ex-Alliance Air)

(m)	1QFY23	2QFY23	3QFY23	4QFY23	Apr 23	May 23	Jun 23	Growth in daily traffic (Jun 23 vs. Feb 23) %	Jun 23 growth yoy %
Domestic passengers	32.6	30.3	36.0	37.7	12.9	13.2	12.5	(3.7)	18.7
Growth from FY20 level %	(7)	(14)	(6)						
Domestic pax - Metro to Metro	7.9	7.7	9.0	9.4	3.2	3.4	3.1	(3.1)	25.2
Growth from FY20 level %	(17)	(23)	(16)						
Domestic passengers- Others	24.7	22.6	27.0	28.3	9.7	9.9	9.4	(3.9)	16.6
Growth from FY20 level %	(4)	(10)	(2)						
International pax - Indian carriers	5.0	5.8	6.3	6.8	2.2	2.4	2.4	3.1	27.7
Growth from FY20 level %	(7)	2	(2)						
Domestic RPK (bn)	31.9	29.2	34.7	36.1	12.4	12.6	12.1	(3.0)	16.9
Growth from CY19 level %	(6)	(13)	(6)						
Domestic PLF %	81	80	87	88	88.4	91.7	90.9		
International RPK (bn)	17.7	20.3	21.7	23.5	7.2	8.2	8.4	5.5	31.7
Growth from CY19 level %	(3)	9	5						
International PLF %	78	80	82	79	79	84	86		
Total RPK (bn)	49.6	49.5	56.5	59.6	19.6	20.8	20.5	0.3	22.5
Growth from CY19 level %	(5)	(5)	(2)						
Total PLF %	80	80	85	85	84.8	88.7	88.8		

SOURCE: DIRECTORATE GENERAL OF CIVIL AVIATION, INCRED RESEARCH, COMPANY REPORTS

Domestic PLF (Jul 2023): Indian aviation sector's domestic PLF dipped by 652 bp MoM in Jul 2023. While Jul month comes under a lean tourist season, we observe that the MoM decline in Jul 2023 was more than the average fall over Jul 2017, 2018, 2019 (149bp). Further, domestic industry PLF in Jul 2023 was at 84.3%, lower than average over Jul 2017, 2018 and 2019 (85.4%).

IndiGo's domestic PLF dipped by 719bp MoM in Jul 2023, more than the average decline over Jul 2017, 2018, and 2019 (269bp). Further, IndiGo's PLF in Jul 2023 was at 83.7%, lower than the average over Jul 2017, 2018, and 2019 (86.1%).

We believe the sharp dip in PLF in Jul 2023 was not only due to seasonality (Jul month comes under a lean tourist season), but it signals a rise in competition and an end to supernormal profit after the stoppage of GoAir operations.

Figure 6: Domestic PLF data for domestic aviation

	PLF %	bps	PLF %	bps	PLF %	bps	Average Jul 17, 18, 19		PLF %	bps
	Jul 17	MoM chg	Jul 18	MoM chg	Jul 19	MoM chg	PLF %	MoM chg bps	Jul 23	MoM chg
IndiGo	83.7	(416)	88.3	2	86.2	(393)	86.1	(269)	83.7	(719)
SpiceJet	94.4	(13)	93.8	45	92.4	(129)	93.5	(32)	88.9	(465)
Air India	75.4	(155)	82.9	149	78.6	(306)	79.0	(104)	84.2	(405)
Air Asia	88.4	(120)	80.4	635	89.5	(116)	86.1	133	82.3	(948)
Go Air	82.5	(694)	87.2	(140)	90.4	(366)	86.7	(400)		
Vistara	84.6	(175)	84.1	(72)	82.4	(87)	83.7	(111)	87.0	(605)
Akasa									86.6	(451)
Total	**83.2**	**(274)**	**86.6**	**129**	**86.3**	**(302)**	**85.4**	**(149)**	**84.3**	**(652)**

SOURCE: DIRECTORATE GENERAL OF CIVIL AVIATION, INCRED RESEARCH, COMPANY REPORTS

Stoppage of GoAir operations in May 2023 resulted in a proportionate increase in the market share of other players: The stoppage of GoAir operations raised IndiGo's/others' (ex-GoAir) market share proportionately from 56.7%/ 36.8% in Apr 2023 to 62.4%/ 37.6% in Jun 2023. Market share for the Tata group, including Air India, rose from 26.9% in Apr 2023 to 27.9% in Jun 2023. The market share of Akasa rose from 3.5% in Apr 2023 to 4.9% in Jun 2023.

Figure 7: Market share (ex-Alliance Air) in domestic aviation (RPK)

(%)	FY20	FY21	FY22	1QFY23	2QFY23	3QFY23	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23
IndiGo	47.7	53.3	54.1	54.7	56.3	54.5	53.4	54.9	55.8	56.7	60.8	62.4
SpiceJet	15.8	14.0	10.4	10.1	8.1	8.1	7.9	7.8	7.1	6.3	5.9	4.5
Air India	11.1	9.9	11.1	8.2	9.6	9.8	9.9	9.6	9.6	9.4	10.2	10.4
Air Asia	7.3	7.4	6.2	6.3	5.8	8.0	7.8	7.2	7.8	7.7	8.0	8.3
Go Air	10.6	7.7	8.9	10.3	8.4	7.5	8.6	8.1	7.0	6.5	0.4	-
Vistara	6.4	7.2	8.9	10.1	11.4	10.4	9.9	9.7	9.9	9.7	10.2	9.2
Akasa	-	-	-	-	0.3	1.5	2.3	2.4	2.7	3.5	4.4	4.9
Others	1.0	0.5	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

SOURCE: DIRECTORATE GENERAL OF CIVIL AVIATION, INCRED RESEARCH, COMPANY REPORTS

The stoppage of GoAir operations in May 2023 boosted IndiGo's 1QFY24 performance. However, the history of Indian aviation sector reveals that supernormal profits are short-lived. During the exits of Jet Airways and Kingfisher Airlines, with a market share of 15% each (2x of GoAir), supernormal profits were short-lived.

In IndiGo's 1QFY24 con-call, management mentioned that the yield dropped by 13-19% between 1QFY24 till now and attributed it to 2Q being a seasonally weak quarter. However, over FY18-20, in 2Q, tariff declined by just 8% qoq. We believe the sharp dip in tariff in 2QFY24 signals a rise in competition and an end to supernormal profit after the stoppage of GoAir operations.

Figure 8: IndiGo's QoQ change in yields

(%)	2QFY18	2QFY19	2QFY20	average	
QoQ growth in RASK	(8.2)	(12.9)	(17.2)	(12.8)	
QoQ growth in revenue/ pax km	(3.7)	(7.9)	(11.9)	(7.9)	
QoQ rise in gross margin (bps)	(55)	(737)	(515)	(436)	
	1QFY18	1QFY19	1QFY20	average	1QFY24
QoQ growth in RASK	11.2	7.4	13.5	10.7	9.6
QoQ growth in revenue/ pax km	8.7	7.0	9.7	8.5	4.2
QoQ rise in gross margin (bps)	553	(139)	199	204	830

SOURCE: INCRED RESEARCH, COMPANY REPORTS

IndiGo: Strong quarter but supernormal profit likely to peter out in 2QFY24F: Adj. PAT of Rs29.7bn (up 348% qoq) was driven by the stoppage of GoAir operations from May 2023 in a seasonally strong quarter. On a qoq basis, ASK grew 7.5%, PLF rose 440bp, revenue/pax km rose 4% and fuel cost/ ask dipped 13%. In FY18-20, on average in 1Q, gross margin rose 204bp qoq. In 1QFY24, gross margin rose by a whopping 830bp qoq. In the con-call, IndiGo mentioned that the yield dropped 13-19% between 1QFY24 till now and attributed it to 2Q being a seasonally weak quarter. However, over FY18-20, in 2Q, tariff declined by just 8% qoq.

SpiceJet: Strong quarter driven by stoppage of GoAir operations: Adj. PAT of Rs2bn vs. losses qoq and yoy was driven by the stoppage of operations of GoAir from Mar 2023 in a seasonally strong quarter. On a qoq basis, ASK declined 31%, PLF rose 100bp, revenue/pax km rose 34% and fuel cost/ask rose 2%. In FY19-20, on an average in 1Q, gross margin dipped by 129bp qoq. In 1QFY24, gross margin rose by a whopping 1,142bp qoq (like IndiGo). Consolidated net worth in Mar 2023 was at (-) Rs58.5bn. Multiple measures are afoot to strengthen the balance sheet – (a) SpiceJet transferred its cargo business to its subsidiary SpiceXpress and Logistics (SXPL) and plans to divest the same. (b) SpiceJet plans to swap lease liability of Rs2.3bn (Carlyle Aviation Partners) into equity of SpiceJet for Rs48/ share. (c) The promoter plans to infuse Rs5bn as equity capital.

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