"IndiGo Second Quarter Fiscal Year 2018
Financial Results Conference Call"

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Operator: Good evening ladies and gentlemen and welcome to IndiGo's Conference Call to discuss the second quarter fiscal year 2019 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 Second Quarter Fiscal Year 2019 Earnings Call.

We have with us our co-founder and interim CEO – Rahul Bhatia and our Chief Financial Officer - Rohit Philip to take you through our performance for the quarter. Greg Taylor, our Senior Advisor, Wolfgang Prock-Schauer, our Chief Operating Officer and Willy Boulter, our Chief Commercial Officer are also with us and available 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 may 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 Rahul Bhatia.

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

We announced our second quarter fiscal 2019 financial results today.

The second quarter is seasonally the weakest quarter of the year. In addition, as you are aware, there has been a surge in the fuel prices and a significant depreciation in the Indian rupee during the quarter. Fuel constitutes over 40% of our total costs and about 50% of our costs excluding fuel are denominated in foreign currency. Typically in the airline industry, you would expect to see higher fares to cover the increased costs, however that has not happened here. This has significantly impacted our profitability and we reported a net loss of Indian rupees 6.5 billion for the quarter. Rohit will talk more about this when he takes you through our financial performance in detail.

Despite these pressures on the industry, we continue to execute our long term growth plan focused on building a leading nationwide air transportation network. India remains a significantly underpenetrated market with all the Indian carriers combined having about 600 commercial planes flying between themselves. In comparison, some of the largest carriers in the US, Europe and China would alone have more planes than this. There continues to be strong growth in the demand for air travel in India and we are scaling up to offer more choices to customers and satisfy this demand. Along our journey to build this robust network, we added 20 aircraft to our fleet and ended the quarter with a fleet of 189 aircraft. This enabled us to add 5 new destinations and 35 new routes, including 3 routes under the UDAN scheme. We have also selectively increased frequencies across our existing network and now offer connectivity to over 1,300 city pairs via nonstop and one stop flights. We have crossed the milestone of operating over 100 daily departures out of each metro city – Delhi, Bombay, Bengaluru, Kolkata, Hyderabad and Chennai.

We have begun selling tickets for 7 new destinations including 6 international cities - Allahabad, Abu Dhabi, Hong Kong, Kuala Lumpur, Kuwait, Male and Phuket. In addition, we expect to start receiving Airbus 321neos from November this year which will bring some more international points within range.

Besides growing rapidly, we continue to perform well operationally. We had an average OTP of 86.8% for the quarter and were awarded the Best Airline on On-Time Performance at the third edition of ICONIC awards. Our Technical Dispatch Reliability was 99.87% for the quarter. I am also happy to report that our Company was awarded the 'Best Domestic Budget Airline' at the 'Zee Business Travel Awards' 2018. None of this would have been possible without the efforts of our 20,000 IndiGo team members who work relentlessly with the single-minded focus of making us a world-class airline. Another testimony is the recent award for 'Companies with Great Managers' at the 'Great Managers Award, 2018' presented to us by 'People Business'.

Finally, let me say that all of us at IndiGo were deeply saddened by the extensive flooding in Kerala and I was heartened by the rapid response of the airline. Before services to Kochi Airport were restored, we operated a total of 92 additional flights out of Kozhikode and Thiruvananthapuram, and 24 flights from the Kochi Naval Base to facilitate the increased travel needs into and out of Kerala. We provided special assistance to our passengers through free-of-cost cancellations and re-routing for affected customers, and aided rescue operations by transporting over 50 tons of relief supplies from our various collection centers across India. Once again, IndiGo provided practical and immediate help during testing times for our country.

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

Rohit Philip: Thank you Rahul and good evening everyone.

For the quarter ended September 2018, we reported a net loss of 6.5 billion rupees compared to a profit after tax of 5.5 billion rupees during the same period last year. We reported an EBITDAR of 2.2 billion rupees with an EBITDAR margin of 3.6% compared to an EBITDAR of 16 billion rupees with an EBITDAR margin of 29.9% during the same period last year.

As Rahul mentioned, our profitability was significantly impacted by cost pressures from the increase in fuel prices and the depreciation of the Indian rupee as well as from the competitive fare environment.

The average aviation fuel price in India during the quarter was 40% higher than the same period last year. Fuel is about 40% of our total costs. After adjusting for the increased volumes, this increase in fuel price resulted in higher fuel costs of 9.1 billion rupees compared to the same period last year.

The Indian rupee also depreciated significantly during the quarter and closed at 72.58 rupees per U.S. Dollar. Based on this, we booked a foreign exchange loss of 3.4 billion rupees compared to a loss of 0.5 billion rupees during the same period last year. The currency depreciation also had an adverse year over year impact of 1.4 billion rupees on our dollar denominated expenses. So, the overall impact of currency depreciation increased our costs by 4.3 billion rupees compared to the same period last year.

Unfortunately, these higher input costs have not been recovered as fares remain low due to continued intense competition. Similar to the last quarter, the 0-15 day booking window remains weak with lower fares compared to the same period last year. This has been further accentuated by the significant increase in capacity in the market. We are getting significantly more aircraft as Airbus has ramped up its neo deliveries to make up for the delays earlier. In this growth phase, when new capacity is being added, the RASK is generally lower as it takes time for new markets to mature. The year over year impact of lower RASK on our profits is 5.6 billion rupees.

Our total capacity for the September quarter was 19.5 billion ASKs, an increase of 28.9% compared to the same period last year.

Our revenue from operations in the September quarter was 61.9 billion rupees, an increase of 16.9% over the same period last year. Our other income was 3.3 billion rupees for the quarter.

Our RASK for the quarter was 3.23 rupees compared to 3.52 rupees during the same quarter last year, a decline of 8.1%. This decline in RASK was primarily driven by a decrease in yields. Our yields were down by 9.7% to 3.21 rupees while our load factors were nearly flat at 84.5%.

The year over year fuel price increase of 40% led to an overall CASK increase of 24.1%. Our CASK for the quarter was 3.74 rupees compared to 3.01 rupees during the same period last year. CASK excluding fuel was 2.18 rupees in the current quarter, an increase of 13.5% from the same period last year primarily because of the adverse effect of foreign exchange. The foreign exchange loss combined with the impact of currency depreciation on our dollar denominated expenses resulted in an 11.2% increase in our CASK excluding fuel. Excluding the impact of foreign exchange, our CASK excluding fuel went up by only 2.3% despite inflationary pressures.

We have taken several steps to create efficiencies and improve productivity as we scale up. For example, we have adopted various initiatives to reduce the fuel burn on our planes by reducing weight and improving navigation and landing procedures. We have also improved the productivity of airport operations through better cross utilization of resources. We have refined our maintenance schedule to improve aircraft utilization by carrying out activities during the night.

Our balance sheet continues to remain strong. Our cash balance at the end of the period was 132 billion rupees comprised of 44 billion rupees of free cash and 87 billion rupees of restricted cash. We purchased 3 ATRs using our free cash during the quarter. We had total debt of 26 billion rupees at the end of the quarter.

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 35% for the third quarter. For the full year, we expect capacity increase of 30%. This is higher than our previous guidance because as I mentioned earlier, we have now started seeing a ramp up in neo deliveries post the initial delays.

With this, let me hand it back to Ankur.

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