



“IndiGo's December 2015 Quarterly Financial Results
Conference Call”

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Moderator Good evening, Ladies and Gentlemen and Welcome to IndiGo's December 2015 Quarterly Financial Results Conference Call. My name is Darryl and I will be your coordinator. At this time, the participants in a listen-only mode. A question-and-answer session will follow today's management's 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 – Director, Investor Relations for IndiGo.

Ankur Goel: Good evening, everyone and thank you for joining us. This call is special for us, as you know this is the first time we are doing this conference call as a public listed company. Today we have with us our President and Whole-time Director – Aditya Ghosh, our Chief Financial Officer – Pankaj Madan, our Chief Commercial Officer – Sanjay Kumar and our Chief Aircraft Acquisition and Financing Officer – Riyaz Peer Mohamed.

Aditya will open the call today, followed by Pankaj who will give an overview of the company's performance. Sanjay and Riyaz will be available for any specific questions during Q&A.

Before we begin, please note that today's discussion may contain some 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. This will be a 45 minutes call including the Q&A. A transcript of today's call will also be archived on our website. The information provided on this call is as of today's date and we undertake no obligation to update that information subsequently.

And with that, I will turn over the call to our President and Whole-time Director, Aditya Ghosh.

Aditya Ghosh: Good evening everyone, and for those folks in the western part of the world Good morning. First of all, on behalf of all of us at IndiGo, thank you to all of you for joining us on this call.

As you are aware we raised about Rs.30.17 billion in the IPO, of which about Rs.17.45 billion in proceeds was received by the selling shareholders while the balance came to the company. Today we announced our financial results, we have reported our highest ever quarterly pre-tax profit of Rs.9.33 billion for the December 2015 quarter and a pre-tax profit of Rs.20.18 billion for the year-to-date December 2015 which represents the first nine months of our fiscal year.

We of course continue to see significant financial benefits due to low fuel prices, at the same time we are using this opportunity to lower our fares and stimulate passenger demand. I am pleased to announce that we are now 101 aircraft strong. Our average fleet age as of December end 2015 was 4.2 years. This is of course including the older used aircraft that we have leased to meet the near-term demand while we wait for the Airbus A320 Neo aircraft which were to be inducted in to our fleet.

Currently we have 430 A320 Neo aircraft on order with Airbus. As you know we were to induct A320 Neos at the end of December 2015. On the 17th of December 2015 we received a notification from Airbus that the A320 Neo aircraft, the first of which was to be delivered on the 30th of December had been delayed due to industrial reasons. We continue to monitor the situation and are engaged in extensive discussions with Airbus as well as Pratt & Whitney who is the engine manufacturer for the Neo aircraft. Now regrettably on this call I am unable to share any additional information regarding when the Neo aircraft would be inducted into the IndiGo fleet to the extent that some of you may have additional questions regarding the status of A320 Neo deliveries, it would be better if you were to address those queries to Airbus and to Pratt & Whitney.

The airline business comes with constantly changing factors that have an impact on airline operations. Some of these factors are internal and within our control and some are external factors over which we have limited, if any, control. Whether the factors are controllable or not at IndiGo, we aggressively focus on being nimble and deal with issues as they evolve.

To address shortfall in capacity due to the delay in Neo deliveries we have been working on other options including leasing more used aircraft to mitigate some of the capacity shortfall. To date we have been successful in signing up short-term leases for 22 used aircraft including 17 which we have already received at terms that are acceptable to IndiGo. We continue to look at other short-term lease opportunities. However, we do not intend to sign aircraft leases that do not meet our overall economic hurdles.

Switching now to our network, we started flying to the city of Udaipur from November, we have two flights per day from each of the cities of Delhi and Mumbai to Udaipur. Consistent with our network expansion strategy this is our second new destination this financial year. With this we now operate 34 destinations in India and five international destinations. As of the end of December we operated a peak of 647 daily flights including our international operations.

Our relentless focus on delivering industry leading customer service and scheduled reliability continues. For a three-month period, October to December 2015 our average technical dispatch reliability was 99.96%, our average on time performance was 83.4% and our average flight cancellation rate was only 0.85%. Again, driven by a single minded focus of providing a courteous and hassle free experience to our customers.

As you may be aware the city of Chennai was hit by unprecedented rains in December and airport operations were completely curtailed for four days starting the 2nd of December, with partial operations resuming from the 6th of December. Proactively and in anticipation of the severe rains we were able to fly out eight of our 10 aircrafts that we normally park overnight in Chennai and deployed them in other markets. During the time that the Chennai airport was shut we had to cancel 310 flights. In comparison we operated a total of 56,000 flights in December 2015 quarter, as a result there was a very limited impact of the Chennai floods on the financial performance of the company.

We continue to invest in early recruitment of pilots and cabin crew to not only resource our current operations but also to cater for our growth. Type rated airline pilots are a scarce resource and we have a cadet pilot training program to create a long-term pipeline of A320 ready pilots. Therefore, while this does have a slightly adverse impact on our cost per ASK, we believe that the investment and this very critical bench strength shall serve us well in pursuit of our growth strategy. As of December we had over 1600 pilots and about 3000 cabin crew to support our operations.

In another exciting news, we have moved our learning academy iFly to a new 75,000 square feet state of the art facility. This facility caters to the training requirements of our operational and non-operational staff. We launched our online learning portal called 6E LMS for our in-flight as well as airport operations team to provide learning on the go which will eventually lead to further efficiencies.

Now with this let me hand it over to Pankaj for an overview of our financials.

Pankaj Madan:

Thank you Aditya and good evening everyone. I am pleased to report a pre-tax profit of Rs.9.33 billion for December 2015 quarter which is a 24% improvement year-on-year, this is our largest ever quarterly profit. On a year-to-date basis for nine months ending December 2015 we reported a pre-tax profit of Rs.20.18 billion which is 108.1% improvement over the same period last year. Our after tax profit for December 2015 quarter was Rs.6.57 billion, an increase of 23.7% year-on-year. On a year-to-date basis for the nine months ending December 2015 our post-tax profit was Rs.14.1 billion, an increase of 94% over same period last year.

Our EBITDAR margin calculated on total operating revenue was 38.9% for the quarter ending December 2015, this is 5.7 percentage point more compared to the same period last year. We delivered earnings per share of Rs.18.57 in the December 2015 quarter.

Our business continues to perform well on the back of increased fleet size, robust demand in the market and lower fuel prices. The lower fuel prices have allowed us to report higher profitability and to offer lower fares further stimulating the markets and increasing the propensity of people to travel. We added three additional aircraft during December 2015 quarter. Our total capacity for the third quarter of FY2015 was 10.8 billion ASKs as compared to 9 billion ASKs in the third quarter of FY2014 which is an increase of 20.1%. IndiGo's total passengers increased to 8.3 million in December quarter compared to 6.5 million in the same period last year which is an increase of 28%.

Our total revenue from operations was Rs.42.98 billion, an increase of 11.4% year-on-year. Our passenger revenue was Rs.37.64 billion, an increase of 9.5% from last year. While our ancillary revenue grew faster and saw an increase of 27.1% compared to same period last year to reach Rs.5.15 billion now. On a year-to-date basis, the total operating revenue was Rs.120.49 billion which is an increase of 19.3% over the same period last year. Our passenger revenue was Rs.105.28 billion, an increase of 17.8% compared to the same period last year and our ancillary revenue was Rs.14.7 billion, an increase of 31.2% from last year. Our revenue per available seat

kilometers or RASK for the quarter ending December 2015 was Rs.4, down by 7.2% from Rs.4.32 same period last year. For year-to-date December 2015, our RASK was Rs.3.83, down by 2.2% from Rs.3.92 same period last year. Our average fares have reduced from Rs.5262 in December quarter last year to Rs.4517 in December quarter this year, a decline of 14.2% which reflects the fact that we lowered our airfares as we benefitted from lower fuel prices.

Our load factors were up from 81.2% December quarter last year to over 84.6% December quarter this year. Our cost per available per seat kilometer or CASK reduced by 9.8% from Rs.3.48 in the quarter ending December 2014 to Rs.3.14 in the quarter ending December 2015. On a YTD basis the CASK reduced by 9.9% from Rs.3.55 YTD December 2014 to Rs.3.19 YTD December 2015, this is on account of the average fuel price in quarter ending December 2015 which was lower by 31% than the same period last year. Our CASK excluding fuel was Rs.2.05 for December quarter which is an increase of 10.8% compared to the same period last year and Rs.2 for YTD December 2015, an increase of 12.1% compared to YTD December 2014. Inflationary rise in cost, Indian rupee depreciation, component accounting and ESOPs impacted our CASK. Indian rupee depreciated by 5% against the USD in December 2015 quarter compared to the same quarter last year.

While we mentioned this in our IPO prospectus, I would just like to take a couple of minutes to talk about component accounting mandated by the new Companies Act 2013 that we adopted effective April 1 of 2015. Now the major inspection cost related to engine and aircraft components and other heavy maintenance are identified as a separate component for aircraft on finance lease and we depreciate it over their expected life between major overhauls estimated to be in the region of four to 12 years, this has resulted in higher depreciation this year as compared to the previous years where component accounting was not mandated.

The depreciation booked in the quarter ending December 2015 was higher by Rs.433 million compared to the same period last year and higher by Rs.1.28 billion for nine months ending December 2015. Now of course you know the difference in depreciation compared to the previous year will cease to exist from quarter one of next fiscal as we will have a similar comparative available from that period onwards. Similarly, somewhat unique in this quarter, we have also issued ESOPs for which we have incurred an expense of Rs.237 million this quarter and Rs.407 million for nine months ending December 2015.

We ended the quarter with a total debt of Rs.39.3 billion all towards aircraft, we do not have any working capital debt. Our debt will reduce further in the current quarter as we use part of our IPO proceeds to repay the debt towards eight of our aircrafts subject to regulatory approvals. Our total cash as on December 31, 2015, was Rs.57.46 billion including the IPO proceeds out of which Rs.20.97 billion was free cash and Rs.36.49 billion was restricted cash. Our total cash to last 12 months' revenue was 35.3% at the end of December quarter which is equivalent to 4.2 months of last 12 months revenue.

With this, let me hand you back to Aditya.

Aditya Ghosh: Thank you, Pankaj. Before we go into Q&A, I am delighted to tell you that on the occasion of our delivery of our 100th aircraft we are supporting 100 MENSA kids as part of our celebrations to actively change the lives of some of the most brilliant yet underprivileged children in India. At IndiGo, our corporate social responsibility is called IndiGo Reach simply because it helps us to reach out to those in need not just with our planes but also with our heart. We have joined hands with Bandhan to build 400 new schools over a period of four years which will help educate underprivileged children from nursery to class three, these schools will be in remote rural areas of Assam, Bihar, Jharkhand and West Bengal. We have launched many more such programs because we believe that while we may not be able to change the world we have the power to change lives.

We also feel privileged by the fact that all the hard work of our employee teams in running a world-class airline is being appreciated. The Center of Asia Pacific Aviation, CAPA recognized us as a Global LCC of the year in October 2015. IndiGo has been voted as the favorite domestic airlines by the readers of Travel & Leisure in November 2015, this is the third consecutive year that we have received this distinction. Our performance is of course made possible by the dedication of each and every team member of IndiGo who works tirelessly to help us deliver on our promises.

Ankur Goel: Thank you, Aditya and Pankaj. To get in as many questions as possible during the Q&A session I would like to request that you limit yourself to one question and one brief follow-up if needed. And with that, we are ready for the Q&A.

Moderator: Thank you very much. We have our first question from the line of Michael Beers from Citibank. Please go ahead.

Michael Beers: I understand the sensitivity around the A320 Neo delays but if you could possibly talk about nine down into the 22 used aircrafts that you acquired, I assume that that number includes those that were acquired from Tiger Air recently and whether or not that the delays are going to impact the prospectus of guidance of 111 aircraft at March 31st, 2016, and whether or not that perspective guidance that kind of shows the delivery schedule how we should treat that?

Aditya Ghosh: Yes, the 22 aircrafts does include not only the airplanes that we took from Tiger but some of the others as well. So out of the 22 we have already received 17, 5 more to go, we are 101 airplanes today. So yes we at this moment it looks like we will not hit that 111 number, but as I said on the call we will just continue to kind of work away at these options, it depends on whether some of these used aircraft really meet our own economic hurdles that we set for ourselves.

Michael Beers: And that remaining five aircrafts that will be delivered in the first quarter of the year, the calendar first quarter of the year or that will be over the next couple of months?

Riyaz Peer Mohamed: Out of those five aircrafts three aircrafts would be delivered in the first quarter of this year which is the quarter ending March and two aircrafts would be delivered in the quarter ending September.

- Michael Beers:** But we do not have any clarity as to what you expect the period end, the fiscal year end fleet count to be whether it will likely be some number below 111?
- Aditya Ghosh:** Yes, not any clarity at the moment and we will keep you folks posted as we move along this path.
- Michael Beers:** And then just as a follow-up, this is the first real indication that we have seen yield coming under pressure and I know you are in effect just giving back some of the fuel benefit but it was quite pronounced if you can talk about the difference between the fuel component and which routes are you in fact seeing more competition along?
- Aditya Ghosh:** So I think average fares usually have a link with what is the biggest element of our cost which is fuel in our case, so you did see some fares coming down and it happened industry wide and I think across the country, so it would not be on a particular route. But yes if fuel prices stay the way they are we do not see fares going up in a rush.
- Michael Beers:** And if you are going to route where you are seeing more competition than others?
- Sanjay Kumar:** Competition has been generally not so much on the routes, we continue to build up our network based on our overall product strategy and we are not overly concerned about the competition at this point of time certainly.
- Moderator:** Thank you. We have the next question from the line of Diresh Phatak from Goldman Sachs. Please go ahead.
- Diresh Phatak:** Just a continuation to Michael's question, can you just give an update on when is the new schedule of delivery for the Neos is?
- Aditya Ghosh:** No update at the moment Diresh, so we will have to wait for Airbus and Pratt and as I said we are in discussions with them and frankly that a question better answered by Airbus and Pratt.
- Diresh Phatak:** Can craft benefit, can you help us understand what exactly or in the laymanish term what is causing the delay?
- Aditya Ghosh:** From what we were told it is industrial reasons, so I do not have any further information on that at the moment.
- Diresh Phatak:** And given the crude decline, the benefit that Neo have in fuel efficiency in high oil price environment is much more contrasting than in a low ultra fuel environment. So in terms of the benefit that you get from a sale and lease back, can you give comment on that how it will work out in this oil price environment?
- Aditya Ghosh:** So I will take the first part and maybe Riyaz can talk about the sale and lease back market. So when we are ordering 430 airplanes it is of course for a long period of time and over the next

eight to 10 years and it is not really the next two or three months, the next three or four quarters. Absolutely when it comes to the fuel efficiency of the plane it is quite natural that when the fuel prices are higher the relative impact or benefit of that plane is more than when fuel prices are at \$30. But having said that we do not know which way fuel will go and whether it will stay at \$25 for the next 10 years or whether it will stay at \$25 for the next 10 day, but we do know that this is a structural way to attack the biggest chunk of our cost which is actually fuel. So we remain absolutely committed and confident that we made the right decision in being the launch customer of these various fuel efficient airplanes. Riyaz, do you want to add something on the sale and lease back of aircraft financing side?

Riyaz Peer Mohamed: We have already financed the first 35 aircrafts, the Neos, the Neo aircrafts on sale and lease back and we are seeing quite a good demand for financing going forward, so I think it is pretty good on that front.

Moderator: Thank you. Our next question is from the line of Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: Actually just taking forward from the previous question, you mentioned that you are looking more at short-term leases going ahead, so could you give us an idea about what is the tenure of these short-term leases that you are talking about? And also relating to that, in case of any delayed capacity addition, so delay in capacity addition is leading to a potential loss of profit revenues for you, so is there any recourse at Airbus that you can claim for some kind of a liability compensation or something? And like you mentioned the hurdle rate for taking new plane, just squeezing in the third question, so you mentioned the hurdle rate for looking at the new planes, could you talk a little bit more about that that if you take short-term leases is that sort of detrimental to margins, what kind of impact do they have? So these will be the questions for now.

Aditya Ghosh: So as far as the tenure is concerned, we kind of look at which month it is coming in and which month we want to take it out of the fleet so that it fits as well as possible into our overall growth plan. So yes some are three years, some maybe a little bit longer but they are relatively short-term leases as far as the used aircrafts are concerned. We are of course bound by confidentiality so I will not be able to discuss what are our contractual obligations or rights under our agreements with Airbus or Pratt and Whitney, we are in discussions with them. On the hurdles bit, it is not just a question of the lease rentals or the cost of maintenance, how much are the maintenance reserves, what is the lease factor and all of these things that come together and depending on what are the interest rates or the fuel prices etc that hurdle kind of changes. I guess suffice to say we will only do something absolutely in the best interest of IndiGo and its shareholders and not do anything which on one hand may increase revenue but on the other hand may hit our earnings or something of that sort.

Binay Singh: So is it fair to conclude that when we look at the coming year FY17, Airbus recently made a statement that they will soon start delivering the Neos, so is it fair to assume that the delay that

you are experiencing is only a few months for now? Because you are taking three year long leases so it does sound like the delay seems more than a few months?

Aditya Ghosh: Yes, I will let you interpret it in the way you want because as I said I am not in a position right now to give any further details on when exactly the Neo will come into the IndiGo fleet but it is public knowledge that Airbus delivered its first Neo to Lufthansa yesterday.

Binay Singh: Because I remember you guys were the launch customers so you should be ideally pretty much in the front of the queue?

Aditya Ghosh: So yes as I said we are in discussion with the Airbus at the moment, as we go through these discussions I will come back to you with more information but not at the moment, not in this call.

Moderator: Thank you. Our next question is from the line of Pulkit Singhal from Motilal Oswal. Please go ahead.

Pulkit Singhal: Just on the cost aspect, I see the 2Q versus 1Q cost on employees and other expenses have shot up despite these two planes being added. So just to understand, the reason for that and even on nine months basis are there any one-offs that should possibly not be there next year like for instance the ESOPs or any other thing or bonuses or something that we might be missing?

Pankaj Madan: So our cost has gone up, one factor of course is that our total capacity in terms of the ASK has gone up by more than 20% and then of course given the INR depreciation versus USD, given that 60% of our cost is underlying the USD denominated, that also had an impact. Over and above that, there are contractual escalations and inflationary cost increase that has resulted in cost increase. Specific to the employee cost, there is the ESOPs that I talked about which had an impact of 8% increase in the overall cost of employees and other than that is that as Aditya mentioned we are always looking at an early recruitment of pilot and cabin crews to cater for our future growth. Now while this may impact our cost a little bit, we believe that this is an investment in the future so that is what we do.

Pulkit Singhal: So any one-offs, I mean for this 40 crores any one-offs?

Pankaj Madan: I would say these are first time occurring items but these are not one-offs, so if you look at for example the component accounting and the consequent depreciation that I talked about, now compare it versus the same period last year it would look an increase but as we move on to Q1 of the next year we will be comparing against the period where we had component accounting, so you will not see that aberration if I may say. So these are new items in the current financial year but not necessarily one-offs.

Aditya Ghosh: And also Pulkit, pilots you have got to hire many months in advance, so we obviously hired pilots and operating crew for a certain number of airplanes that we were expecting to have in Q4 or Q3 and because there is a little bit of a delay there or whatever is the delay those people are

now sitting at bench. You need that bench because you do not want to get caught where you have capacity and now you do not have pilots and crew to operate.

Pulkit Singhal: Absolutely, that helps explain what are the reasons. And secondly, I am just trying to understand, first time the oil price decline in broadly the industry, I mean this is not this December but previously, everyone turned around the fleet faster and we got more ASKs and then they all filled it up. But now this time in December again the oil prices declined to a similar 20% kind of decline but everyone is at peak, the usage is 12.1 hour, 12.3 hours, no one has much capacity coming in, so why would the industry in general cut prices because you are already probably at high utilization, high block hours?

Aditya Ghosh: It is so market driven Pulkit in some ways and so that is really the reason. And if you see obviously fuel prices fell by quite a bit but average fares did not fall by the same percentage, but of course it did to some extent and also going in Q4 now Q3 is usually better than Q4 so it is more industry wide thing.

Pulkit Singhal: Would yields be lower in Q4 than Q3 generally or this time as you see?

Aditya Ghosh: Typically Q3 is the best quarter of the year, there have been exceptions but yes that is usually the case.

Moderator: Thank you. Our next question is from the line of Mohsin Aziz from Maybank. Please go ahead.

Mohsin Aziz: I have got some minor questions just on the accounting front, then I've got a big picture question. Firstly with regard to tax, it has been bit of a spike in third quarter close to about 29.5% effective tax rate, what would be a normal statutory rate that we can pen down in to our models?

Pankaj Madan: In the previous years we were enjoying the benefit of having 22 aircrafts on finance lease and as per the Indian Income Tax Act we get accelerated tax benefit on those finance lease, while of course those 22 aircrafts continue in our fleet but we are towards the tail end of exhausting that tax benefit. And therefore what you see is somewhat an increase in tax rate compared to the same period last year which now currently stands at 29.5%.

Mohsin Aziz: So with more operating leases all this tax shelter would not be valid I suppose because it is already an off-book item, is that a fair assumption?

Pankaj Madan: Our bias will continue to be toward operating leases.

Mohsin Aziz: And then secondly, going forward do you plan to make a presentation sort of to explain the results going forward because there were probably some items in cash flow that we want to be known about and also balance sheet for future at least, just curious.

Aditya Ghosh: Well, I will take that feedback and we will kind of think about it, not that it has not been planned to but we will think about it.

Mohsin Aziz: Finally, I know it has not been announced yet but there is so much anticipation from the government's aviation policy act, I mean we would have hoped that it is out already but it is not, but I just want to get a sense from your side what are the things are you hoping for that that is very important or very pivotal for yourself and the industry?

Aditya Ghosh: To ask an airline management team what they are hoping for is a dangerous question, we hope for so many things.

Mohsin Aziz: Something that is really critical, I mean they are bottlenecks forming at some parts of Indian airports, I mean the imminent problems that everybody wants to try has to be resolved.

Aditya Ghosh: So Mohsin of course the policy is undergoing a lot of discussion right now and the government has not come up with even what is the final proposal, let alone the policy, but I would probably say our hopes are in three buckets, one is better air traffic management and related to that is things that could create more efficiencies in the system whether it is air traffic management, slot control, ground handling, that is one bucket. The other is things that could bring down the overall cost of doing business whether it is fuel tax or airport charges and so on and so forth. And the third bucket would be to create a level playing field amongst all operators so that they all live by the same rules and benefit or have the same challenges. So I would not want to elaborate any more in the interest of time of this call but I think those would be the three buckets.

Moderator: Thank you. Our next question is from the line of Srinath Krishnan from Sundaram Mutual Fund. Please go ahead.

Srinath Krishnan: Till date YTD we have seen a very strong passenger growth of about 20%, so for next year for FY17 what is the sort of growth that you are looking at for the company? And secondly, you mentioned that you are reinvesting some of the gains that you are getting from lower fuel prices and stimulating growth, if I look at your revenue per RPKM compared to the first quarter it is at a similar lines whereas your fuel costs have declined by more than 20%, so is it that for the major routes that you have been able to maintain your fares and is that the reason why it is looking that way?

Sanjay Kumar: In terms of the load factor and the fares, generally what happens is that quarter three is the best quarter of the year and we tend to kind of optimize our yield in appropriate way that helps us in terms of posting the kind of revenue numbers which we have already indicated. But as far as next year is concerned, we do not want to right now give you any guidance just because the market and the other factors may kind of vary from the time today as compared to today, so it will be unfair on our part to give you any guidance according to that.

Srinath Krishnan: And also you mentioned that functions of prices is also a function of markets sentiment in terms of demand environment, but in this non-seasonal environment in January what is the sort of pricing pressure or weakening of prices here seen from your competitors?

- Sanjay Kumar:** So as Aditya already mentioned that quarter three is generally the best so you can assume that quarter three is supposed to be the best and obviously there will be some pressure in terms of the yield and the pricing depending on the demand in the market place in quarter four and that is what we are looking at this point of time.
- Moderator:** Thank you. Our next question is from the line of Alok Rawat from Karma Capital. Please go ahead.
- Alok Rawat:** I have two questions. One, on the component accounting, please correct me if I am wrong, earlier without component accounting the expenses were actually being passed to P&L completely, they were being expensed completely and now they are capitalized and depreciated over whatever is the useful life of the asset for financial usage, is that a correct understanding?
- Pankaj Madan:** So prior to component accounting all the major repairs etc would be taken as and when they incurred, and I am talking about as pertains to aircrafts on finance lease. Effective 1st April 2015 now that we have adopted component accounting we identify these major repairs, we set them up as a component and depreciate it over a period of four to 12 years which means that in future as and when we incur these costs we will be capitalizing it and then depreciating it over the same four to 12 years' period.
- Alok Rawat:** So my question is, when you should probably have had such a sharp rise in depreciation number, in fact you should have had a gain because some of the cost otherwise would have shown up as opex in terms of repair and maintenance cost now will show up as a CAPEX number.
- Pankaj Madan:** Right, so we have for the aircrafts on finance lease we have had this additional depreciation because of the change that I explained. However, for the same corresponding period there were no major repairs that happened that we could offset versus the additional depreciation that we had to incur. But again this is a timing issue, as we move along in the future years, as those major costs come we would be then capitalizing it.
- Alok Rawat:** And secondly, I had a question on the visibility of financing for the new plane addition, so you earlier made a comment that about 35-odd or 37-odd planes you have tied up financing, so that covers you for about two years of addition in terms of your plans as they stand today?
- Riyaz Peer Mohamed:** Yes, these 35 aircrafts will take us up till third quarter of 2017.
- Alok Rawat:** So just a follow-up on that, have you seen any tightening in terms of the financing for, rather let's say one year ago was financing easier than it is today?
- Riyaz Peer Mohamed:** No, the financing market is very strong, there is a lot of liquidity available in the market and there are more lessors chasing less deals so there is a lot of demand especially for the Neos which is a new technology aircraft.

Moderator: Thank you. Ladies and Gentlemen, I would now like to hand the floor over to Mr. Ankur for closing comments. Over to you, sir.

Ankur Goel: Thank you all for joining us on this call. I hope you found it useful. You may now disconnect the lines. Thank you.

Moderator: Thank you very much. Ladies and Gentlemen, that concludes the conference call. You may now disconnect your lines.