“IndiGo Fourth Quarter and Fiscal Year 2019 Financial Results Conference Call”

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Operator: Good evening ladies and gentlemen and welcome to IndiGo's Conference Call to discuss the fourth quarter and 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 turn the call over to your moderator, Mr. Ankur Goel, Head of Investor Relations for IndiGo.

Ankur Goel: Good Evening, everyone, and thank you for joining us for the Fourth Quarter and Fiscal Year 2019 Earnings Call.

We have with us our Chief Executive Officer – Rono Dutta and our Chief Financial Officer - Rohit Philip to take you through our performance for the quarter. Wolfgang Prock-Schauer, our Chief Operating Officer and Willy Boulter, our Chief Commercial Officer are also with us and are 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 Q&A session will be uploaded subsequently.

With this, let me hand over the call to Rono Dutta.

Rono Dutta: Good evening everyone and thank you for joining us on this call.

We announced our Fourth Quarter and Full Year Fiscal 2019 financial results today. Our results for the full year were of course not great, in that we essentially had a break-even year.

But it is important to note that we made a sharp U turn during the year with losses in the first two quarters and then a recovery of profits in the last two quarters. We have earlier discussed the challenges that the industry faced in the first and second quarters, so it is best now to focus on fourth quarter results and the trends we see going forward.

For the quarter ending March, we delivered a profit before tax of 6.2 billion rupees which equates to a fairly respectable 7.8% profit before tax margin.

Our capacity for the quarter increased 29% year over year, with domestic capacity growing at 24% and international capacity growing at 60%. International capacity now represents close to

20% of our total capacity. We were particularly pleased that our international RASK or unit revenue improved at approximately 13.6% year over year as against a domestic RASK improvement of 6.2%.

In explaining our revenue trends, it would be helpful to break it up into three factors:

- The first factor is what is happening to our unit revenues based on the actions we are taking internally to improve them. We have optimized our network and 10% of our capacity has been reallocated this quarter. We have also taken some sales initiatives to improve performance on our distribution channels. And finally we are ensuring higher connectivity on our international flights. All these factors created a 2-3% year over year improvement in our unit revenues for the quarter and on a steady –state basis we expect a boost of 5% unit revenue improvement for the next financial year.

- The second factor is the Jet Airways cessation of services that helped our revenue performance in the last week of February and the whole of March. Overall for the quarter, we think that the Jet Airways effectively increased our unit revenue by 3-4%. Looking forward to the first quarter of 2020, our April revenues have actually been strongly affected by the Jet Airways shutdown and in that regard April revenues have been stronger than even March. By May, however, as the industry has added capacity to Jet markets, the Jet Airways effect has started to dissipate and by June I think the effect will pretty much disappear except in a few international markets where we overlapped with Jet as in the Middle East markets.

- Now, that brings us to the third factor which is the market behavior on pricing discipline! The downside here is that capacity was added rather late in the game without the full benefit of the 90 day booking window. Therefore, the most painful impact is in June in the metro to metro markets, where close in fares have come down quite appreciably. Unfortunately we are also heading into the traditionally weak July August period and we are hoping that the new capacity establishes its footing by then.

Thus to summarize, we have an underlying 5% unit revenue improvement trend because of the actions we have taken internally. We have a Jet Airways bump that is pronounced in March & April and largely dissipates by June. And finally we have new capacity in high yield markets that is still trying to find its way around. So, we are off to good start for the first quarter but I have to emphasize that we have no visibility at this time of the seasonally weak second quarter. The shape of the 2nd quarter will depend a lot on whether the new capacity finds traction in the market place and if pricing discipline is maintained.

For the quarter ending June 2019 and for the full year of fiscal 2020, we expect our total capacity will be up by 30%.

Looking at our on-time performance for the quarter, our OTP was 76.6%. Our OTP has improved from March onwards and we have reported an OTP of 90% for each of the months of March and

April. We are also very proud of the many awards that we have received during the year and I would like to thank our 23,000 employees for enabling the airline to expand rapidly, ensure profitability and simultaneously win all these customer service awards.

I am also pleased to announce that our Board of Directors has recommended a dividend of 5 rupees per share. I would like to share with our investors our internal discussions as it relates to this announcement of dividend.

Ever since the IPO, we have been profitable every year while this year has just been a break-even year. We think this past year was an anomaly, an aberration and going forward we are bullish on our financials. Given that profile of our profitability – past, present and expected future, we decided that we want to establish ourselves as Company that gives out dividends every year. We realize that having set such expectations, we will of course have to deliver on them but this management team is indeed resolved to do exactly that.

And with that I will turn you over to Rohit.

Rohit Philip: Thank you Rono and good evening everyone.

For the quarter ended March 2019, we reported a profit after tax of 5.9 billion rupees with an after tax profit margin of 7.5% compared to a profit after tax of 1.2 billion rupees with an after tax profit margin of 2% during the same period last year. We reported an EBITDAR of 22 billion rupees with an EBITDAR margin of 27.8% compared to an EBITDAR of 11.3 billion rupees with an EBITDAR margin of 19.5% during the same period last year. We reported a profit after tax of 1.6 billion rupees for the full year.

As Rono mentioned, our profitability was better during the quarter compared to the same period last year mainly on account of better revenue performance.

Our total capacity for the year was 81 billion ASKs, an increase of 27.6% compared to the same period last year. Our total capacity for the fourth quarter was 22.1 billion ASKs, an increase of 29.4% compared to the same period last year.

Our revenue from operations in the March quarter was 78.8 billion rupees, an increase of 35.9% over the same period last year. Our other income was 3.8 billion rupees for the quarter.

Our RASK for the quarter was 3.63 rupees compared to 3.43 rupees during the same quarter last year, up by 5.9%. This improvement in RASK was primarily driven by higher yields partially offset by lower load factors. While our yields were up by 12% to 3.7 rupees, our load factors were down by 3.0 points to 86%.

Our CASK for the quarter was 3.35 rupees compared to 3.33 rupees during the same period last year, up by 0.6%. Our CASK excluding fuel was 2.09 rupees in the current quarter, an increase of 6.7% from the same period last year. Excluding the impact of currency depreciation, the increase was 4% which was primarily driven by an increase in our maintenance cost.

Our balance sheet continues to remain strong. Our cash balance at the end of the period was 153 billion rupees comprising of 61 billion rupees of free cash and 92 billion rupees of restricted cash. Our debt at the end of the period was 24 billion rupees.

Before I close my remarks, I would like to mention that we have adopted the new lease accounting standard Ind AS 116 with effect from 1st April 2019. This standard requires us to capitalize our operating leases and as a result, we will record a lease liability and a corresponding asset associated with these leases on our balance sheet. In our P&L, there will a reduction in operating lease expense offset by an increase in depreciation and interest expense. I would like to emphasize that while you will see some changes in the balance sheet and P&L as a result of this new accounting standard, nothing changes with respect to the fundamentals of our business or the cash flow that we generate.

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)