



**“IndiGo First Quarter Fiscal Year 2020
Financial Results Conference Call”**

July 19, 2019



**MANAGEMENT: MR. RONOJOY DUTTA – CHIEF EXECUTIVE OFFICER
MR. ROHIT PHILIP – CHIEF FINANCIAL OFFICER
MR. WOLFGANG PROCK-SCHAUER – CHIEF
OPERATING OFFICER
MR. WILLIAM BOULTER – CHIEF COMMERCIAL
OFFICER
MR. ANKUR GOEL – HEAD, INVESTOR RELATIONS**

Operator: Good evening ladies and gentlemen and welcome to IndiGo's Conference Call to discuss the First Quarter Fiscal Year 2020 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 now hand the conference 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 First Quarter Fiscal Year 2020 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 Q&A 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 First Quarter Fiscal Year 2020 financial results today and I am pleased to inform you that we reported our highest ever quarterly profit with a profit after tax of 12 billion rupees. Our after tax profit margin was 12.8%. This improvement in profitability was primarily driven by strong revenue performance.

In our previous earnings call we gave you some indication on how the revenue performance was shaping up for the quarter. We continue to see a base increase of 5% in our unit revenues due to our various initiatives. Cessation of services of Jet Airways positively impacted our profits this quarter helping our unit revenues to grow by 2-3% to the best of our estimates. This quarter also saw higher percentage of bookings in the 0-15 day window with close-in fares also holding up and helping our revenue performance. In addition, we continue to optimize our network to drive our overall revenues. As you know, we are growing rapidly into new markets including

international and we find that our growth has been accretive to the bottom line.

Cargo played an important role in our revenue performance. We have worked on improving our systems and processes and have increased the range of products that we now carry in our aircraft belly. As a result, our cargo revenue increased by 35% for the quarter helped of course partially by cessation of services of Jet Airways. I would like to acknowledge the efforts of our cargo team in implementing a significant improvement in performance.

Our capacity for the quarter increased by 30% compared to the same period last year. As we add more capacity, we see significant opportunities for profitable growth by increasing our connections to tourist destinations in India. We are developing the Buddhist circuit, providing interconnecting service between Varanasi, Gaya and Gorakhpur. The traffic flow into the Buddhist circuit will be enhanced as we add Vietnam and Myanmar to our network next quarter. Adding capacity in these markets not only makes a strong business case but also provides an economic boost to regions such as Eastern Uttar Pradesh and Bihar.

During the quarter, we placed an order with CFM International for the LEAP1A engines to power 280 Airbus A320neo and A321neo aircraft. With this order, we expect to maintain our strong focus on lowering operating costs and delivering fuel efficiency. This order also includes spare engines and an overhaul support agreement. We expect delivery of our first LEAP1A powered A320neo in the coming year.

Looking ahead at this quarter, we expect a continuation of the base increase of 5% in our unit revenue due to our previously discussed initiatives. However, we do not expect any meaningful impact of Jet Airways to continue as all airlines have now replaced the capacity vacated by Jet. Unfortunately, we are witnessing some lower fares in the 0-15 day booking window and expect this to add some pressure to our unit revenues in the second quarter. I want to remind our shareholders that in the second quarter last year we registered a negative 16% PBT margin. We will of course do better than that this year but how much better is still an open question. On our capacity guidance, we expect a year over year capacity increase in terms of ASKs of 28% for the second quarter of this fiscal year. For the full year, we expect capacity increase of 30%.

I feel proud to tell you that we received an award for the Best Low Cost Airline in Central Asia and India by Skytrax for the tenth year in a row and I wish to thank all our employees for the high levels of performance that we are witnessing across the company.

With that, I would like to hand over the call to Rohit.

Rohit Philip:

Thank you Rono and good evening everyone.

For the quarter ended June 2019, we reported a profit after tax of 12 billion rupees with an after tax profit margin of 12.8% compared to a profit after tax of 0.3 billion rupees with an after tax profit margin of 0.4% during the same period last year. We reported an EBITDAR of 27.8 billion rupees with an EBITDAR margin of 29.5% compared to an EBITDAR of 11.3 billion rupees with an EBITDAR margin of 17.4% during the same period last year.

As Rono mentioned, our profitability was better during the quarter compared to the same period last year mainly on account of strong revenue performance. Our revenue from operations in the June quarter was 94.2 billion rupees, an increase of 44.7% against a capacity increase of 30.3% compared to the same period last year. Our other income was 3.7 billion rupees for the quarter. Our RASK for the quarter was 4.10 rupees compared to 3.70 rupees during the same quarter last year, an increase of 10.7%. Our yield increased by 12.8% to 4.08 rupees and our load factor was nearly flat at 88.9%.

Our CASK for the quarter was 3.45 rupees compared to 3.69 rupees during the same period last year, a decrease of 6.3%. Our CASK excluding fuel was 2.11 rupees for the quarter, a decrease of 2.8% from the same period last year. Excluding the impact of foreign exchange, our CASK excluding fuel increased by 2.6%. This was primarily driven by an increase in employee costs and lower aircraft utilization which was partly offset by a reduction in maintenance cost. Let me talk about each of these factors:

Our employee costs this quarter was higher primarily due to three reasons. Firstly, we have given salary increments to all employees. Secondly, we have hired a large number of pilots who are currently undergoing training and as a result, while we are incurring salary expenses, we do not have the associated ASKs. And finally, we have insourced ground handling at most of the domestic airports through our wholly owned subsidiary, Agile Airport Services Private Limited. These services were previously outsourced and were recorded under the Other Expenses line item. So while this resulted in an increase in the Employee Cost line item, we have a corresponding reduction in Other Expenses.

We had an aircraft utilization of 11.7 hours during the quarter compared to 12.6 hours during the same period last year. This was partly due to the fact that with the uncertainty of how the Jet Airways' domestic slots and international traffic rights would be allocated, we held a certain number of aircraft in reserve till we had more clarity on the allocation. In addition to this, unavailability of pilots under training also impacted our utilization. We expect aircraft utilization to remain at similar levels in the second quarter but expect it to increase in the latter half of the year as we receive more clarity on slot allocation and the pilots that we have hired complete their training and start flying.

Now talking about the decrease in maintenance costs - we had a lower number of shop visits for our older A320ceo engines in the quarter compared to the same period last year.

Our balance sheet continues to remain strong. Our cash balance at the end of the period was 173 billion rupees comprising of 77 billion rupees of free cash and 96 billion rupees of restricted cash. As I mentioned on our previous call, we have now capitalized our operating leases in accordance with Ind AS 116. The capitalized lease liability as of 30th June, 2019 was 161 billion rupees. Our total debt, including the capitalized lease liability, was 184 billion rupees.

During the previous quarter, our Board of Directors recommended a dividend of 5 rupees per share for fiscal 2019. This will be placed for approval at our upcoming Annual General Meeting. Subject to us receiving this approval, the dividend will be paid shortly after the AGM.

With this, let me hand it back to Rono.

Rono Dutta:

I just want to confirm that we had a board meeting today and this board meeting will continue tomorrow as well. The Board in its meeting today had a discussion on the appointment of an independent woman director to the Board of the Company. Of course, we have to take the step to comply with the law but in order to induct an independent woman director, we need to change the Articles of Association of the Company which now needs to be amended. We are working on this and a final decision on this subject will be made tomorrow.

And now I hand it over to Ankur.

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