



**“IndiGo Fourth Quarter and Fiscal Year 2018  
Financial Results Conference Call”**

**May 02, 2018**



**MANAGEMENT: MR. RAHUL BHATIA – CO-FOUNDER AND INTERIM CEO  
MR. ROHIT PHILIP – CHIEF FINANCIAL OFFICER  
MR. WOLFGANG PROCK-SCHAUER – CHIEF  
OPERATING OFFICER DESIGNATE  
MR. ANKUR GOEL – AVP, TREASURY AND INVESTOR  
RELATIONS**

**Operator:** Good evening ladies and gentlemen and welcome to IndiGo's Conference Call to discuss the fourth quarter and fiscal year 2018 financial results. 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 Fourth Quarter and Fiscal 2018 Earnings Conference Call.

I have with me our co-founder and interim CEO – Rahul Bhatia and our Chief Financial Officer – Rohit Philip to take you through our performance for the quarter. I also have with me Wolfgang Prock-Schauer for the Question and Answer session.

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 Q&A session will be uploaded subsequently.

With this, let me hand over the call to Rahul Bhatia.

**Rahul Bhatia:** Good evening everyone and thank you for joining us on this call.

As you all would be aware, Aditya Ghosh has resigned and will leave the Company on July 31. Aditya wishes to explore starting a new business venture and we respect his decision to do so. Our Board of Directors and I want to thank him for all his hard work and contributions for the successes that our company has enjoyed over the years. That said, I am very excited to announce the return of Gregory Taylor as Senior Advisor to the Company, who would be reporting directly to me. Our Board of Directors will consider his appointment as President and CEO of the Company subject to receiving necessary regulatory approvals and paperwork.

We announced our Fourth Quarter and Full Year Fiscal 2018 financial results today. We have recorded our highest ever annual after tax profit of 22.4 billion rupees for fiscal 2018 with a profit margin of 9.7%. For the fourth quarter, we reported a profit after tax of 1.2 billion rupees with the

profit margin of 2%. I would also like to announce that our Board of Directors has recommended a dividend of 6 rupees per share, subject to shareholders' approval at the Annual General Meeting.

Rohit, as always, will discuss this when he talks about our financial performance in detail.

We continue to be the leading airline in terms of on-time performance and were ranked No. 1 in on time performance for the Fiscal Year 2018 with an average OTP of 83.1%. For the quarter, our OTP was 78.1%, Technical Dispatch Reliability was 99.87% and flight cancellation rate was 1.74%. Our flight cancellation rate was higher especially during the month of March due to the ongoing issues with some of our neos. Our passengers were informed well in advance and were re-accommodated and assisted.

We are happy that our passengers have once again acknowledged our consistent performance and reliable service. We were awarded the "Best Low Fare Airline Domestic" and Best International Low Cost Airline in and out of India by the 'Air Passenger Association of India' during the quarter. We have also been awarded as "Best Low Cost Airline in Asia" by the TripAdvisor Travellers' Choice Award 2018.

We have added 4 new destinations in the quarter bringing our total number of destinations to 50 including 8 international destinations. We were also awarded 20 routes covering 10 additional destinations in the Phase-II of bidding under the Regional Connectivity Scheme. Over the next 3-4 months, we plan to open 5 additional destinations including Dhaka, Allahabad, Hubli, Jorhat and Kolhapur. We have already opened up ticket sales for Trichi, which is going to be our 51st destination.

We added a net of 6 aircraft during the quarter of which 3 were ATRs. This takes our total fleet count to 159 which includes 32 neos and 6 ATRs at the end of March 2018. In addition to this and as mentioned in our previous call, we also operated 4 aircraft during the quarter under a short term damp lease arrangement.

Let me now take a few minutes to talk about how our performance is tracking against our long term plan. As we had outlined in our company presentation back in August last year we are focused on creating shareholder value by building a large and profitable air transportation network. India is a severely underpenetrated market and we continue to capitalize on opportunities that this market presents. Also as we said in that presentation, we are cognizant of the challenges that we face and are taking steps to address them.

We spoke about building upon our domestic leadership. To that end, we added 161 daily flights and 4 new stations during the course of fiscal 2018 in the domestic market and successfully launched our turboprop operations. We also substantially increased our international operations whereby current share of international operations is at 15% of our total capacity as compared to 11% one year ago.

We have also started executing on the financing strategy which we had discussed previously with the objective to lower our aircraft ownership costs going forward.

As you all are aware, there are certain issues with the neo engines. Also, as we have discussed previously, these issues will take some time to get resolved and we continue to work with Pratt & Whitney and Airbus to ensure that we have sufficient spare engines available.

During the quarter, a new issue cropped up where a sub population of A320neos, powered by Pratt & Whitney engines with Engine Serial Number 450 and beyond. This led to grounding of some of these aircraft by the Indian DGCA. As we received new engines from Pratt and Whitney, we have replaced all the affected engines and these planes are now back in service.

We have been continuously putting in place the building blocks for our future plans. A key element of this is to build a talent pool with deep functional expertise that will be able to successfully execute on our long term plan. As part of this effort, I am delighted that we have new leaders join the team. Since our last call, in addition to Wolfgang, Raj Raghavan has joined us as our head of HR, Mike Swiatek as our Chief Planning Officer and Willy Boulter as our Chief Strategy Officer.

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

**Rohit Philip:**

Thank you, Rahul, and good evening everyone.

As Rahul mentioned, we reported record profitability for the year with a 35.1% growth in profits compared to last year. We reported a profit after tax of 22.4 billion rupees with a profit margin of 9.7% for the year compared to a profit after tax of 16.6 billion rupees with a profit margin of 8.9% last year. Our EBITDAR for the year was 66.8 billion rupees with an EBITDAR margin of 29% compared to an EBITDAR of 54.4 billion rupees with an EBITDAR margin of 29.3% last year.

For the quarter ended March 2018, we reported a profit after tax of 1.2 billion rupees with an after tax profit margin of 2% compared to a profit after tax of 4.4 billion rupees with an after tax profit margin of 9.1% during the same period last year. We reported an EBITDAR of 11.3 billion rupees with an EBITDAR margin of 19.5% compared to an EBITDAR of 14.5 billion rupees with an EBITDAR margin of 29.9% during the same period last year. As we had said in last few quarters, we also received credits from our manufacturers this quarter to offset some of the adverse impact from aircraft groundings and delivery delays.

Our profits for the quarter were lower compared to the same period last year primarily because of three reasons. One - the fuel price increased by 11.6%. Two - our yields declined by 5.6%. And Three - we were adversely impacted by foreign exchange - we booked a loss of 925 million rupees this quarter compared to a gain of 1.6 billion rupees in the same period last year. Just the foreign exchange impact resulted in a year over year swing of 2.5 billion rupees for the quarter.

Our earnings per share were 3.06 rupees for the quarter and 60.03 rupees for the full year.

Our total capacity for the year was 63.5 billion ASKs, an increase of 16.4% compared to the same period last year. Our total capacity for the fourth quarter was 17.1 billion ASKs, an increase of 20.9% compared to the same period last year. This is lower than the capacity we had previously guided due to the grounding of some of our neos during the quarter.

Our revenue from operations in the March quarter was 58.0 billion rupees, an increase of 19.6% over the same period last year. Our other income was 2.6 billion rupees for the quarter.

Our RASK for the quarter was 3.40 rupees compared to 3.52 rupees during the same quarter last year, a decline of 3.2%. This decline in RASK was primarily driven by lower yields partially offset by higher load factors. While our yields were down by 5.6% to 3.31 rupees, our load factors were up by 2.8 points to 88.9%.

We normally do not give guidance on how the revenue environment in the current quarter is shaping up. However, last year, we did share certain short term yield trends post the demonetization event since it had resulted in a sharp decline in yields during that quarter.

Having said that, let me provide some colour on near term yield trends. Currently, we are seeing yield pressures in the industry. We saw that in the 0-15 day booking window, the fares are materially lower compared to a year ago. This is typically high yielding traffic and consequently, our yields have been impacted more than expected and that is in spite of increasing fuel prices.

In April, the revenue environment was weak and year over year yields were down more than we were expecting primarily driven again by the weak pricing in the 0-15 day booking window. That said, there have been some recent signs of yield improvements in this window but it is still just too early for us to comment whether this will sustain over the quarter.

Fuel prices increased by 11.6% which led to an overall increase in CASK by 7.4%. Our CASK for the quarter was 3.30 rupees compared to 3.08 rupees during the same period last year. CASK excluding fuel was 1.94 rupees in the current quarter, an increase of 5.3% from the same period last year primarily on account of depreciation of Indian Rupee this quarter compared to an appreciation in the Indian Rupee in the same period last year. Similar to previous quarters, we also paid a GST of 356 million rupees under protest in the March quarter.

Now moving to the balance sheet, we had total debt of 24.5 billion rupees at the end of March 2018. As we have discussed previously, we have started purchasing some of our aircraft with our free cash. We purchased 3 more ATRs during the quarter with our free cash in addition to the 3 ATRs we had purchased in the previous quarter. We will continue to purchase more aircraft with our free cash going forward. Our cash balance at the end of the period was 137.1 billion rupees comprising of 70.6 billion rupees of free cash and 66.5 billion rupees of restricted cash. Based on our cash position, the cash required to purchase aircraft and the overall profitability for the year,

the Board of Directors of the Company has recommended a dividend of 6 rupees per share for fiscal 2018. This is subject to approval by our shareholders in the upcoming Annual General Meeting.

Now let me give you our capacity guidance for the coming quarter and for the fiscal year 2019. We expect a year over year capacity increase in terms of ASKs of 18% for the first quarter of 2019 and 25% for fiscal 2019.

So to recap the year – we generated record profits, continue to focus on our costs and have delivered consistent and profitable growth.

---

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