

Indigo | REDUCE

Muted quarter; weak rupee to adversely impact earnings

We anticipate a muted quarter for Indigo in 2Q given a) higher ATF prices (+5.7% QoQ) b) weak INR (4% exit) and c) a seasonally subdued quarter (2M PAX growth of 4.5% YoY). Total ASK (Domestic + Intl.) for Indigo witnessed a growth of ~9% / 6% YoY in Jul'25 / Aug'25 respectively. This is higher than the overall industry's ASK growth of ~1% YoY each in Jul'25 and Aug'25. We expect overall ASK growth of ~8% YoY in 2Q for Indigo – in line with the management guidance of mid-to-high-single-digit growth YoY. We expect PAX yield to be flat YoY in line with the company PRASK guidance. ATF prices increased to INR 90.9k/KL in 2Q compared to INR 86.0k/KL in 1Q (up 5.7% QoQ) on the back of higher oil prices. We expect PBT/ASK for the quarter to be negative INR (0.65), implying a loss of ~INR 26.8bn. PAX growth for the industry remains muted at 3% YoY FYTD'26 – domestic 2% + international 8%. In Aug'25, Indigo's domestic market share declined by ~100bps MoM to 64.2% while its international market share increased to ~27.4%, up 56bps MoM. With capacity addition being the key focus area for Indigo, we retain a constructive view on the name. We revise our earnings by -14% / -11% / -1% as we factor in a weaker rupee – sharper cuts in near-term earnings with costs being eventually passed on to passengers in the longer run. Given flawless execution on the business front and a dominant market share, we peg P/E multiple to long-term average of ~20x. However, the recent sharp run-up implies downside from CMP. In line with our new rating system, we downgrade the stock from HOLD to REDUCE with a TP of INR5,570/sh.

- ASK growth to be in line with guidance:** Total ASK (Domestic + Intl.) for Indigo witnessed a growth of ~9% / 6% YoY in Jul'25 / Aug'25 respectively. This is higher than the overall industry's ASK growth of ~1% YoY each in Jul'25 and Aug'25. This was primarily driven by a significant growth in international ASK to the tune of ~28% / 25% YoY in Jul'25 / Aug'25 respectively while domestic ASK was flat during Jul'25/Aug'25. We expect overall ASK growth of ~8% YoY in 2Q – in line with the management guidance of mid-to-high-single-digit growth YoY. Total passengers for Indigo in Jul'25 and Aug'25 came in at 9.6mn / 9.7mn, up 5% / 4% YoY driven by significant growth in international PAX partially offset by slower growth in domestic PAX. PAX growth for the industry remains muted at 3% YoY FYTD'26 – domestic 2% + international 8%.
- Higher ATF prices likely to impact margins; PAX yield to be flat:** ATF, which forms a major chunk of operating cost (i.e., 45-50%) for airlines, increased to INR 90.9k/KL in 2Q compared to INR 86.0k/KL in 1Q (up 5.7% QoQ). ATF prices came in higher on the back of higher oil prices. This higher fuel cost could result in subdued margins for the airlines in 2Q (refer exhibit 5 for Indigo's sensitivity to crude prices). We also estimate PAX yield to be flat YoY in line with company guidance.
- 2Q to remain moderately profitable for Indigo:** We expect a muted quarter for the airlines sector with Indigo's profitability also expected to remain muted in 2Q given a) higher ATF prices b) weak INR and c) a seasonally subdued quarter. We expect PAX yield to be flat, while PLF has witnessed some uptrend YoY in Jul-Sep'25. We expect PBT/ASK for the quarter to be negative INR (0.65), implying a loss of ~INR 26.8bn. With capacity addition being the key focus area for Indigo, we retain a constructive view on the name.



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Recommendation and Price Target

Current Reco.	REDUCE
Previous Reco.	HOLD
Current Price Target (12M)	5,570
Upside/(Downside)	-2.7%
Previous Price Target	5,305
Change	5.0%

Key Data – INDIGO IN

Current Market Price	INR5,725
Market cap (bn)	INR2,213.0/US\$24.9
Free Float	56%
Shares in issue (mn)	386.4
Diluted share (mn)	386.4
3-mon avg daily val (mn)	INR7,623.4/US\$85.9
52-week range	6,233/3,779
Sensex/Nifty	82,172/25,182
INR/US\$	88.8

Price Performance

%	1M	6M	12M
Absolute	1.5	10.2	21.6
Relative*	0.6	-0.9	20.8

* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	689,043	808,029	905,892	1,038,408	1,195,837
Sales Growth (%)	26.6	17.3	12.1	14.6	15.2
EBITDA	163,176	180,583	199,041	222,255	252,145
EBITDA Margin (%)	23.7	22.3	22.0	21.4	21.1
Adjusted Net Profit	81,725	72,584	75,991	95,276	107,603
Diluted EPS (INR)	211.7	187.8	196.7	246.6	278.5
Diluted EPS Growth (%)	0.0	-11.3	4.7	25.4	12.9
ROIC (%)	34.2	23.4	21.0	22.5	23.5
ROE (%)	0.0	127.7	57.7	43.8	33.8
P/E (x)	27.0	30.5	29.1	23.2	20.6
P/B (x)	110.7	23.6	13.0	8.3	5.9
EV/EBITDA (x)	15.4	14.2	12.6	11.0	9.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 09/Oct/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Quarterly performance		(INR mn)			
(INR mn)		Q2FY26E	Q2FY25	YoY%	Q1FY26
					QoQ%
Net Sales		1,81,554	1,69,696	7.0	2,04,963
Passenger revenue		1,56,581	1,43,592	9.0	1,77,917
RPK (bn)		34.4	31.6	9.0	35.8
PAX Yield (INR)		4.6	4.6	0.0	5.0
Ancillary revenue		18,952	18,750	1.1	21,534
Ancillary revenue as % of net sales		10.4	11.0	-5.5	10.5
Other operating income		6,021.3	7,354.0		5,512.0
Other op. revenue as % of net sales		3.3	4.3		2.7
Total Expenditure (ex rental)		1,72,309	1,45,749	18.2	1,47,773
Fuel Cost		60,633	66,052	-8.2	58,326
Employee Expense		19,993	18,494	8.1	20,499
Supplementary rentals and maintenance		29,947	27,446	9.1	30,705
Other Expenditure (incl. forex)		61,736	33,757	82.9	38,243
EBITDAR		9,245	23,947	-61.4	57,190
EBITDAR (%)		5.1	14.1		27.9
Aircraft Rental (net)		6,601	7,636	-13.6	4,925
EBITDA		2,644	16,311	-83.8	52,265
EBITDA (%)		1.5	9.6		25.5
Depreciation		26,160	20,875		25,660
EBIT		(23,516)	(4,564)		26,605
Other Income		10,663	7,894		10,463
Interest		14,000	12,401		13,961
PBT		(26,853)	(9,071)		23,107
PBT/ASK		(0.65)	(0.24)		0.55
Tax		-	796		1,344
Eff. Tax rate (%)		-	(9)		6
XO items		-	-		-
PAT- Reported		(26,853)	(9,867)	172.2	21,763
PAT- Adjusted		(26,853)	(9,867)	172.2	21,763
Diluted EPS		(69.5)	(25.5)		56.3
Unrestricted cash (INR bn)		-	244	-100.0	348
Lease liability capitalised (INR bn)		-	478		468

Source: Company, JM Financial

Exhibit 2. Operational analysis

Key Performance Indices	Q2FY26E	Q2FY25	YoY%/INR	Q1FY26	QoQ%/INR
ASK (bn)	41.3	38.2	8.0%	42.3	-2.5%
RPK (bn)	34.4	31.6	9.0%	35.8	-3.9%
Load Factor (%)	83.4%	82.6%	0.8%	84.6%	-1.2%
Period end fleet Size	-	402		416	
Avg Fare (INR)	-	5,165	-100.0%	5,739	-100.0%
RASK (INR)	4.4	4.4	(0.0)	4.8	(0.4)
CASK (INR)	4.3	4.0	0.3	3.6	0.7
ATF/ ASK (INR)	1.5	1.7	(0.3)	1.4	0.1
SR/ ASK (INR)	0.7	0.7	0.0	0.7	-
Other exp./ ASK (INR)	2.1	1.6	0.6	1.5	0.6
RASK - CASK (INR)	0.1	0.4	(0.4)	1.2	(1.2)
CASK ex-fuel-ex-forex	2.3	2.2	0.0	2.2	0.1
Depreciation / ASK	0.6	0.5		0.6	
Other operating income / ASK	0.3	0.2		0.2	
Interest / ASK	0.3	0.3		0.3	
PBT/ASK	(0.65)	(0.24)		0.55	
Crude (\$/bbl)	68	78		66	
Currency (INR/\$)	87.3	83.8	4.2%	85.6	2.0%
ATF (INR/kl)	90,874	96,132	-5.5%	85,259	6.6%

Source: Company, JM Financial

Exhibit 3. Indigo - key assumptions

Key Assumptions	FY25	FY26E	FY27E	FY28E
ASK (bn)	157.0	180.0	207.5	237.2
PLF (%)	85.9%	86.0%	86.0%	86.0%
RPK (bn)	135.4	154.8	178.4	204.0
PAX Yield	5.1	5.1	5.1	5.2
EBITDA (INR bn)	180.6	199.0	222.3	252.14
RASK (INR)	5.1	5.0	5.0	5.0
CASK (INR)	4.0	3.9	3.9	4.0
ATF/ASK (INR)	1.7	1.7	1.7	1.7
Other exp/ ASK (INR)	-	-	-	-
CASK ex-fuel (INR)	2.3	2.2	2.2	2.3
EBITDAR/ASK (INR)	2.3	2.2	2.2	2.3
PBT/ASK	0.48	0.44	0.48	0.57
Crude (USD/bbl)	80	70	70	70
Currency (INR/USD)	84.5	87.5	89.0	89.0

Source: Company, JM Financial

Exhibit 4. Target Price

	FY28E
EPS (INR/sh)	278
Multiple (x)	20
Fair value (INR/sh)	5,570

Source: JM Financial

Exhibit 5. Indigo - FY28E EPS sensitivity to Crude and INR/USD

		Crude (USD/bbl)						
	EPS (INR)	60	65	70	72	75	80	82
INR/USD	86	408	357	307	287	257	207	187
	87	399	348	298	277	247	196	176
	88	391	339	288	267	237	185	165
	89	382	330	278	258	227	175	154
	90	374	321	269	248	216	164	143
	91	366	312	259	238	206	153	132
	92	357	304	250	228	196	142	121

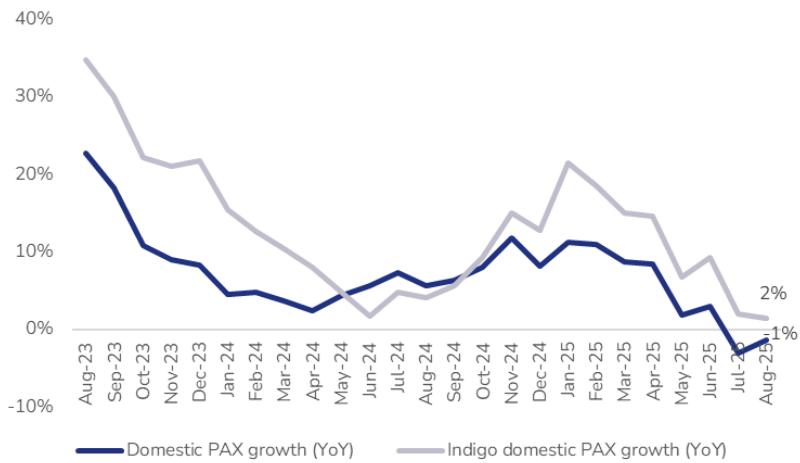
Source: Company, JM Financial

Exhibit 6. INDIGO: 1yr forward P/E valuation



Source: Bloomberg, JM Financial

Exhibit 7. Domestic vs Indigo PAX growth (YoY)



Source: DGCA, JM Financial

Exhibit 8. Change in estimates

	Unit	OLD			NEW			% Change		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Sales	INR mn	9,05,892	10,38,408	11,81,558	9,05,892	10,38,408	11,95,837	0.0%	0.0%	1.2%
EBITDA	INR mn	2,07,871	2,34,414	2,53,180	1,99,041	2,22,255	2,52,145	-4.2%	-5.2%	-0.4%
PAT	INR mn	88,821	1,06,827	1,08,432	75,991	95,276	1,07,603	-14.4%	-10.8%	-0.8%
EPS		229.9	276.5	280.6	196.7	246.6	278.5	-14.4%	-10.8%	-0.8%
Target Price	INR			5,305			5,570			5.0%
Rating				HOLD			REDUCE			

Source: JM Financial

Financial Tables (Standalone)

Income Statement					Balance Sheet						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	689,043	808,029	905,892	1,038,408	1,195,837	Shareholders' Fund	19,964	93,682	169,673	264,949	372,552
Sales Growth	26.6%	17.3%	12.1%	14.6%	15.2%	Share Capital	3,860	3,864	3,864	3,864	3,864
Other Operating Income	0	0	0	0	0	Reserves & Surplus	16,105	89,818	165,809	261,085	368,688
Total Revenue	689,043	808,029	905,892	1,038,408	1,195,837	Preference Share Capital	0	0	0	0	0
Cost of Goods Sold/Op. Exp	239,046	261,973	304,820	350,940	399,935	Minority Interest	0	0	0	0	0
Personnel Cost	64,619	74,725	113,133	133,091	153,815	Total Loans	512,800	668,098	709,049	787,397	782,705
Other Expenses	222,203	290,748	288,898	332,122	389,943	Def. Tax Liab. / Assets (-)	-4,192	-4,192	-4,192	-4,192	-4,192
EBITDA	163,176	180,583	199,041	222,255	252,145	Total - Equity & Liab.	528,573	757,588	874,529	1,048,153	1,151,065
EBITDA Margin	23.7%	22.3%	22.0%	21.4%	21.1%	Net Fixed Assets	361,550	517,847	485,052	466,254	404,416
EBITDA Growth	151.2%	10.7%	10.2%	11.7%	13.4%	Gross Fixed Assets	632,907	876,184	942,334	1,031,884	1,081,434
Depn. & Amort.	64,257	86,802	98,945	108,348	111,388	Intangible Assets	0	0	0	0	0
EBIT	98,919	93,781	100,095	113,907	140,757	Less: Depn. & Amort.	271,841	358,643	457,588	565,936	677,324
Other Income	23,268	32,953	40,164	53,312	60,277	Capital WIP	485	306	306	306	306
Finance Cost	41,694	50,800	60,269	66,929	66,530	Investments	165,460	260,931	300,931	340,931	380,931
PBT before Excep. & Forex	80,493	75,934	79,990	100,290	134,504	Current Assets	291,043	375,465	490,937	672,141	860,736
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	Inventories	6,248	8,203	14,891	22,760	32,763
PBT	80,493	75,934	79,990	100,290	134,504	Sundry Debtors	6,425	7,397	9,928	17,070	26,210
Taxes	-1,232	3,350	4,000	5,015	26,901	Cash & Bank Balances	167,206	189,629	267,554	390,479	506,888
Extraordinary Inc./Loss(-)	0	0	0	0	0	Loans & Advances	111,164	170,236	198,563	241,833	294,876
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	Other Current Assets	0	0	0	0	0
Reported Net Profit	81,725	72,584	75,991	95,276	107,603	Current Liab. & Prov.	289,481	396,655	402,390	431,173	495,019
Adjusted Net Profit	81,725	72,584	75,991	95,276	107,603	Current Liabilities	31,576	41,756	38,732	44,721	51,709
Net Margin	11.9%	9.0%	8.4%	9.2%	9.0%	Provisions & Others	257,905	354,899	363,659	386,452	443,310
Diluted Share Cap. (mn)	386.0	386.4	386.4	386.4	386.4	Net Current Assets	1,563	-21,190	88,547	240,968	365,717
Diluted EPS (INR)	211.7	187.8	196.7	246.6	278.5	Total - Assets	528,573	757,588	874,529	1,048,153	1,151,065
Diluted EPS Growth	0.0%	-11.3%	4.7%	25.4%	12.9%						
Total Dividend + Tax	0	0	0	0	0						
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0						

Source: Company, JM Financial

Cash Flow Statement					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	81,725	75,934	79,990	100,290	134,504
Depn. & Amort.	64,257	86,802	98,945	108,348	111,388
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	43,502	45,176	-31,811	-29,497	-8,341
Others	0	0	0	0	0
Taxes Paid	0	-3,350	-4,000	-5,015	-26,901
Operating Cash Flow	189,484	204,562	143,125	174,127	210,650
Capex	-11,026	-5,000	-66,762	-90,162	-50,162
Free Cash Flow	126,886	125,445	-9,897	-11,697	61,786
Inc (-) / Dec in Investments	-49,879	-95,471	-40,000	-40,000	-40,000
Others	-144,032	-236,969	612	612	612
Investing Cash Flow	-204,938	-337,441	-106,150	-129,550	-89,550
Inc / Dec (-) in Capital	4	4	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	64,258	155,298	40,951	78,348	-4,692
Others	0	0	0	0	0
Financing Cash Flow	64,262	155,302	40,951	78,348	-4,692
Inc / Dec (-) in Cash	48,809	22,423	77,925	122,925	116,408
Opening Cash Balance	118,397	167,206	189,629	267,554	390,479
Closing Cash Balance	167,206	189,629	267,554	390,479	506,888

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	11.9%	9.0%	8.4%	9.2%	9.0%
Asset Turnover (x)	1.5	1.3	1.1	1.1	1.1
Leverage Factor (x)	0.0	11.3	6.2	4.4	3.4
RoE	0.0%	127.7%	57.7%	43.8%	33.8%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	51.7	242.4	439.1	685.7	964.2
ROIC	34.2%	23.4%	21.0%	22.5%	23.5%
ROE	0.0%	127.7%	57.7%	43.8%	33.8%
Net Debt/Equity (x)	15.2	3.7	1.7	0.9	0.2
P/E (x)	27.0	30.5	29.1	23.2	20.6
P/B (x)	110.7	23.6	13.0	8.3	5.9
EV/EBITDA (x)	15.4	14.2	12.6	11.0	9.1
EV/Sales (x)	3.6	3.2	2.8	2.4	1.9
Debtor days	3	3	4	6	8
Inventory days	3	4	6	8	10
Creditor days	22	24	20	20	20

Source: Company, JM Financial

History of Recommendation and Target Price

Recommendation History

Date	Recommendation	Target Price	% Chg.
27-Jul-21	Sell	1,260	
28-Oct-21	Sell	1,635	29.8
4-Feb-22	Sell	1,635	0.0
25-May-22	Sell	1,635	0.0
3-Aug-22	Sell	1,635	0.0
4-Nov-22	Sell	1,680	2.8
29-Nov-22	Hold	1,860	10.7
3-Feb-23	Hold	2,185	17.5
23-Mar-23	Hold	2,185	0.0
18-May-23	Hold	2,270	3.9
2-Aug-23	Hold	2,270	0.0
3-Nov-23	Hold	2,460	8.4
2-Feb-24	Hold	2,900	17.9
23-May-24	Hold	4,800	65.5
26-Jul-24	Hold	4,800	0.0
25-Oct-24	Hold	4,700	-2.1
24-Jan-25	Hold	4,650	-1.1
21-May-25	Hold	4,860	4.5
18-Jul-25	Hold	5,080	4.5
30-Jul-25	Hold	5,305	4.4



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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