July 26, 2024 IGAL/SECT/7-24/14

To
National Stock Exchange of India Limited
Exchange Plaza, C - 1, Block G
Bandra Kurla Complex
Bandra - (E)
Mumbai - 400 051
Symbol: INDIGO

To
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

Scrip Code: 539448

Subject: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Regulations") – Credit Rating

Dear Sir/ Madam,

This is to inform that ICRA Limited ("ICRA") vide its letter dated July 26, 2024 has upgraded InterGlobe Aviation Limited ("Company") issuer rating and long-term rating from [ICRA] A+ to [ICRA] AA- with stable outlook while short-term rating has been reaffirmed at [ICRA] A1+.

This rating upgrade factors in the sustenance of a healthy demand environment and consequent improvement in Company's operational and financial performance. Further, ICRA in its rating rationale has acknowledged Company's scale, extensive network, low-cost positioning, steady yields and strong liquidity position.

The rating rationale as published by ICRA is attached as Annexure.

Thanking you,
For **InterGlobe Aviation Limited**

NEERJA SHARMA
Digitally signed by NEERJA SHARMA
Date: 2024.07.26 19:55:10 +05'30'

Neerja Sharma
Company Secretary and Chief Compliance Officer

July 26, 2024

InterGlobe Aviation Limited: Long-term rating upgraded to [ICRA]AA-(Stable); short-term rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term Fund-based Limits	4,376.50	4,351.50	[ICRA]A1+; reaffirmed
Short-term Non-fund Based Limits	357.50	357.50	[ICRA]A1+; reaffirmed
Long-term Non-fund Based Limits	632.40	632.40	[ICRA]AA- (Stable) upgraded from [ICRA]A+(Stable)
Long-term/Short-term Non-fund Based Limits – Standby Letter of Credit	3,406.96	3,556.96	[ICRA]AA- (Stable) upgraded from [ICRA]A+(Stable)/ [ICRA]A1+; reaffirmed
Short-term Interchangeable (LC/BC/OD)	(200.00)	(200.00)	[ICRA]A1+; reaffirmed
Long-term Interchangeable (BG)	(1,057.20)	(1,257.20)	[ICRA]AA- (Stable) upgraded from [ICRA]A+(Stable)
Short-term Interchangeable	(610.00)	(610.00)	[ICRA]A1+; reaffirmed
Long-term – Unallocated	226.64	101.64	[ICRA]AA- (Stable) upgraded from [ICRA]A+(Stable)
Total Bank Line Facilities	**9,000.00**	**9,000.00**	
Issuer Rating	NA	NA	[ICRA]AA- (Stable) upgraded from [ICRA]A+(Stable)

**Instrument details are provided in Annexure-I*

Rationale

The rating upgrade for InterGlobe Aviation Limited's (IAL, operator of IndiGo airlines) bank facilities and issuer rating factors in the sustenance of a healthy demand environment and the consequent improvement in the company's operational and financial performances in the recent past, as evident from a healthy growth of 25% in its passenger volumes and 22% in its capacity in FY2024 on a YoY basis. The company recorded revenues of ~Rs. 68,904 crore, up 27% on a YoY basis, and PAT of Rs. 8,172 crore in FY2024, after facing net losses over the previous four fiscals, helping it turn net worth positive as of March 31, 2024. The company's scale, extensive network, low-cost positioning and steady yields provide comfort. IAL is expected to continue to report higher cash flows, going forward, which would lead to an improvement in its credit metrics. The rating action also favourably factors in IndiGo's strong liquidity position, with sizeable free cash balances and access to undrawn lines of credit, which offers flexibility to manage any short-term weakening in industry conditions.

IndiGo continues to benefit from a steady gain in the market share (~62% in FY2024, up from 48% in FY2020) and healthy load factors (stood at an average of ~86% in FY2024). Going forward, healthy demand levels, launch of tailor-made business service, expansion of international operations supported by addition of XLRs followed by wide-bodied aircraft in the fleet, are expected to aid it maintain healthy capacity utilisation and yields. Given IndiGo's large order book (delivery of ~950 A320/A321 NEOs, XLRs and five ATRs is expected in a phased manner till 2035, while delivery of the recent confirmed order of 30 wide-bodied aircraft would commence from CY2027), the company will be well positioned to maintain its strong market position in the long run. With planned addition of more than an aircraft per week in FY2025, the management expects early double-digit growth in the capacity (in terms of available seat kilometers (ASKM)) and passenger traffic for the fiscal. ICRA notes that going forward, a proportionate growth in passenger traffic, number of routes, and airport infrastructure, etc., remain critical for healthy load factors.

The airline has been affected by engine failures and powder metal contamination issue for Pratt & Whitney's (P&W) engines, which resulted in grounding of aircraft in mid-70's (as on date), thus impacting its capacity. IndiGo has been taking mitigation measures such as wet leases and lease extensions, to partially offset global supply chain disruptions, helping meet its capacity guidance. It has been in discussions with P&W regarding compensation for the disruption caused. The airline had received some compensation from the OEM in the past as well and recently announced an amendment to the existing agreement with International Aero Engines, LLC (IAE), an affiliate of P&W, pursuant to which IAE will provide IndiGo with a customised compensation in relation to this issue.

Besides, the industry has witnessed a sequential decline in aviation turbine fuel (ATF) prices over the last few quarters, which provide comfort. ICRA expects an improvement in the company's leverage and coverage indicators as the operations scale up further. However, the impact of unfavourable movement in fuel prices, depreciation of the INR against the USD, a slowdown in ASKM growth (due to delayed aircraft deliveries) and extended grounding of its aircraft will be monitored.

The Stable outlook on IAL's rating reflects ICRA's view that a healthy growth in passenger traffic is expected to continue in the near term, which along with better pricing discipline and relatively stable ATF prices, will result in a healthy revenue per available seat kilometre- cost per available seat kilometre (RASK-CASK) spread, and help the airline gradually improve its credit metrics.

Key rating drivers and their description

Credit strengths

Leading domestic air carrier in India – At present, the low-cost carrier (LCC), IndiGo, is India's leading domestic air carrier in terms of domestic passengers flown. IndiGo has grown its fleet steadily from 19 to 367 aircraft between FY2010 and FY2024 and expanded its capacity (in terms of ASKMs) at a CAGR of ~21% (FY2010-FY2024). Driven by its track record of delivering high on-time performance, competitive pricing and phasing out of operations by other airlines, IndiGo has expanded its market share from 14% in FY2010 to nearly 62% in FY2024, emerging as the leading domestic airline. IndiGo continues to penetrate the domestic market (no. of direct routes operated by IndiGo is 420+) by launching operations to new locations, particularly non-metro cities, which is likely to help it further strengthen its market position in the sector.

Healthier liquidity than its peers support ability to withstand downcycles – IndiGo has maintained a healthier liquidity profile at present than its peers, as evident from its large free cash balance of ~Rs. 20,823 crore as of March 2024 (Rs. 12,195 crore as of March 2023). A comfortable liquidity position is likely to enable it to better withstand any subdued passenger traffic and inflationary cost pressure. ICRA believes that IndiGo would continue taking timely steps to augment its liquidity and would maintain an adequate buffer over and above its debt servicing obligations and routine business requirements. The airline is expected to continue to take the aircraft deliveries by way of leasing model in the near term, thus helping it maintain liquidity levels. The airline continues to maintain its strong relationships with lessors, which bode well for its growth prospects.

Cost competitiveness likely to sustain; changing fleet mix could potentially help improve cost metrics further – Aided by large orders placed with Airbus and competitive terms negotiated with it, engine suppliers and maintenance providers, IndiGo has lower cost of operations (including cost of ownership) than its peers in the Indian airlines industry. Additionally, maintenance of a single fleet and tight control on overheads have helped it maintain the lowest CASK among airlines. In the recent years, it has been increasingly replacing its older CEO fleet with more fuel-efficient NEO aircraft. With higher capacity (A321 NEOs offer 29% more seats than CEOs) and a more fuel-efficient fleet, IndiGo is expected to maintain its cost competitiveness over the medium term.

Credit challenges

Exposed to volatility in crude oil prices and fluctuation in foreign exchange rate – In line with the industry, the profitability of IndiGo is highly vulnerable to volatility in fuel prices and foreign exchange (forex) movement as over 40% of its expenses are related to fuel costs and other operating expenses (i.e., supplementary lease rentals, aircraft and engine maintenance), are denominated in USD. The large forex denominated liabilities relating to lease obligations also expose the company to forex fluctuations. The airline was able to increase yields to pass on the partial increase in ATF prices and depreciating rupee in the recent past, without impacting demand, which provides comfort. Moreover, easing of domestic ATF prices has been witnessed over the last few quarters, as it declined to ~Rs. 96.5/L in June 2024 from Rs. 103.5/L in FY2024 (Rs. 121/L in FY2023). ICRA notes that the company's inflows in foreign currency (through international flights) mitigate its forex risk to an extent. A further pick-up in international operations and higher proportion of the fuel-efficient NEO aircraft in the fleet will help partially compensate the adverse fluctuations in ATF prices. In case of IndiGo, even the mark-to-market risk is mitigated to an extent by maintaining a part of its liquid funds (i.e., collateral against standby letter of credit, limits for supplemental rent payments) in foreign denominated deposits.

Intense competition in industry; cost-sensitive nature of domestic aviation market may restrict pricing power – Despite being the market leader in the domestic aviation industry, IndiGo's ability to command a pricing premium remains limited. This is due to the cost sensitive nature of the market and the intensely competitive pricing among airlines. Despite the same, the yields have remained at healthy levels over the last two fiscals. Nonetheless, expected ramp-up of operations of new players (Akasa Air), ongoing consolidation (among Air India and Vistara) along with sizeable fleet order book by other airlines may exert pressure on yields in the near term. However, this is expected to improve over the long-term as IndiGo expands its international operations.

Aircraft grounding results in adverse impact on cost structure –Aircraft in mid-70s have been grounded (AoG) for IndiGo as of March 2024 (increased from 40 at the end of Q3 FY2024 due to powder metal issue in the engines). These groundings are likely to result in higher operating expenses due to the cost of grounding, induction of shorter-term wet leases and higher maintenance cost on extension on older aircraft. IndiGo has been taking measures to mitigate the AoG impact by extending leases, retaining older CEO aircraft and exploring wet leases to grow capacity. Besides, the management highlighted that it has been in regular discussions with P&W on the compensation structure in relation to the groundings. ICRA also notes the concentration risk associated with dependence on a single aircraft OEM (Airbus). Even though the company will continue to take deliveries from its existing order book, the pace of aircraft delivery and further increase in groundings will be monitored.

Moderate financial risk profile– IndiGo's overall debt, including operating lease liabilities, increased to ~Rs. 51,280 crore as on March 31, 2024, from ~Rs. 44,854 crore (as of March 2023), on account of increasing fleet and higher lease tenure. Its financial risk profile is marked by a moderate net worth of ~Rs. 1,996 crore as of March 31, 2024, and its total outside liabilities to net worth ratio (TOL/TNW) stood at ~40.0 times in FY2024. The debt metrics remained comfortable with net Debt (total debt – free cash)/EBITDAR of 1.7 times and interest coverage of 3.9 times in FY2024. While the lease liabilities would continue to rise, the leverage ratios are likely to sustain at the current levels, going forward, aided by an improvement in EBITDAR.

ESG Risks

Environmental considerations: IndiGo is exposed to environmental risk as it operates in the passenger airline industry, which is subject to regulations regarding carbon emissions. The global airline industry currently accounts for about 2% of the world's carbon emissions, which is likely to grow significantly based on the expected average annual passenger growth over the next decade. One of the most significant ways to reduce emissions is by operating a modern and efficient fleet. IndiGo's current order book with Airbus consists of aircraft with the latest engine technology, which would help lower carbon and noxious gas emissions by over 15% and is likely to help mitigate some of the future costs that may be due pursuant to international treaties. As per Airbus, ~80% of IndiGo's fleet is new generation (NEOs) against the world average of 20%. IndiGo is one of the lowest CO2 emitting airline per ASK among some of the key airlines across the world. Even as passengers are expected to bear a portion of any airline's costs of carbon through higher fares, the ability of the company to pass on the cost increases in India, a highly competitive market, remains to be seen.

Social considerations: The passenger airline industry was one of the sectors most significantly affected by the pandemic, given its exposure to travel restrictions and sensitivity of consumer demand. Such incidents have substantial implications for public health and safety. However, the company's safety policy follows safety management system (SMS) manual and Directorate General of Civil Aviation (DGCA) guidelines. The industry also has substantial dependence on highly specialised human capital in the form of pilots and mechanics. Thus, retaining human capital, maintaining healthy relationships with employees as well as the supplier ecosystem remain essential for disruption free operations. Another social risk that the airline industry faces pertains to product safety and quality, wherein instances of major accidents may not only lead to a financial implication but could also harm the reputation and create a more long-lasting adverse impact on demand. In this regard, IndiGo's established track record and focus on aircraft's technical certification, operations and safety policies mitigate this risk to an extent. The company operates iFly Training Institute, which is among the biggest in-house corporate training academy in the world, having 70+ specialised training rooms, running long training programs where each of its cabin crew member, pilot, engineer and operational team member undergoes required training. IndiGo has also been focused on maintaining relatively higher diversity and inclusion among pilots and its other workforce.

Liquidity position: Adequate

IAL's liquidity is adequate, as reflected by free cash of ~Rs. 20,823 crore as on March 31, 2024. The liquidity profile is further augmented by unutilised short-term, fund-based lines of credit of ~Rs. 4,000 crore as on March 31, 2024. In addition, the leasing transactions of the new NEO aircraft joining the fleet are also expected to provide liquidity. Against the same, it has repayment obligations of ~Rs. 795 crore pertaining to finance leases and long-term ECB borrowings in FY2025. These cash and liquidity buffers are expected to be adequate to cater to any operational losses and its debt servicing/operating lease requirements.

Rating sensitivities

Positive factors – A demonstrated track record of sustainable improvement in the company's profitability indicators along with strong liquidity profile could lead to a rating improvement. A healthy capital structure and debt coverage indicators, as indicated by Net debt (debt including lease liabilities - free cash)/EBITDAR of less than 1.5 times, on a sustained basis, remains key for a rating improvement.

Negative factors –Pressure on IndiGo's ratings could emanate from a sustained moderation in its operating performance or a significant decline in its liquidity buffers. In addition, a material increase in IndiGo's net debt levels, on a sustained basis, will be monitored. Specific trigger includes Net debt (debt including lease liabilities - free cash)/EBITDAR of more than 3.0 times, on a sustained basis.

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 both in the domestic as well as international sectors. At present, the company commands nearly 62% of the domestic market in terms of passengers carried. It commenced operations in August 2006 with a single aircraft, and as on March 31, 2024, had a fleet of 367 aircraft (owned/finance lease- 31, operating lease- 323, damp lease-13). These comprised 31 Airbus A320 CEOs, 192 Airbus A320 NEOs, 94 Airbus A321 NEOs, 45 ATRs, 3 A321 freighters and 2 B777 (damp lease). As of March 2024, these connected 121 destinations worldwide.

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

Key financial indicators (audited)

Consolidated	FY2023	FY2024*
Operating income	54,446	68,904
PAT	(306)	8,172
OPBDIT/OI	12%	24%
PAT/OI	-1%	12%
Total outside liabilities/Tangible net worth (times)	(10.4)	40.0
Total debt/OPBDIT (times)*	6.9	3.1
Net debt/EBITDAR**	4.5	1.7
Interest coverage (times)	2.1	3.9

*Source: Company, ICRA Research; * Limited Results; All ratios as per ICRA's calculations; Amount in Rs. crore*

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *debt includes operating lease liabilities; **net debt = (total debt- free cash)*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022
				Jul 26, 2024	Nov 20, 2023	Jul 28, 2023	Mar 20, 2023	Apr 4, 2022	Aug 17, 2021
1	Fund Based Limits – Overdraft/ WCDL/ FCDL/ STL	Short Term	4,351.50	[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
3	Non-Fund Based Limits- Bank Guarantee	Long Term	632.40	[ICRA]AA- (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)
4	Non-Fund Based Limits – Standby Letter of Credit	Long Term / Short Term	3,556.96	[ICRA]AA- (Stable)/ [ICRA]A1+	[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
5	Interchangeable limits- Letter of Credit	Short Term	(200.00)	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1	[ICRA]A1	[ICRA]A1

6	**Interchangeable limits- Bank Guarantee**	Long Term	(1,257.20)	**[ICRA]AA- (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A (Stable)**	**[ICRA]A (Negative)**	**[ICRA]A (Negative)**
7	**Interchangeable limits-Fund Based**	Short Term	(610.00)	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1**	**[ICRA]A1**	**-**
8	**Unallocated**	Long-term	101.64	**[ICRA]AA- (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A (Stable)**	**[ICRA]A (Negative)**	**[ICRA]A (Negative)**
9	**Issuer Rating**	Long-term	-	**[ICRA]AA- (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A (Stable)**	**[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
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	-	-	4,351.50	[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]AA- (Stable)
NA	Long Term/Short Term Non-Fund Based Limits-SBLC	Multiple	-	-	3,556.96	[ICRA]AA- (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	-	-	(1,257.20)	[ICRA]AA- (Stable)
NA	Short Term Fund Based (interchangeable limits) *	Multiple			(610.00)	[ICRA]A1+
NA	Unallocated limits	-	-	-	101.64	[ICRA]AA- (Stable)
NA	Issuer Rating	-	-	-	NA	[ICRA]AA- (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
InterGlobe Aviation Financial Services IFSC Private Limited	100.00%	Full Consolidation

Source: Company; annual report

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545 300
shamsherd@icraindia.com

Srikumar Krishnamurthy
+91 44 45964318
ksrikumar@icraindia.com

Rohan Kanwar Gupta
+91 124 4545808
rohan.kanwar@icraindia.com

Astha Bansal
+91 124 4545342
astha.bansal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches