

November 20, 2023^(Revised)

InterGlobe Aviation Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Short-term Fund-based Limits	4,376.50	4,376.50	[ICRA]A1+
Short-term Non-fund Based Limits	357.50	357.50	[ICRA]A1+
Long-term Non-fund Based Limits	632.40	632.40	[ICRA]A+(Stable)
Long-term/Short-term Non-fund Based Limits – Standby Letter of Credit	3,406.96	3,406.96	[ICRA]A+(Stable)/ [ICRA]A1+
Short-term Interchangeable (LC/BC/OD)	(200.00)	(200.00)	[ICRA]A1+
Long-term Interchangeable (BG)	(1,057.20)	(1,057.20)	[ICRA]A+(Stable)
Short-term Interchangeable	(610.00)	(610.00)	[ICRA]A1+
Long-term – Unallocated	226.64	226.64	[ICRA]A+(Stable)
Total Bank Line Facilities	9,000.00	9,000.00	
Issuer Rating	NA	NA	[ICRA]A+(Stable)

*Instrument details are provided in Annexure-I

Rationale

Material Event

On November 07, 2023, InterGlobe Aviation Limited (IAL/company/IndiGo) intimated the stock exchanges regarding the impact on its Pratt & Whitney (P&W) powered fleet due to a powder metal (used to manufacture certain engine parts) contamination issue. In early FY2024, P&W had highlighted the impact of this defect that has affected its geared turbofan (GTF) aircraft engine globally.

IndiGo anticipates its incremental aircraft on ground (AOG) in the range of mid-30s in Q4 FY2024 due to the accelerated engine removals. These groundings will be over and above the current AOGs which is in 40s. Of its fleet of 334 aircraft, as of September 30, 2023, 136 A320 NEOs are powered by P&W's GTF engines.

Impact of Material Event

Considering the bulk quantity of engines being recalled globally by P&W and other already existing issues with the OEM's engines, the testing is likely to take longer at around 250-300 days. Hence, IndiGo's impacted aircraft are likely to remain grounded for a major duration of CY2024.

To deal with these challenges, the airline has taken various mitigation measures including retention of 14 older Airbus A320 CEO planes, extended leases on another 36 aircraft and inducted two, wide-body aircraft on damp lease earlier in CY2023. The airline has also taken 11 more aircraft on damp lease, which will start operations this month. Additionally, deliveries of another 12 CEO aircraft on lease from the secondary market are expected from January 2024 onwards. It also has an existing, large order book of ~967 A320/A321 NEOs and nine ATRs, as of September 30, 2023, with phased deliveries till CY2035 to boost its capacity addition. As per the management, its healthy relationship with lessors with no incidence of overdues in lease payments even during the COVID-19 period will help it get new leases from the market in a timely manner. With these

measures, the airline has maintained its guidance of YoY capacity addition of ‘north of mid-teens’ in FY2024 and long-term capacity guidance to double its fleet by CY2030. The company has also already taken initiatives to diversify its engine supplier base by placing orders with CFM International as ~40% of its NEOs fleet are fitted with CFM’s LEAP engines as on date.

ICRA, however, notes that the cost of grounding, increase in lease rentals due to additional aircraft being taken on lease to offset the grounded capacity, along with increasing lease rates and the planned addition of CEOs aircraft, which have lower fuel efficiency than NEOs, are expected to adversely impact the airline’s cost structure in the near term. As per the management, Indigo is in discussions with P&W regarding compensation for the disruption being caused; the airline has received some compensation from the OEM in the past as well. Even as the compensation from the engine supplier could be staggered over a period of time, the overall amount is targeted to be cost neutral to the airline, as per the company. Accordingly, the impact of AoGs on its operational and financial performance, along with any incremental groundings remains a monitorable.

In Q2 FY2024, the company achieved healthy earnings despite the seasonality impact and reported net profits for the last four consecutive quarters. The revenue from operations increased YoY by 20% to Rs. 14,944 crore with a profit after tax (PAT) of Rs. 189 crore during Q2 FY2024. For H1 FY2024, the revenues stood at Rs. 31,627 crore, a YoY increase of 25%, driven by a healthy demand scenario. The airline continues to maintain healthy liquidity with free cash and cash equivalents of Rs. 18,083 crore as of September 30, 2023, and has also maintained its leadership position in the Indian aviation industry with a market share of 62% during 5M FY2024, which provides comfort. Further, a strong demand scenario and the continuous domestic and international network expansion by the company are expected to support its growth prospects.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, liquidity position, and rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the consolidated financial statements of the company.

About the company

IAL is the operating company for IndiGo, India’s largest passenger airline in terms of domestic market share. The airline operates on a Low-Cost Carrier (LCC) business model, offering no-frills air commute to passengers in the domestic as well as international sectors. The company commanded nearly 62% of the domestic market in terms of passengers carried in 5M-FY2024. It commenced operations in August 2006 with a single aircraft, and as on September 30, 2023, had a fleet of 334 aircraft (16 owned/finance leased, 316 on operating lease, and two on damp lease). These comprise 20 Airbus A320 CEOs, 176 Airbus A320 NEOs, 93 Airbus A321 NEOs, 41 ATRs, two A321 freighters and two B777s (damp lease). As of September 2023, these connected 79 domestic and 32 international destinations.

Promoted by Mr. Rahul Bhatia, the company was originally incorporated in January 2004 as a private limited company and converted into a public limited company in June 2006. Subsequently, IndiGo proceeded with its Initial Public Offering (IPO) in FY2016, wherein its shares were listed on the exchanges. IndiGo is the key investee company of InterGlobe Group, which has diverse business interests across the aviation, hospitality, real estate, travel commerce, airline management, pilot training, aircraft maintenance, and IT&BPO spaces.

Key financial indicators (audited)

Consolidated	FY2022	FY2023	H1-FY2024 (limited audited)
Operating income	25,930.9	54,446.5	31,626.9
PAT	(6,161.8)	(305.8)	3,279.3
OPBDIT/OI	2.2%	11.9%	22.7%
PAT/OI	-23.8%	-0.6%	10.4%
Total outside liabilities/Tangible net worth (times)	(8.6)	(10.4)	-
Total debt/OPBDIT (times)	64.1	6.9	-
Interest coverage (times)	0.2	2.1	3.6

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years						
		Amount rated (Rs. crore)	Amount o/s as of Sep 30, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021	
				Nov 20, 2023	Jul 28, 2023	Mar 20, 2023	Apr 4, 2022	Aug 17, 2021	Mar 1, 2021	July 30, 2020
1 Fund Based Limits – Overdraft/ WCDL/ FCDL/ STL	Short Term	4,376.50	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
2 Non-Fund Based Limits- Letter of Credit	Short Term	357.50	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
3 Non-Fund Based Limits- Bank Guarantee	Long Term	632.40	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)
4 Non-Fund Based Limits – Standby Letter of Credit	Long Term / Short Term	3,406.96	-	[ICRA]A+ (Stable)/ [ICRA]A1+	[ICRA]A+ (Stable)/ [ICRA]A1+	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Negative) / [ICRA]A1	[ICRA]A (Negative)/ [ICRA]A1	[ICRA]A+ (Negative)/ [ICRA]A1	[ICRA]A+ (Negative) / [ICRA]A1
5 Interchangeable limits- Letter of Credit	Short Term	(200.00)	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
6 Interchangeable limits- Bank Guarantee	Long Term	(1,057.20)	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)
7 Interchangeable limits-Fund Based	Short Term	(610.00)	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1	[ICRA]A1	-	-	-
8 Unallocated	Long-term	226.64	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)
9 Issuer Rating	Long-term	-	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short Term Fund Based Limits- Overdraft/ WCDL/ FCDL/STL	Simple
Short Term Non-Fund Based Limits – Letter of Credit	Very simple
Long-Term Non-Fund Based – Bank Guarantee	Very Simple
Long Term/Short Term Non-Fund Based Limits - Standby Letter of Credit	Simple
Short-Term Interchangeable limits (Fund/Non-Fund based)	Very Simple
Long Term Non-Fund Based Sub-Limits (interchangeable limits)	Very simple
Long-term- Unallocated	Not applicable

Instrument	Complexity Indicator
Issuer Rating	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Short Term Fund Based Limits-Overdraft	Multiple	-	-	4,376.50	[ICRA]A1+
NA	Short Term Non-Fund Based Limits – Letter of Credit	Multiple	-	-	357.50	[ICRA]A1+
NA	Long-Term Non-Fund Based-bank guarantee	Multiple	-	-	632.40	[ICRA]A+ (Stable)
NA	Long Term/Short Term Non-Fund Based Limits-SBLC	Multiple	-	-	3,406.96	[ICRA]A+ (Stable) / [ICRA]A1+
NA	Short-Term Non-Fund Based (interchangeable-Limits) *- LC	Multiple	-	-	(200.00)	[ICRA]A1+
NA	Long-Term Non-Fund Based (interchangeable-Limits) *- BG	Multiple	-	-	(1,057.20)	[ICRA]A+ (Stable)
NA	Short Term Fund Based (interchangeable limits) *	Multiple	-	-	(610.00)	[ICRA]A1+
NA	Unallocated limits	-	-	-	226.64	[ICRA]A+ (Stable)
NA	Issuer Rating	-	-	-	NA	[ICRA]A+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	IAL Ownership	Consolidation Approach
InterGlobe Aviation Limited	100.00% (Rated entity)	-
Agile Airport Services Private Limited	100.00%	Full Consolidation

Source: FY2023 annual report; Note: ICRA has considered consolidated financials of the company while assigning the ratings.

Corrigendum

Rationale dated November 20, 2023, has been revised with the following change:

- Annexure II containing list of entities considered for consolidated analysis was inadvertently missed. This has now been added.

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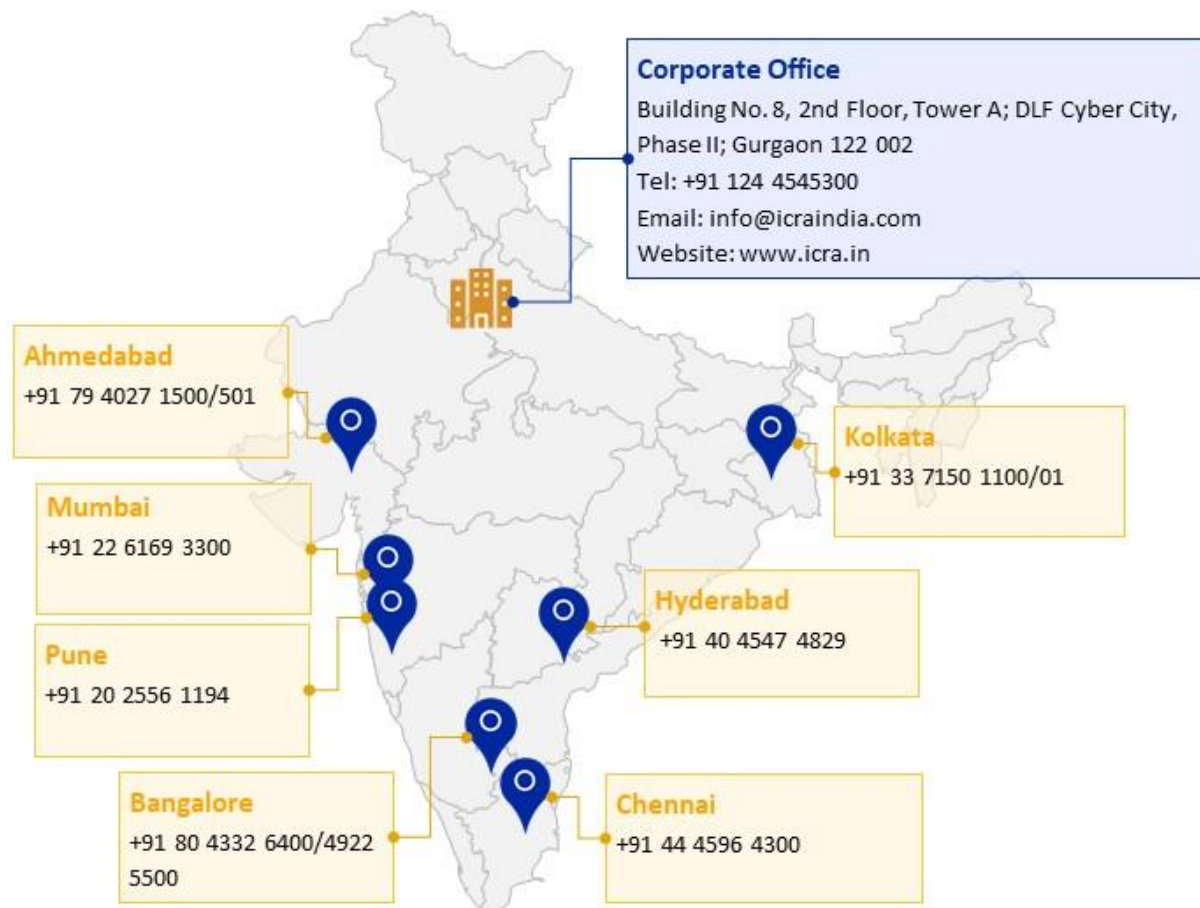
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