**BUY**
TP: Rs 1,750 | ⮝ 42%

**INTERGLOBE AVIATION** | Airlines | 07 September 2020

# Market leader advantage – initiate with BUY

**We believe InterGlobe Aviation (IndiGo) is poised for strong growth given its market leadership (over 50% market share), ready capacity, strong balance sheet and the vulnerability of most of its peers in the domestic aviation industry. Easing of lockdown norms, benign crude prices and a stable INR will aid profitability going forward. Despite the severe impact due to Covid-19, we expect IndiGo's passenger traffic to grow at a 13% CAGR over FY20-FY23, much ahead of the industry CAGR of 8%. Initiate with BUY; Sep'21 TP Rs 1,750.**

**Mayur Milak** | Nishant Chowhan, CFA
research@bobcaps.in

**Significant market share gains in testing times:** IndiGo leads the domestic aviation industry with ~52% market share. In Jul'20, it reported over 60% share. Following the Jet Airways fiasco, which led to a jump in IndiGo's market share in FY20 (from 42% to 48%), the pandemic has also helped it gain further ground due to the vulnerability of other players in the segment and its own strong balance sheet and capabilities (cash balance of Rs 108bn as of Mar'20).

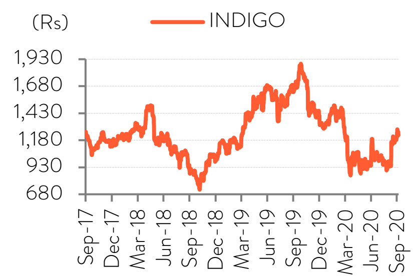
**Favourable macroeconomic conditions to boost position:** Benign crude prices along with a stable INR, vulnerability of most of its peers (negative net worth and massive cash burn), a strong balance sheet, and cost-benefit advantage over the railways are some of the key factors that have put IndiGo in a sweet spot.

**Initiate with BUY:** IndiGo has smartly seized market share over the last few years. In the next three years, we expect it to outperform the industry and gain further share of 300-400bps. We factor in a CAGR of 13% and 21% in revenue and EBITDA respectively over FY20-FY23, culminating in an EPS of Rs 70 by FY23. The stock is trading at 9.6x/6.5x FY22/23E EV/EBITDAR. We value the stock at 9x Sep'22E EV/EBITDAR and recommend BUY with a Sep'21 TP of Rs 1,750.

| | |
|---|---|
| Ticker/Price | INDIGO IN/Rs 1,229 |
| Market cap | US$ 6.4bn |
| Shares o/s | 385mn |
| 3M ADV | US$ 48.5mn |
| 52wk high/low | Rs 1,899/Rs 771 |
| Promoter/FPI/DII | 75%/15%/7% |

Source: NSE

## STOCK PERFORMANCE




Source: NSE

## KEY FINANCIALS

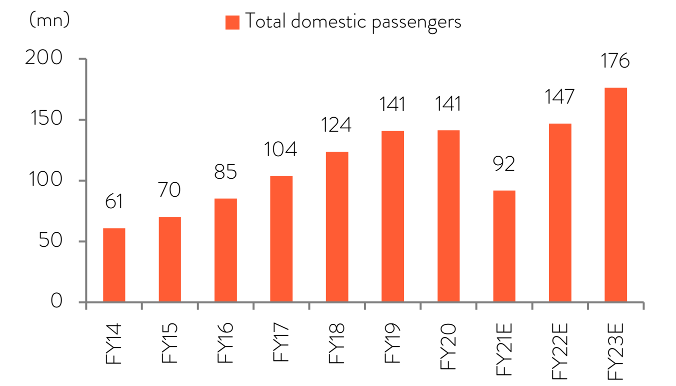
| Y/E 31 Mar | FY19A | FY20A | FY21E | FY22E | FY23E |
|---|---|---|---|---|---|
| Total revenue (Rs mn) | 284,968 | 357,560 | 280,996 | 424,002 | 524,066 |
| EBITDA (Rs mn) | (5,354) | 40,382 | (45,829) | 46,516 | 71,842 |
| Adj. net profit (Rs mn) | (2,283) | (2,482) | (59,704) | 9,001 | 26,939 |
| Adj. EPS (Rs) | (5.9) | (6.4) | (155.2) | 23.4 | 70.0 |
| Adj. EPS growth (%) | NA | NA | NA | NA | 199.3 |
| Adj. ROAE (%) | (3.3) | (4.2) | 5531.0 | 3994.1 | 172.5 |
| Adj. P/E (x) | (207.0) | (190.6) | (7.9) | 52.6 | 17.6 |
| EV/EBITDA (x) | (76.7) | 9.6 | (8.3) | 8.9 | 6.3 |

Source: Company, BOBCAPS Research

# Contents

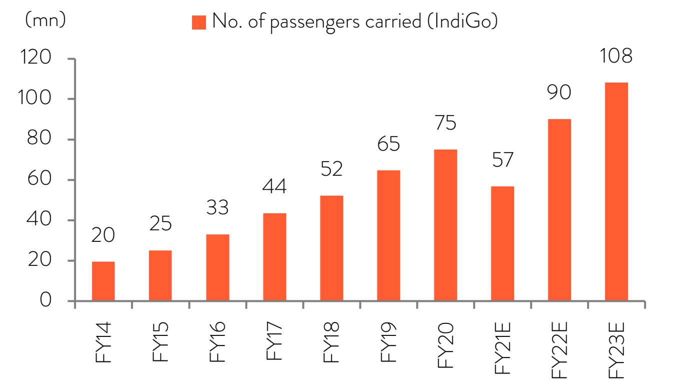
# Focus charts

### FIG 1 – DOMESTIC PASSENGER GROWTH EXPECTED AT CAGR OF 8% DURING FY20-FY23



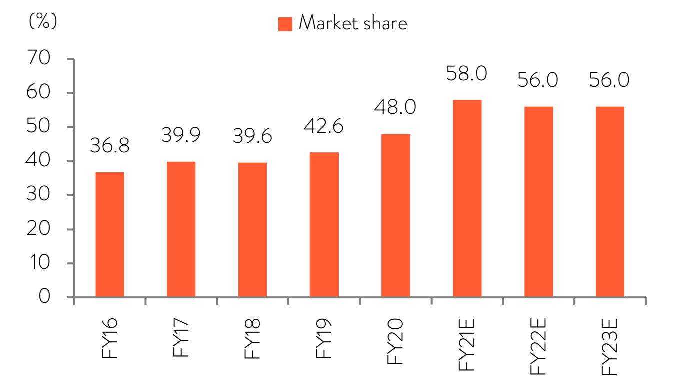

Source: DGCA, BOBCAPS Research

### FIG 2 – INDIGO EXPECTED TO OUTPERFORM INDUSTRY GROWTH DURING FY20-FY23 AT 13%



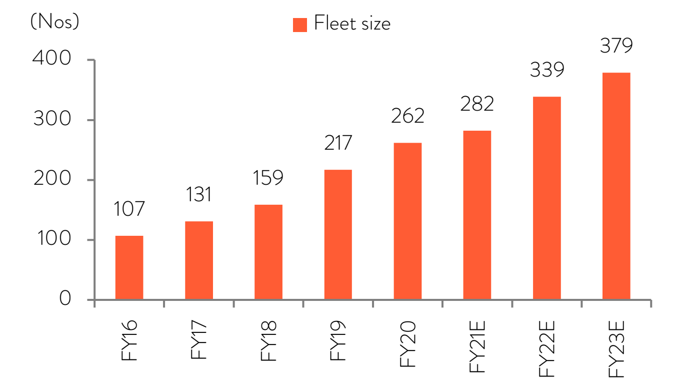

Source: DGCA, BOBCAPS Research

### FIG 3 – INDIGO CONSISTENTLY GAINING MARKET SHARE



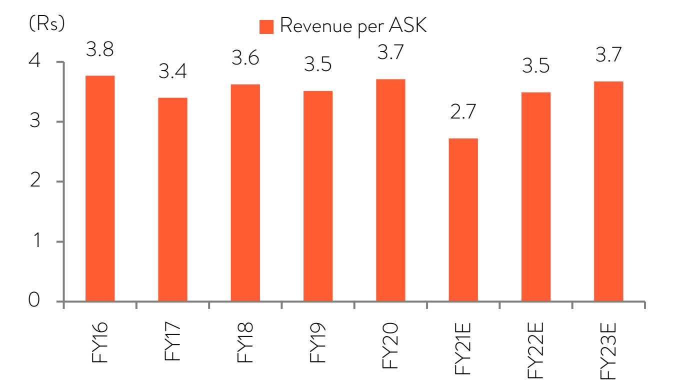

Source: DGCA, BOBCAPS Research

### FIG 4 – YEAR-END FLEET SIZE (NOS) – ADDING SIGNIFICANT CAPACITY TO CAPTURE GROWTH



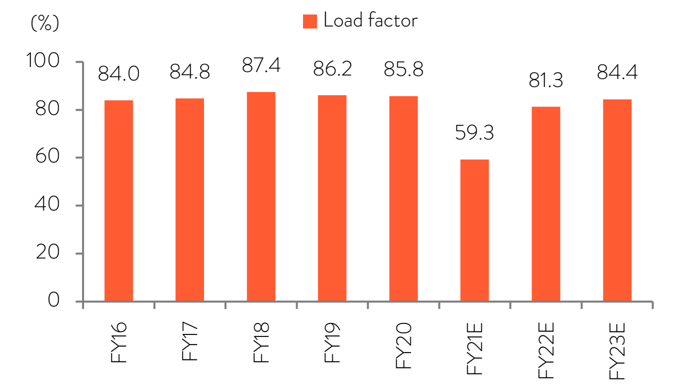

Source: Company, BOBCAPS Research

### FIG 5 – REVENUE PER AVAILABLE SEAT KM (ASK) EXPECTED TO IMPROVE




Source: Company, BOBCAPS Research

### FIG 6 – HIGHER CAPACITY UTILISATION TO BOLSTER PROFITABILITY



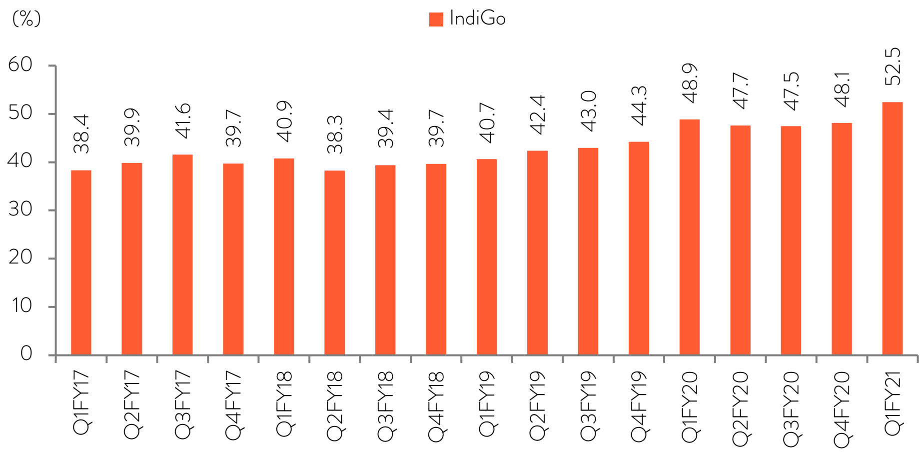

Source: Company, BOBCAPS Research

# Investment rationale

## Significant market share gains in testing times

IndiGo leads the domestic aviation industry with ~52% market share. In Jul'20, it reported over 60% share. Following the Jet Airways fiasco, which led to a jump in IndiGo's market share in FY20 (from 42% to 48%), the pandemic has also helped it gain further ground due to the vulnerability of other players in the segment and its own strong balance sheet and capabilities. In the past 16 quarters, IndiGo has posted significant domestic market share gains (to 52% in Jun'20 from 38% in Jun'16). With further penetration along regional routes, we expect the company (13% CAGR: FY20-FY23E) to outperform industry passenger traffic growth (8%).

**FIG 7 – OPPORTUNISTIC GAIN IN MARKET SHARE**

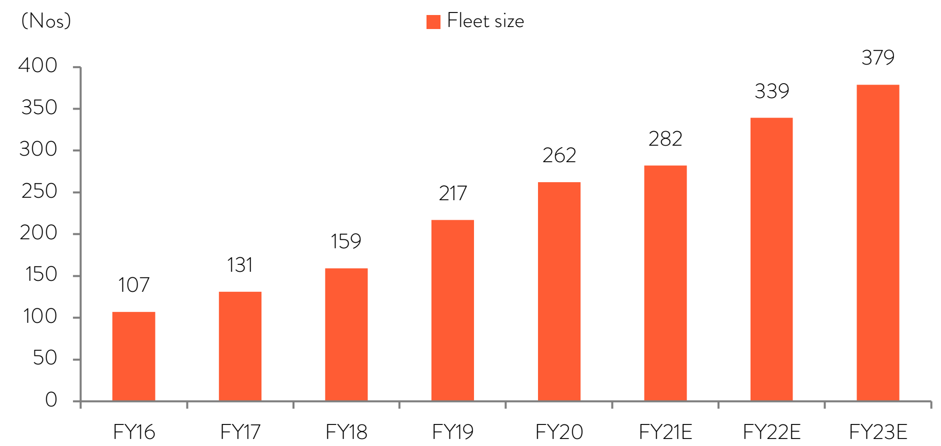



Source: BOBCAPS Research, DGCA

### Fleet additions to cater to growing demand

Despite the temporary slowdown caused by Covid-19, the company is steadily increasing its fleet over the mid-term in order to keep up with demand growth. IndiGo plans to have a fleet of 379 aircraft by FY23-end from 262 aircraft as of FY20-end. This will lead to a 14% CAGR in available seat kilometers or ASK (from ~96,240mn to ~142,600mn) between FY20 and FY23.

**FIG 8 – CONSISTENT FLEET ADDITION**




Source: Company, BOBCAPS Research

## Hybrid ownership-cum-lease model to reduce costs

In the past, IndiGo's simple plan of ordering aircraft in bulk enabled it to command substantial bargaining power. It secured huge discounts from the manufacturer and had deliveries spread out over a specified period. Simultaneously, a sale and leaseback option reduced overall cost of ownership. Under this strategy, the company earlier ordered 430 new aircraft from Airbus on operational lease with deliveries scheduled over 2011-26; of these, it has received 237 planes (by Jun'20). Deliveries have been smooth so far barring some technical issues with engines which are expected to be resolved by FY21-end.

IndiGo has recently made a strategic shift in its asset acquisition policy. It now also owns some aircraft as against its traditional model of operational lease. The company believes this would lower rental costs, as evidenced by peers in the US and Europe that have successfully adopted the twin strategy of owning and leasing.

## Tactical shift to focus on regional connectivity opportunities

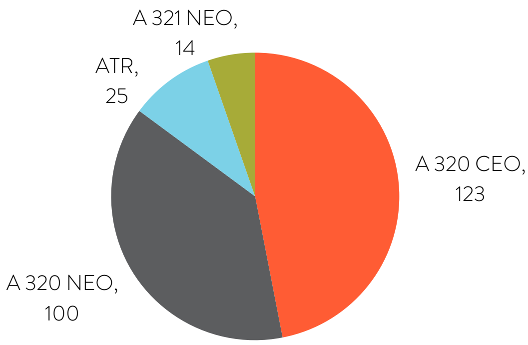
IndiGo's single-type aircraft model has rationalised staff training and aircraft maintenance costs, while a younger fleet has kept fuel costs much lower than peers. The company has executed this plan successfully and is the only Indian airline to have reported profits for the past nine years at a stretch. However, in light of emerging regional opportunities, it is now transitioning away from a single-type fleet model and metro route focus.

Last year, IndiGo signed a non-binding agreement to purchase 50 ATR-72 aircraft for foraying into the government's regional aviation scheme – UDAN. UDAN entails the regional airport development and regional connectivity scheme (RCS) of the Indian government, aimed at expanding affordable air travel, which would spur inclusive job growth and infrastructure development on a wider regional scale.

The scheme caps the maximum fare at Rs 2,500/hour of flight for 50% of the seats, connecting unserved and under-served regional airports, while the remaining 50% seats are allowed to be priced at market rate. To make the routes commercially viable for domestic private airlines, the Union government offers reduced excise and value-added tax (VAT) on fuel and exemptions on landing, parking and terminal navigation landing charges.

IndiGo believes incremental growth will come from tier-II and tier-III cities and thus justifies the purchase of smaller aircraft to cater to this demand effectively and efficiently. While the strategic shift away from an asset-light and one fleet-type model will lead to some savings on rental outflow and aid regional growth, we note that this comes at the expense of other advantages derived from a single-fleet model, such as savings on staff training and maintenance.

**FIG 9 – FLEET BREAKUP (FY20)**



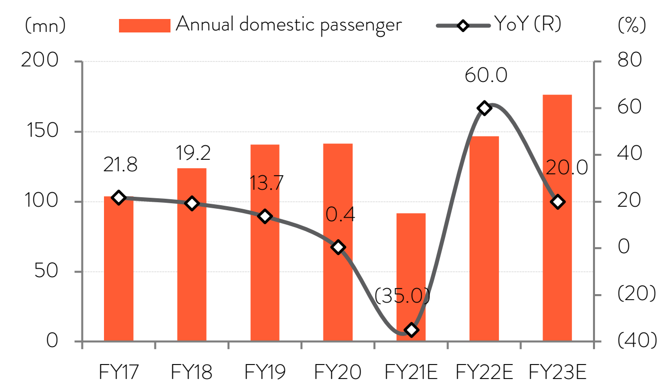

Source: Company, BOBCAPS Research

## Leader in world's fastest growing aviation market

India is the fastest-growing aviation market in the world according to the International Air Transport Association (IATA). The hub of the nation's aviation manufacturing industry is at Bengaluru which has 65% share of this economic sector. The government's UDAN (regional connectivity scheme) is aimed at driving the growth of civil aviation and aviation infrastructure in India.

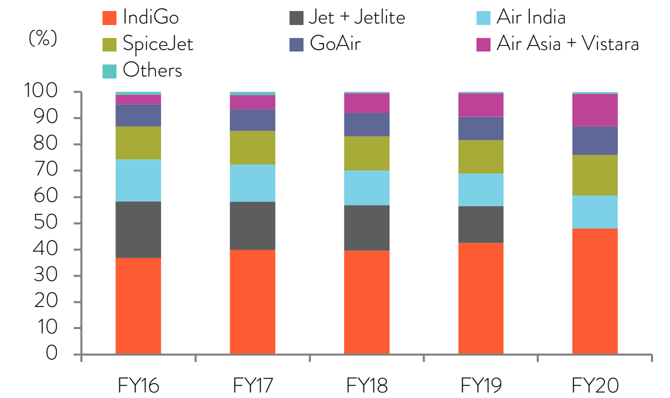
India has become the third largest domestic aviation market in the world and is expected to overtake the UK to become the third largest air passenger market by 2024. The country's airport passenger traffic stood at 341.1mn in FY20, having clocked a CAGR of 11% during FY16-FY20. To cater to the rising air traffic, the government has been working towards increasing the number of airports. As of Mar'20, India had 103 operational airports, which is envisaged to rise to 190-200 by FY40.

FIG 10 – DOMESTIC AIR PASSENGER TRAFFIC




Source: DGCA, BOBCAPS Research

FIG 11 – MARKET SHARE: INDIGO BENEFITTING THE MOST FROM JET CEASING OPERATIONS



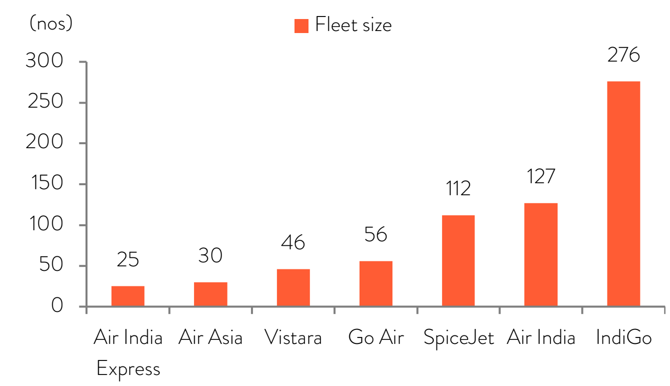

Source: DGCA, BOBCAPS Research

FIG 12 – AIRCRAFT LOAD FACTOR

| Airlines | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|---|
| Industry | 75.7 | 80.5 | 81.7 | 81.5 | 85.2 | 83.9 |
| SpiceJet | 82.2 | 92.0 | 92.9 | 94.7 | 93.1 | 91.9 |
| IndiGo | 79.3 | 84.1 | 85.2 | 88.1 | 86.9 | 84.3 |
| Air India | 77.8 | 78.9 | 78.9 | 80.3 | 81.2 | 79.2 |
| Go Air | 79.2 | 83.7 | 88.0 | 88.5 | 88.4 | 88.9 |
| Air Asia | 76.2 | 79.7 | 85.7 | 86.1 | 84.8 | 84.3 |
| Vistara | 52.5 | 68.6 | 77.9 | 85.8 | 84.3 | 81.6 |

Source: Company, BOBCAPS Research

FIG 13 – FLEET SIZE OF KEY AIRLINES (AS OF AUG'20)




Source: DGCA, BOBCAPS Research

FIG 14 – AIR PASSENGER TRAFFIC -METRO CITIES

| Metro Cities (In '000) | FY18 | FY19 | YoY (%) | FY20 | YoY (%) |
|---|---|---|---|---|---|
| Bengaluru | 26,910 | 33,308 | 23.8 | 32,362 | (2.8) |
| Chennai | 20,361 | 22,544 | 10.7 | 22,267 | (1.2) |
| Delhi | 65,692 | 69,234 | 5.4 | 67,301 | (2.8) |
| Hyderabad | 18,157 | 21,404 | 17.9 | 21,652 | 1.2 |
| Kolkata | 19,893 | 21,877 | 10.0 | 22,015 | 0.6 |
| Mumbai | 48,496 | 48,815 | 0.7 | 45,874 | (6.0) |

Source: DGCA, BOBCAPS Research

### FIG 15 – AIR PASSENGER TRAFFIC – KEY NON-METRO CITIES

| Non-Metro Cities (In '000) | FY18 | FY19 | YoY (%) | FY20 | YoY (%) |
|---|---|---|---|---|---|
| Surat | 681 | 1,239 | 81.8 | 1,516 | 22.3 |
| Chandigarh | 2,138 | 2,098 | (1.9) | 2,445 | 16.6 |
| Jodhpur | 469 | 507 | 8.0 | 569 | 12.2 |
| Patna | 3,111 | 4,062 | 30.6 | 4,526 | 11.4 |
| Bagdogra | 2,256 | 2,899 | 28.5 | 3,217 | 11.0 |
| Ranchi | 1,778 | 2,254 | 26.8 | 2,485 | 10.3 |
| Jammu | 1,444 | 1,334 | (7.6) | 1,455 | 9.1 |
| Dehradun | 1,125 | 1,240 | 10.2 | 1,326 | 6.9 |
| Agartala | 1,379 | 1,441 | 4.5 | 1,506 | 4.5 |
| Raipur | 1,628 | 2,029 | 24.6 | 2,119 | 4.5 |
| Ahmedabad | 9,174 | 11,172 | 21.8 | 11,433 | 2.3 |
| Tirupati | 585 | 835 | 42.7 | 835 | 0.0 |
| Lucknow | 4,753 | 5,533 | 16.4 | 5,434 | (1.8) |
| Amritsar | 2,320 | 2,524 | 8.8 | 2,458 | (2.6) |
| Port Blair | 1,550 | 1,712 | 10.4 | 1,659 | (3.1) |
| Calicut | 3,139 | 3,361 | 7.1 | 3,230 | (3.9) |
| Vijayawada | 746 | 1,185 | 58.7 | 1,131 | (4.6) |
| Guwahati | 4,668 | 5,746 | 23.1 | 5,457 | (5.0) |
| Madurai | 1,443 | 1,520 | 5.4 | 1,422 | (6.4) |
| Leh | 692 | 822 | 18.7 | 763 | (7.1) |
| Indore | 2,270 | 3,159 | 39.2 | 2,919 | (7.6) |
| Jaipur | 4,757 | 5,471 | 15.0 | 5,032 | (8.0) |
| Pune | 8,165 | 9,071 | 11.1 | 8,086 | (10.9) |
| Bhubaneswar | 3,251 | 4,159 | 27.9 | 3,673 | (11.7) |
| Mangalore | 2,270 | 2,241 | (1.3) | 1,876 | (16.3) |

Source: DGCA, BOBCAPS Research

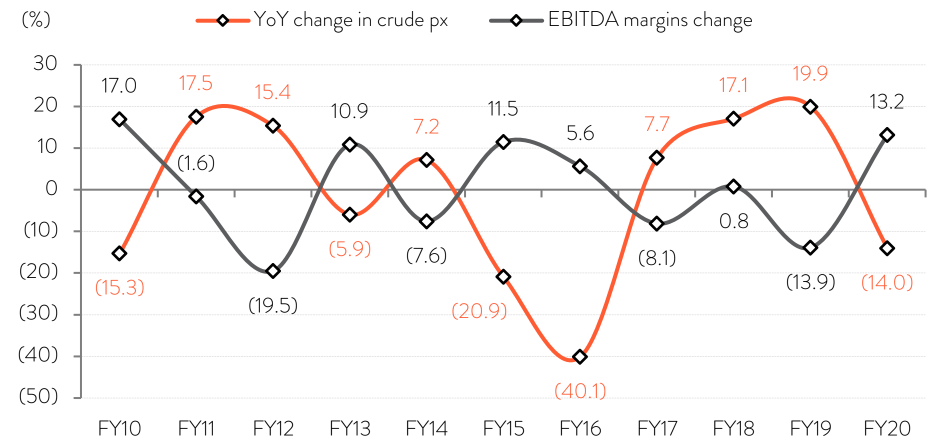
## Favourable macroeconomic conditions to boost position

Benign crude prices along with a stable INR, increased government focus, vulnerability of most peers (negative net worth and massive cash burn), a strong balance sheet, and cost-benefit advantage over the railways are some of the key factors that have put IndiGo in a sweet spot.

### Benign crude costs offer significant benefits

Fuel costs typically form ~40% of the total cost for domestic airlines. Due to the ongoing pandemic impact on global economies and weak demand but excessive supply situation, crude oil prices are expected to remain range bound between US$ 40 and US$ 50/barrel in near to mid-term. The sharp decline in crude prices has been enormously beneficial for aviation industry margins. For every US$ 5 change in crude prices, margins get inversely impacted by ~300bps.

#### FIG 16 – INVERSE RELATIONSHIP BETWEEN CRUDE PRICES AND INDIGO'S OPERATING MARGINS




Source: Company, BOBCAPS Research

## Increased government focus on aviation

According to data released by the Department for Promotion of Industry and Internal Trade (DPIIT), FDI inflow into India's air transport sector (including air freight) reached US$ 2.75bn between Apr'00 and Mar'20. In 2020, the government allowed 100% FDI under the automatic route in scheduled air transport services, regional air transport services and domestic scheduled passenger airlines. However, FDI over 49% would require government approval.

As per Ministry of Civil Aviation (MCA), India's aviation industry is expected to witness investments totaling Rs 350bn (~US$ 5bn) in the next four years. The Indian government has announced plans to invest US$ 1.8bn for the development of airport infrastructure along with aviation navigation services by 2026. In Feb'19, the government sanctioned the development of a new greenfield airport in Hirasar, Gujarat, with an estimated investment of Rs 14bn (US$ 194.7mn).

As per Union Budget 2019-20, the government will promote aircraft financing and leasing activities to make India's aviation market self-reliant. Since Jan'19, the government has also been working on a blueprint to promote domestic manufacturing of aircraft. At the same time, it released its National Air Cargo Policy Outline 2019, which envisages making Indian air cargo and logistics the most efficient, seamless and cost and time effective globally by the end of the next decade.

## Advantage over railways

The railways has lagged airways in terms of traffic growth in the recent past, primarily due to a gradual shift in consumer preference towards airways in metros and tier-I cities. The prime reason for this shift has been lower crude prices, enabling competitively priced airfares vis-à-vis rail fares. Another reason for railways' decline is a lack of capacity even as rising income levels have led to higher preference for air travel.

**FIG 17 – RAILWAYS FARE VS. AIRFARE COMPARISON (FOR DEC'20)**

| Route (Rs) | Airfare | | Rail fare | | | | |
|---|---|---|---|---|---|---|---|
| | Duration (Hrs) | Fare (Rs) | Duration (hrs) | AC 2 Tier | AC 3 Tier | Rajdhani 2 Tier | Rajdhani 3 Tier |
| Delhi-Mumbai | 2.15 | 2,941 | 15.40 | 2,645 | 1,855 | 2,790 | 2,255 |
| Delhi-Bengaluru | 2.50 | 3,279 | 33.00 | 3,655 | 2,535 | 5,759 | 3,822 |
| Bengaluru-Mumbai | 1.35 | 2,505 | 23.45 | 2,050 | 1,425 | - | - |
| Delhi-Kolkata | 2.20 | 2,945 | 17.35 | 2,700 | 1,900 | 4,153 | 2,778 |
| Mumbai-Goa | 1.20 | 2,200 | 9.30 | 1,715 | 1,225 | - | - |
| Ahmedabad-Mumbai | 1.15 | 2,025 | 7.40 | 1,155 | 825 | - | - |
| Delhi-Hyderabad | 2.30 | 3,000 | 26.10 | 2,645 | 1,840 | 4,650 | 3,121 |
| Mumbai-Chennai | 2.15 | 2,359 | 23.00 | 2,175 | 1,505 | - | - |

Source: BOBCAPS Research, Company, Makemytrip.com

# Proposed Air India buyout: An analysis

In the past, IndiGo, Etihad Airways and Tata's have evinced interest in bidding for beleaguered national carrier Air India. The acquisition of Air India's international business is key to IndiGo's international ambitions. In FY20, IndiGo's international ASK stood at 21,189mn, ~22% of its total ASK, and passengers carried by the airlines on its international routes stood at 7mn vs. 11.8mn by Air India.

Though there may be cultural and functional disparities between the two airlines, we believe the growth achievable by IndiGo through the acquisition will be much higher and faster than an organic expansion (considering availability of prime slots, bidding costs and staff overlap).

## Why an Air India buyout appeals to IndiGo

An analysis of Air India's international business gives us a fair idea as to why IndiGo would be interested in acquiring it.

- In FY20, Air India's (Air India + Air Express) international ASK stood at 58,653mn, ~75% of its total ASK. While its domestic traffic growth for the year remained flattish YoY, it registered 7% YoY growth in international traffic. Air India carried 11.8mn passengers on its international routes during FY20, forming ~43% of its total passengers carried. Its market share (international passengers carried) stood at ~52% in FY20 (IndiGo at 31%).
- Air India's Dreamliner aircraft can carry 18 business and 238 economy passengers, totalling 256 seats in all. With this capacity, it clocked an international PLF of ~80% in FY20 (domestic PLF stood at ~79%).
- Our review of code share arrangements and countries covered suggests that Air India has prime slots in most international destinations. The table below shows that flight arrival time in major cities falls within prime slots (business hours). The fare in most cases is competitive vis-à-vis both domestic as well as foreign airlines. In fact, there are several important routes where Air India is the only airline operating non-stop, i.e. without a layover.

**FIG 18 – AIR INDIA FARE COMPARISION (FOR OCT'20)**

| Destination | Arrival time (local) | Air India fare (Rs) | Competitor 1 fare (Rs) | Competitor 2 fare (Rs) |
|---|---|---|---|---|
| **Mumbai To-** | | | | |
| Newark | 7.55 | 52,090 | 52,367 | 57,710 |
| New York - JFK | 7.25 | 52,090 | 51,621 | 51,828 |
| Singapore | 13.10 | 19,036 | 11,806 | 13,757 |
| **Delhi To-** | | | | |
| Chicago, US | 7.25 | 51,105 | 48,845 | 54,686 |
| San Francisco | 7.00 | 51,339 | 53,080 | 55,692 |
| **Bangalore To-** | | | | |
| San Francisco | 7.00 | 56,459 | 56,931 | 57,404 |

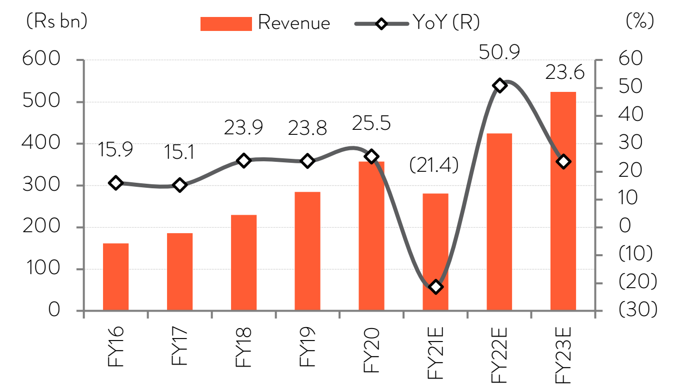
Source: Makemytrip.com, BOBCAPS Research

# Financial review

## Expect volume-led revenue growth

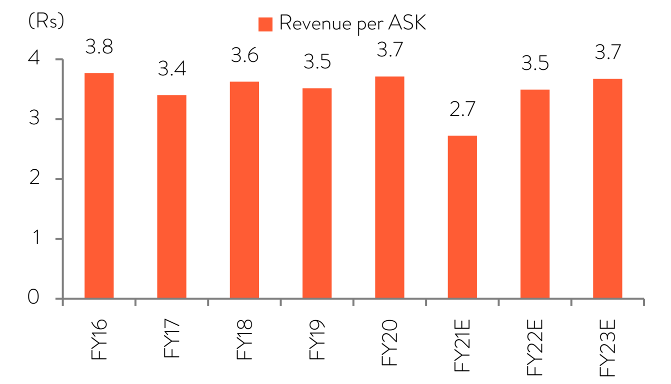
We model for a 13% revenue CAGR for IndiGo over FY20-FY23E assuming (1) 13% growth in its passenger traffic (vs. 8% estimated for industry) as peers struggle, and (2) revival in average revenue per ASK from Rs 2.7 expected in FY21 to Rs 3.7 by FY23 (flattish over our forecast period).

### FIG 19 – REVENUE TO GROW AT 13% CAGR




Source: Company, BOBCAPS Research

### FIG 20 – REVENUE PER ASK TO IMPROVE HEREON

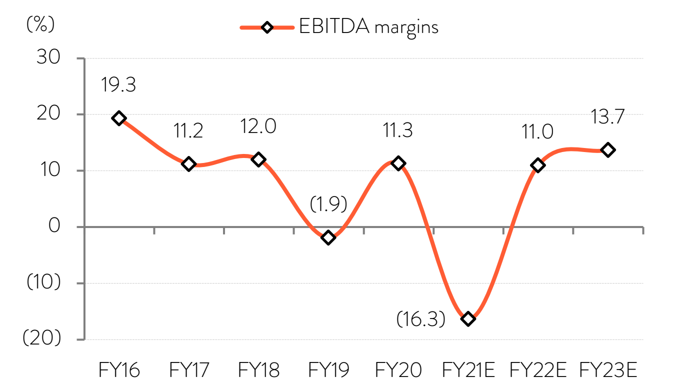



Source: Company, BOBCAPS Research

## Robust profit outlook

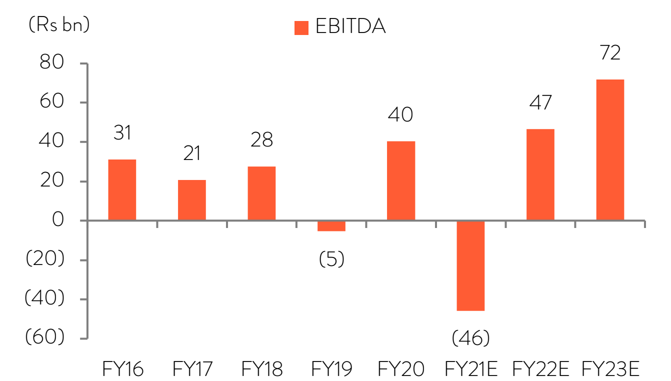
With higher volume growth due to anticipated demand buoyancy and market share gains from struggling peers, we expect better operating efficiencies to pan out. Benign input costs will also aid margins. We thus model for a surge in EBITDA margins from 11.3% in FY20 to 13.7% in FY23. As margins expand, we forecast a 21% EBITDA CAGR through to FY23. Following an expected loss of Rs 55bn in FY21 (after a Rs 2.5bn loss in FY20), we expect the company to return to profits in FY22, posting PAT of Rs 27bn in FY23 that translates to EPS of Rs 70.

### FIG 21 – EBITDA MARGINS TO EXPAND



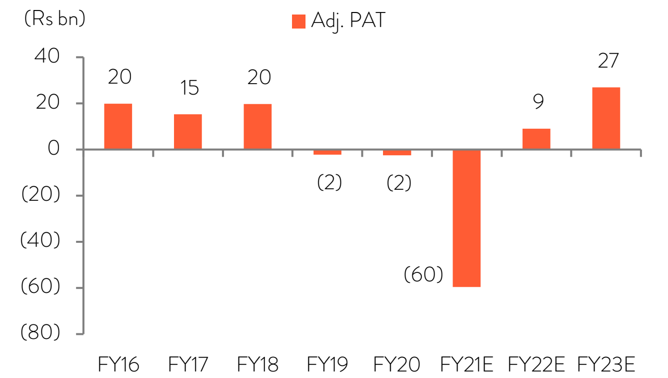

Source: Company, BOBCAPS Research

### FIG 22 – EBITDA TO IMPROVE SIGNIFICANTLY



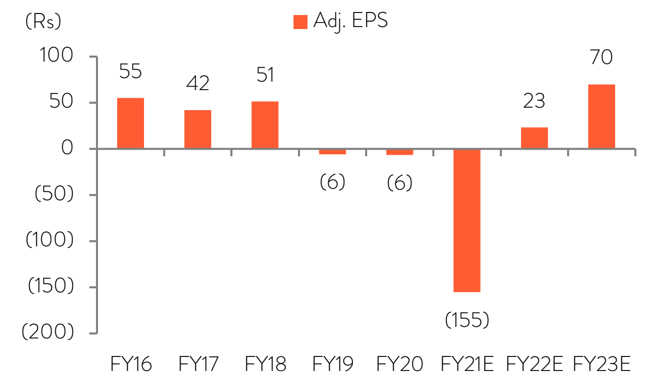

Source: Company, BOBCAPS Research

**FIG 23 – ADJ. PAT TO RECOVER AFTER FY21E LOSS…**




Source: Company, BOBCAPS Research

**FIG 24 – …LEADING TO FY23E ADJ. EPS OF RS 70**




Source: Company, BOBCAPS Research

## Quarterly performance

### FIG 25 – QUARTERLY PERFORMANCE

| (Rs mn) | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 |
|---|---|---|---|---|---|---|---|---|---|
| **Capacity (ASK in mn)** | **17,846** | **19,470** | **21,613** | **22,100** | **23,260** | **24,200** | **25,800** | **22,980** | **2,100** |
| **No. of aircrafts (nos)** | **169** | **189** | **208** | **217** | **235** | **245** | **257** | **262** | **274** |
| No. of passenger carried (mn) | 15.1 | 15.7 | 16.9 | 17.1 | 18.7 | 18.5 | 20.3 | 17.5 | 1.3 |
| **Average Realization (RASK)** | **3.6** | **3.2** | **3.7** | **3.6** | **4.0** | **3.3** | **3.8** | **3.6** | **3.7** |
| YoY (%) | (4.4) | (9.3) | (3.6) | 5.0 | 11.0 | 5.4 | 5.1 | 1.2 | (9.8) |
| Net sales | 65,120 | 61,853 | 79,162 | 78,833 | 94,201 | 81,052 | 99,317 | 82,990 | 7,667 |
| YoY (%) | 13.2 | 16.9 | 28.1 | 35.9 | 44.7 | 31.0 | 25.5 | 5.3 | (91.9) |
| **Expenditure** | | | | | | | | | |
| Aircraft fuel | 27,480 | 30,684 | 34,487 | 28,168 | 31,779 | 31,557 | 33,869 | 29,112 | 1,313 |
| % of sales | 42.2 | 49.6 | 43.6 | 35.7 | 33.7 | 38.9 | 34.1 | 35.1 | 17.1 |
| YoY (%) | 56.2 | 82.8 | 68.5 | 19.0 | 15.6 | 2.8 | (1.8) | 3.3 | (95.9) |
| Aircraft lease rentals | 10,424 | 11,161 | 13,761 | 14,649 | 1,288 | 1,110 | 1,343 | 1,226 | 757 |
| % of sales | 16.0 | 18.0 | 17.4 | 18.6 | 1.4 | 1.4 | 1.4 | 1.5 | 9.9 |
| YoY (%) | 22.1 | 36.2 | 45.7 | 47.5 | (87.6) | (90.1) | (90.2) | (91.6) | (41.2) |
| Staff cost | 6,536 | 7,729 | 8,347 | 8,766 | 11,081 | 12,063 | 12,501 | 11,455 | 9,444 |
| % of sales | 10.0 | 12.5 | 10.5 | 11.1 | 11.8 | 14.9 | 12.6 | 13.8 | 123.2 |
| YoY (%) | 11.9 | 28.7 | 36.0 | 33.5 | 69.5 | 56.1 | 49.8 | 30.7 | (14.8) |
| Other expenditure incl. maintenance | 16,102 | 14,522 | 15,710 | 15,660 | 17,999 | 29,180 | 27,010 | 35,488 | 11,082 |
| % of sales | 24.7 | 23.5 | 19.8 | 19.9 | 19.1 | 36.0 | 27.2 | 42.8 | 144.5 |
| YoY (%) | 84.5 | 53.3 | 58.9 | 26.9 | 11.8 | 100.9 | 71.9 | 126.6 | (38.4) |
| Airport charges | 4,689 | 4,453 | 5,700 | 5,676 | 6,768 | 7,284 | 7,831 | 7,234 | 1,204 |
| % of sales | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 | 9.0 | 7.9 | 8.7 | 15.7 |
| YoY (%) | (15.1) | (12.3) | (3.9) | 35.9 | 44.3 | 63.6 | 37.4 | 27.5 | (82.2) |
| **Total expenses** | **65,230** | **68,548** | **78,005** | **72,919** | **68,915** | **81,194** | **82,554** | **84,515** | **23,801** |
| **EBITDA** | **(111)** | **(6,695)** | **1,158** | **5,914** | **25,286** | **(142)** | **16,762** | **(1,524)** | **(16,134)** |
| YoY (%) | NA | NA | (88.3) | 355.4 | NA | NA | 1,348.0 | NA | NA |
| **OPM (%)** | **(0.2)** | **(10.8)** | **1.5** | **7.5** | **26.8** | **(0.2)** | **16.9** | **(1.8)** | **(210.4)** |
| **EBITDAR** | **10,313** | **4,465** | **14,918** | **20,563** | **26,574** | **968** | **18,105** | **(298)** | **(15,376)** |
| YoY (%) | (48.0) | (71.3) | (22.9) | 83.1 | 157.7 | (78.3) | 21.4 | (101.5) | NA |
| Other income | 3,064 | 3,289 | 3,131 | 3,765 | 3,669 | 4,346 | 3,985 | 3,362 | 3,771 |
| Interest | 1,087 | 1,300 | 1,377 | 1,326 | 4,842 | 4,235 | 4,805 | 4,877 | 5,097 |
| Depreciation | 1,553 | 1,820 | 2,038 | 2,186 | 9,009 | 10,287 | 10,377 | 10,062 | 10,966 |
| Exceptional items | - | (3,354) | 1,035 | - | - | - | - | - | - |
| Profit before tax | 313 | (9,880) | 1,909 | 6,167 | 15,104 | (10,318) | 5,565 | (13,101) | (28,426) |
| Provision for taxation | 36 | (3,359) | - | 272 | 3,063 | 302 | 606 | (4,239) | 17 |
| Tax Rate (%) | 11.3 | 34.0 | - | 4.4 | 20.3 | (2.9) | 10.9 | 32.4 | (0.1) |
| Reported PAT | 278 | (6,520) | 1,909 | 5,895 | 12,041 | (10,620) | 4,960 | (8,862) | (28,443) |
| **Adjusted PAT** | **278** | **(3,167)** | **874** | **5,895** | **12,041** | **(10,620)** | **4,960** | **(8,862)** | **(28,443)** |
| YoY (%) | (96.7) | NA | (88.5) | 401.1 | 4231.9 | NA | 467.4 | NA | NA |
| PAT Margin | 0.4 | (5.1) | 1.1 | 7.5 | 12.8 | (13.1) | 5.0 | (10.7) | (371.0) |

Source: Company, BOBCAPS Research

# Valuation methodology

IndiGo has smartly seized market share over the last few years. In the next three years, we expect it to outperform the industry and gain further share of 300-400bps. We factor in a CAGR of 13% and 21% in revenue and EBITDA respectively over FY20-FY23, culminating in an EPS of Rs 70 by FY23. The stock is trading at 9.6x/6.5x FY22/23E EV/EBITDAR. We value the stock at 9x Sep'22E EV/EBITDAR (in line with its 5-yr avg) and initiate coverage with BUY for a Sep'21 target price of Rs 1,750, implying 42% upside potential from CMP.

## Sensitivity analysis (FY22)

We examine the sensitivity of various factors with respect to changes in fuel prices and USDINR rates. We find that with every US$ 1/bbl increase in crude price, fuel expense as a percentage of sales increases by ~60bps while EPS is inversely impacted by ~Rs 5. Also, with every Re 1 change in USDINR rate, EBITDA margins move inversely by ~90bps.

### FIG 26 – FUEL AS A PERCENTAGE OF SALES

| | | USDINR (Rs) | | | | |
|---|---|---|---|---|---|---|
| | | **71.0** | **73.0** | **75.0** | **77.0** | **79.0** |
| Crude (US$/bbl) | **35.0** | 21.0 | 21.8 | 22.5 | 23.3 | 24.1 |
| | **40.0** | 24.2 | 25.0 | 25.7 | 26.5 | 27.3 |
| | **45.0** | 27.4 | 28.2 | **29.0** | 29.7 | 30.5 |
| | **50.0** | 30.6 | 31.4 | 32.2 | 33.0 | 33.7 |
| | **55.0** | 33.9 | 34.6 | 35.4 | 36.2 | 36.9 |

Source: Company, BOBCAPS Research

### FIG 27 – EBITDA MARGINS (%)

| | | USDINR (Rs) | | | | |
|---|---|---|---|---|---|---|
| | | **71.0** | **73.0** | **75.0** | **77.0** | **79.0** |
| Crude (US$/bbl) | **35.0** | 21.0 | 19.2 | 17.4 | 15.6 | 13.9 |
| | **40.0** | 17.7 | 16.0 | 14.2 | 12.4 | 10.6 |
| | **45.0** | 14.5 | 12.7 | **11.0** | 9.2 | 7.4 |
| | **50.0** | 11.3 | 9.5 | 7.8 | 6.0 | 4.2 |
| | **55.0** | 8.1 | 6.3 | 4.5 | 2.8 | 1.0 |

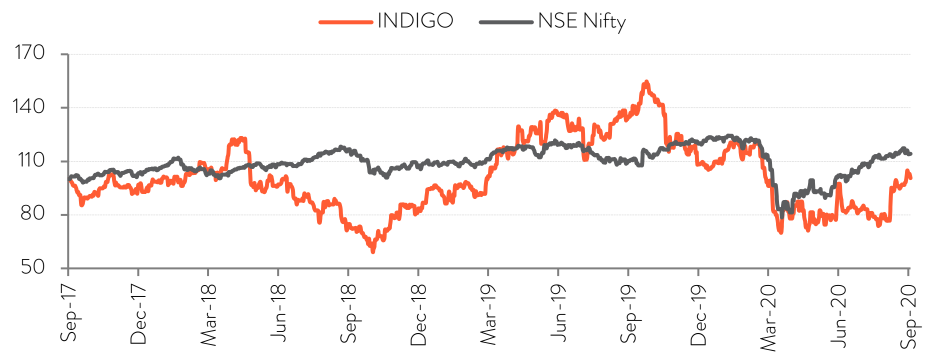
Source: Company, BOBCAPS Research

### FIG 28 – EPS (RS)

| | | USDINR (Rs) | | | | |
|---|---|---|---|---|---|---|
| | | **71.0** | **73.0** | **75.0** | **77.0** | **79.0** |
| Crude (US$/bbl) | **35.0** | 105.7 | 91.1 | 76.4 | 61.8 | 47.2 |
| | **40.0** | 79.2 | 64.5 | 49.9 | 35.3 | 20.7 |
| | **45.0** | 52.6 | 38.0 | **23.4** | 8.8 | (5.9) |
| | **50.0** | 26.1 | 11.5 | (3.1) | (17.8) | (32.4) |
| | **55.0** | (0.4) | (15.0) | (29.7) | (44.3) | (58.9) |

Source: Company, BOBCAPS Research

**FIG 29 – RELATIVE STOCK PERFORMANCE**




Source: NSE

## Key risks

- Sudden jump in crude prices and rupee depreciation
- Slower-than-expected passenger traffic growth

# Annexure A: Company profile

InterGlobe Aviation runs IndiGo, an Indian airline headquartered in Gurugram, Haryana. It is the largest airline in India by passengers carried and fleet size and also the sixth largest carrier in Asia with over 75mn passengers carried in FY20. The airline operates 1,500 flights every day to 87 destinations – 63 domestic and 24 international. It has its primary hub at Indira Gandhi International Airport, Delhi.

The airline was founded as a private company by Rahul Bhatia of InterGlobe Enterprises and Rakesh Gangwal in 2006. It took delivery of its first aircraft in Jul'06 and commenced operations a month later. The airline became the largest Indian carrier by passenger market share in 2012 and the company was listed on stock markets in Nov'15.

### FIG 1 – A BIRD'S EYE VIEW ON CORPORATE GOVERNANCE

| Name | Designation | Total Remuneration (Rs mn) | No. of board meetings attended | Attended last AGM | Committees (Y/N)/ No of meetings attended | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | 1- Audit | 2- Nomination & remuneration | 3- Stakeholders relationship | 4- Risk Management | 5- CSR |
| Mr Meleveetil Damodaran | Independent | 2.3 | 11 | Y | Y/7 | Y/5 | | | |
| Dr Anupam Khanna | Independent | 3.5 | 11 | N | Y/7 | Y/5 | Y/4 | Y/4 | Y/4 |
| Ms Pallavi Shardul Shroff | Independent | 0.3 | 3 | NA | | | | | |
| Dr Venkataramani Sumantran | Independent | NA | 11 | NA | | | | | |
| Mr Rahul Bhatia | Non executive, Promoter | 1.1 | 11 | Y | | | | | |
| Mr Rakesh Gangwal | Non executive, Promoter | 1.1 | 11 | N | | | | | |
| Ms Rohini Bhatia | Non executive, Promoter | 1.9 | 11 | Y | | | Y/4 | | Y/4 |
| Mr Anil Parashar | Non executive, Promoter | 3.5 | 11 | Y | Y/7 | Y/5 | Y/4 | Y/4 | Y/4 |
| Mr Ranojay Dutta | Whole time director & CEO | 95.3 | 2 | Y | | | | Y/4 | |

Source: Company, BOBCAPS Research

### FIG 2 – AUDITORS, BANKERS, CREDIT RATING AND CSR DETAILS

| | | |
|---|---|---|
| **Auditors** | S.R. Batliboi | |
| **Internal Auditors** | PWC Services LLP | |
| **Credit Rating** | | |
| Details of debt | Rating | Rating agency |
| Long-term rating | ICRA A+ | ICRA |
| Short-term rating | A1+ | ICRA |
| **CSR – For FY20** | | |
| Prescribed CSR (Rs mn) | 315.3 | |
| CSR expensed (Rs mn) | 227.4 | |

Source: Company, BOBCAPS Research

## FINANCIALS

### Income Statement

| Y/E 31 Mar (Rs mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|---|---|---|---|---|---|
| **Total revenue** | **284,968** | **357,560** | **280,996** | **424,002** | **524,066** |
| EBITDA | (5,354) | 40,382 | (45,829) | 46,516 | 71,842 |
| Depreciation | 7,596 | 39,736 | 28,557 | 32,876 | 37,570 |
| EBIT | 300 | 16,008 | (57,288) | 32,164 | 53,745 |
| Net interest income/(expenses) | (5,634) | (18,759) | (22,531) | (20,131) | (17,731) |
| Other income/(expenses) | 13,249 | 15,362 | 17,099 | 18,523 | 19,473 |
| Exceptional items | 0 | 0 | 0 | 0 | 0 |
| EBT | (5,334) | (2,751) | (79,818) | 12,033 | 36,015 |
| Income taxes | (3,052) | (269) | (20,114) | 3,032 | 9,076 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Min. int./Inc. from associates | 0 | 0 | 0 | 0 | 0 |
| **Reported net profit** | **(2,283)** | **(2,482)** | **(59,704)** | **9,001** | **26,939** |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| **Adjusted net profit** | **(2,283)** | **(2,482)** | **(59,704)** | **9,001** | **26,939** |

### Balance Sheet

| Y/E 31 Mar (Rs mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|---|---|---|---|---|---|
| Accounts payables | 14,552 | 15,655 | 15,815 | 14,640 | 17,295 |
| Other current liabilities | 61,408 | 134,469 | 190,045 | 210,397 | 230,956 |
| Provisions | 1,669 | 13,982 | 13,951 | 13,951 | 13,951 |
| Debt funds | 24,292 | 3,466 | 3,466 | 3,466 | 3,466 |
| Other liabilities | 78,104 | 194,289 | 174,289 | 154,289 | 134,289 |
| Equity capital | 3,844 | 3,848 | 3,848 | 3,848 | 3,848 |
| Reserves & surplus | 65,604 | 54,777 | (4,927) | (3,623) | 11,773 |
| Shareholders' fund | 69,448 | 58,625 | (1,079) | 225 | 15,621 |
| **Total liabilities and equities** | **249,473** | **420,485** | **396,486** | **396,968** | **415,577** |
| Cash and cash eq. | 86,064 | 108,294 | 89,293 | 74,018 | 95,598 |
| Accounts receivables | 3,625 | 2,596 | 3,079 | 4,066 | 4,307 |
| Inventories | 2,114 | 2,861 | 2,310 | 3,136 | 3,589 |
| Other current assets | 24,065 | 15,371 | 17,707 | 23,233 | 25,844 |
| Investments | 65,167 | 94,992 | 94,992 | 99,992 | 104,992 |
| Net fixed assets | 56,620 | 167,446 | 160,182 | 163,599 | 152,322 |
| CWIP | 236 | 1,738 | 1,738 | 1,738 | 1,738 |
| Intangible assets | 0 | 0 | 0 | 0 | 0 |
| Deferred tax assets, net | (644) | 2,950 | 2,950 | 2,950 | 2,950 |
| Other assets | 12,226 | 24,236 | 24,236 | 24,236 | 24,236 |
| **Total assets** | **249,473** | **420,485** | **396,486** | **396,968** | **415,577** |

Source: Company, BOBCAPS Research

### Cash Flows

| Y/E 31 Mar (Rs mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|---|---|---|---|---|---|
| Net income + Depreciation | 5,313 | 37,255 | (31,147) | 41,876 | 64,509 |
| Interest expenses | (5,634) | (18,759) | (22,531) | (20,131) | (17,731) |
| Non-cash adjustments | (13,249) | (15,362) | (17,099) | (18,523) | (19,473) |
| Changes in working capital | 37,342 | 199,626 | 33,439 | (8,163) | (92) |
| Other operating cash flows | 3,364 | (6,169) | 0 | 0 | 0 |
| **Cash flow from operations** | **27,135** | **196,590** | **(37,338)** | **(4,940)** | **27,213** |
| Capital expenditures | (18,340) | (152,064) | (21,293) | (36,293) | (26,293) |
| Change in investments | (1,727) | (29,825) | 0 | (5,000) | (5,000) |
| Other investing cash flows | 13,249 | 15,362 | 17,099 | 18,523 | 19,473 |
| **Cash flow from investing** | **(6,817)** | **(166,526)** | **(4,194)** | **(22,769)** | **(11,819)** |
| Equities issued/Others | 0 | 447 | 0 | 0 | 0 |
| Debt raised/repaid | (235) | (20,826) | 0 | 0 | 0 |
| Interest expenses | (5,634) | (18,759) | (22,531) | (20,131) | (17,731) |
| Dividends paid | (2,306) | (2,318) | 0 | (7,696) | (11,544) |
| Other financing cash flows | (3,052) | (3,594) | 0 | 0 | 0 |
| **Cash flow from financing** | **(11,228)** | **(45,049)** | **(22,531)** | **(27,827)** | **(29,274)** |
| **Changes in cash and cash eq.** | **9,091** | **(14,985)** | **(64,063)** | **(55,536)** | **(13,881)** |
| **Closing cash and cash eq.** | **86,064** | **108,294** | **89,293** | **74,018** | **95,598** |

### Per Share

| Y/E 31 Mar (Rs) | FY19A | FY20A | FY21E | FY22E | FY23E |
|---|---|---|---|---|---|
| Reported EPS | (5.9) | (6.4) | (155.2) | 23.4 | 70.0 |
| Adjusted EPS | (5.9) | (6.4) | (155.2) | 23.4 | 70.0 |
| Dividend per share | 6.0 | 5.0 | 0.0 | 20.0 | 30.0 |
| Book value per share | 180.7 | 152.4 | (2.8) | 0.6 | 40.6 |

### Valuations Ratios

| Y/E 31 Mar (x) | FY19A | FY20A | FY21E | FY22E | FY23E |
|---|---|---|---|---|---|
| EV/Sales | 1.4 | 1.1 | 1.3 | 1.0 | 0.9 |
| EV/EBITDA | (76.7) | 9.6 | (8.3) | 8.9 | 6.3 |
| Adjusted P/E | (207.0) | (190.6) | (7.9) | 52.6 | 17.6 |
| P/BV | 6.8 | 8.1 | (438.2) | 2,099.2 | 30.3 |

### DuPont Analysis

| Y/E 31 Mar (%) | FY19A | FY20A | FY21E | FY22E | FY23E |
|---|---|---|---|---|---|
| Tax burden (Net profit/PBT) | 42.8 | 90.2 | 74.8 | 74.8 | 74.8 |
| Interest burden (PBT/EBIT) | (1780.2) | (17.2) | 139.3 | 37.4 | 67.0 |
| EBIT margin (EBIT/Revenue) | 0.1 | 4.5 | (20.4) | 7.6 | 10.3 |
| Asset turnover (Revenue/Avg TA) | 177.9 | 167.0 | 129.8 | 253.4 | 336.6 |
| Leverage (Avg TA/Avg Equity) | 2.3 | 3.3 | 7.5 | (391.8) | 19.6 |
| Adjusted ROAE | (3.3) | (3.9) | (207.5) | (2107.6) | 340.0 |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

### Ratio Analysis

| Y/E 31 Mar | FY19A | FY20A | FY21E | FY22E | FY23E |
|---|---|---|---|---|---|
| **YoY growth (%)** | | | | | |
| Revenue | 23.8 | 25.5 | (21.4) | 50.9 | 23.6 |
| EBITDA | NA | NA | NA | NA | 54.4 |
| Adjusted EPS | NA | NA | NA | NA | 199.3 |
| **Profitability & Return ratios (%)** | | | | | |
| EBITDA margin | (1.9) | 11.3 | (16.3) | 11.0 | 13.7 |
| EBIT margin | 0.1 | 4.5 | (20.4) | 7.6 | 10.3 |
| Adjusted profit margin | (0.8) | (0.7) | (21.2) | 2.1 | 5.1 |
| Adjusted ROAE | (3.3) | (4.2) | 5531.0 | 3994.1 | 172.5 |
| ROCE | 0.1 | 6.7 | (19.8) | 14.4 | 25.8 |
| **Working capital days (days)** | | | | | |
| Receivables | 4 | 3 | 4 | 3 | 3 |
| Inventory | 3 | 3 | 3 | 2 | 2 |
| Payables | 37 | 44 | 55 | 45 | 37 |
| **Ratios (x)** | | | | | |
| Gross asset turnover | 0.3 | 0.5 | 0.7 | 0.6 | 0.5 |
| Current ratio | 1.5 | 0.8 | 0.5 | 0.4 | 0.5 |
| Net interest coverage ratio | (0.1) | (0.9) | 2.5 | (1.6) | (3.0) |
| Adjusted debt/equity | 1.5 | 3.4 | (164.7) | 700.0 | 8.8 |

Source: Company, BOBCAPS Research

# Disclaimer

**Recommendations and Absolute returns (%) over 12 months**

**BUY –** Expected return >+15%

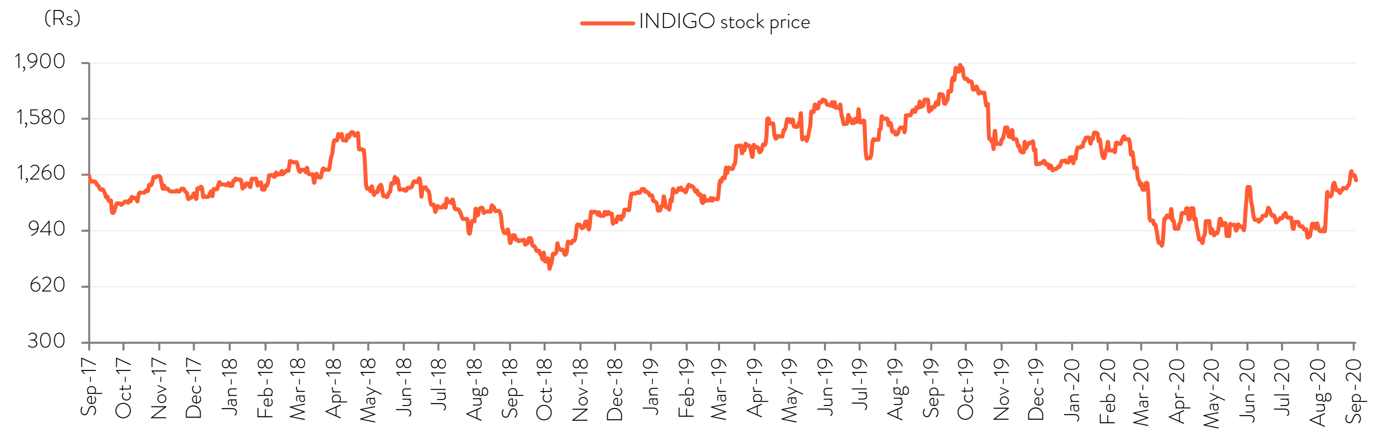
**ADD –** Expected return from >+5% to +15%

**REDUCE –** Expected return from -5% to +5%

**SELL –** Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

**RATINGS AND TARGET PRICE (3-YEAR HISTORY): INTERGLOBE AVIATION (INDIGO IN)**




B – Buy, A – Add, R – Reduce, S – Sell

**Rating distribution**

As of 31 August 2020, out of 100 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 48 have BUY ratings, 21 have ADD ratings, 11 are rated REDUCE and 20 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

**Analyst certification**

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

**General disclaimers**

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2020. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities —that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

**Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.