"IndiGo Third Quarter Fiscal 2018 Financial Results Conference Call"

January 24, 2018

MANAGEMENT: MR. ADITYA GHOSH – PRESIDENT & WHOLE TIME DIRECTOR
MR. ROHIT PHILIP – CHIEF FINANCIAL OFFICER
MR. ANKUR GOEL – AVP, TREASURY AND INVESTOR RELATIONS

Operator: Good evening ladies and gentlemen and welcome to IndiGo's Conference Call to discuss the third quarter financial results for fiscal year 2018. My name is Aman and I will be your coordinator. At this time, the participants are in a listen-only mode. A question-and-answer session will follow today's management discussion.

As a reminder, today's conference call is being recorded. I would now like to turn the call over to your moderator, Mr. Ankur Goel, Associate Vice President of Treasury & Investor Relations for IndiGo.

Ankur Goel: Good Evening, everyone, and thank you for joining us for the Third Quarter Fiscal 2018 Earnings Call.

I have with me our President and Whole Time Director -- Aditya Ghosh and our Chief Financial Officer – Rohit Philip.

Before we begin, please note that today's discussion may contain certain statements on our business or financials which will be construed as forward-looking. Our actual results may be materially different from these forward-looking statements.

The information provided on this call is as of today's date and we undertake no obligation to update the information subsequently.

A transcript of today's call will also be archived on our website. We will upload the transcript of today's prepared remarks within an hour. The transcript of the Question and Answer session will be uploaded subsequently.

With this, let me hand over the call to Aditya Ghosh.

Aditya Ghosh: Good evening everyone and thank you for joining us on this call.

We announced our third quarter fiscal 2018 financial results today and this quarter, we have reported a profit after tax of 7.6 billion rupees, an increase of 56.4% compared to the same period last year. Our after tax margin for the quarter was 12.3%. This year over year improvement in profitability is driven by better RASK performance. Similar to the last quarter, our year over year RASK improvement was due to better revenue management as well as credits received from our manufacturers. Rohit will discuss this when he takes you through our numbers in detail.

We continue to be the leading airline in terms of on-time performance and were ranked No. 1 with an average OTP of 81.8% for the quarter. In fact, recently, we have been ranked as one of the top 5 airlines amongst the top 20 mega airlines globally in terms of on-time performance based on the data compiled by OAG for the entire 2017. These are the twenty largest airlines in the world in terms of weekly scheduled flights. IndiGo is the only Indian carrier to have made it to this list and while we are thrilled with this achievement, we take even greater pride in seeing India up there. For the quarter, our technical dispatch reliability was 99.87% and our flight cancellation rate was 0.34%.

Other than our strong profits, we also had several operational milestones during the quarter. We became the first Indian carrier to cross a 1,000 daily flights. This quarter was also special since we carried our 200 millionth customer. These achievements have come within a period of just eleven years of our operations and we are grateful for the support and encouragement that we get from the millions of customers that choose IndiGo. We also inducted our first ATR 72-600 aircraft during the quarter and commenced our maiden ATR flight on the 21st of December from Hyderabad to Mangalore.

The induction of ATR will help us reach out deeper into India and also open up our network of domestic and international markets by offering connectivity to and from many regional cities. In order to strengthen our regional operations, we have recently introduced 90 new flight connections that include routes to and from Tirupati, Rajahmundry, Hyderabad, Chennai, Bengaluru, Mangalore, Madurai and Nagpur. With this, we strive to take the IndiGo experience to customers in many more cities in India, who, so far, have been subjected to erratic schedules, old airplanes and high fares.

We started operations from Tirupati and Rajahmundry earlier this month with our ATR aircraft and on our very first day of operations in both these cities, we became the airline offering the most number of flights from there. Earlier this week, we also commenced operations from Colombo, our 8th International destination. With this, we now fly to 41 domestic destinations and 8 international destinations.

We added 12 aircraft during the quarter of which 8 were A320neos and 3 were ATRs taking our total fleet count to 153 and our A320neo fleet count to 32. In addition, we are also operating 4 aircraft under a short term damp lease arrangement with Small Planet Airlines to meet our near term schedule requirements. The first of these aircraft started to fly on the 28th of December and these 4 aircraft will be operated till the end of April 2018.

Now talking about neos, we are now receiving the required spare engines from Pratt & Whitney and therefore all our neo aircraft are in active operation.

Speaking of our long haul plans and Air India – while the government has made certain announcements relating to the privatization of Air India, we are still awaiting details of the process. We remain interested in acquiring the international operations of Air India but as we have said previously, we will explore the long haul opportunity with or without Air India. In that context, we will start seeking route rights and other necessary regulatory approvals as may be required to operate long haul flights.

With this, let me hand over the call to Rohit for an overview of our financials.

Rohit Philip: Thank you, Aditya, and good evening everyone.

For the quarter ended December 2017, we reported a profit after tax of 7.6 billion rupees with an after tax profit margin of 12.3% compared to a profit after tax of 4.9 billion rupees with an after tax profit margin of 9.8% during the same period last year. We reported an EBITDAR of 20 billion rupees with an EBITDAR margin of 32.4% compared to an EBITDAR of 14.6 billion rupees with an EBITDAR margin of 29.3% during the same period last year. Our year over year profitability was better primarily because of an improvement in our RASK.

Our total capacity for the December quarter was 16.3 billion ASKs, an increase of 13.0% compared to the same period last year.

Our revenue from operations in the December quarter was 61.8 billion rupees, an increase of 23.9% over the same period last year. Our other income was 2.7 billion rupees for the quarter.

Our RASK for the quarter was 3.84 rupees, an increase of 10.4% from 3.48 rupees during the same period last year. Our load factor was up by 1.2 points to 88.5% and our yield was up by 6.3% to 3.70 rupees. This improvement in yield and load factor was a result of better revenue management as well as the effects of demonetization which had impacted our revenues last year. In addition, similar to the last quarter, we also received credits from our manufacturers. We do not expect such large year over year improvements in RASK going forward.

Our CASK for the quarter was 3.18 rupees compared to 3.06 rupees for the same period last year. CASK excluding fuel was 1.94 rupees in the current quarter, an increase of 2.2% from the same period last year. This year over year increase in CASK excluding fuel was primarily driven by an increase in engine shop visits, an increase in airport charges at Mumbai, the imposition of the RCS levy and a reduction in our utilization because of the grounding of some of our neos during the first half of the quarter. This increase in CASK excluding fuel was partially offset by a foreign exchange gain we recorded in the quarter due to the strengthening of our currency against the US dollar.

Now talking about GST - as you may recall, we paid a GST of 784 million rupees under protest last quarter. Similarly, we have paid a GST of 689 million rupees under protest this quarter. While the GST rate for the reimport of repaired engines and certain parts has been reduced from 18% to 5%, the airline industry in India continues to believe that this should be exempt from GST and we have appealed against it.

During the quarter, one of our founders sold some of his shares through the Offer for Sale or OFS process. This sale, combined with the IPP offering in September, has brought our public shareholding to the required 25%.

Moving to the balance sheet, we had total debt of 24.3 billion rupees at the end of the quarter. We purchased 3 ATRs during the quarter with our free cash and our cash balance at the end of the quarter was 138.9 billion rupees. This comprised of 81 billion rupees of free cash and 57.9 billion rupees of restricted cash.

Before I close my remarks, let me give you our capacity guidance for the coming quarter. We expect a year over year capacity increase in terms of ASKs of 24% for the fourth quarter.

The above prepared remarks transcript will be replaced with a full conference call transcript (including the Q&A portion)