



“IndiGo First Quarter 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 first 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 First Quarter Fiscal Year 2019 Earnings 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 Greg Taylor and 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 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 first quarter fiscal 2019 financial results today. This quarter we reported a profit after tax of Rs.278 million. Our profits for the quarter were adversely impacted primarily by depreciation of Indian rupee, increase in fuel prices, continued pressure on yields and increase in our maintenance costs.

While Rohit will discuss this when he talks about our financial performance in detail, let me take you through what's going on in the industry. The current revenue environment continues to remain weak particularly in the 0-15 day booking window. While we spoke about some signs of improvement in the last call, the fares continued to be lower in the quarter compared to the same period last year. We do not believe that these fare levels are sustainable, especially given the increase in input costs. Clearly with industry load factors in the high 80s or 90s, the industry is turning away passenger demand at current fare levels but we have no choice but to keep our fares competitive. Having said that, we believe that IndiGo is best positioned to withstand these pressures because we have the lowest cost structure and the strongest balance sheet.

We have 169 aircraft in our fleet at the end of June 2018 including 124 A320neos, 36 A320neos

and 9 ATRs. We added a net of 10 aircraft during the quarter including 3 ATRs and 4 A320neos. As you are aware, the neos continue to have issues resulting in a couple of parts wearing out sooner than they should and we are not happy with the situation. Pratt & Whitney and Airbus are working on fixing these issues. UTC, Pratt & Whitney's parent company, in their investor call last week mentioned that they believe they have resolved the seal issue and are continuing to make progress on the combustor chamber. We remain cautiously optimistic and hope these issues are resolved at the earliest. In the interim, we continue to rely on adequate availability of the spare engines to keep the aircraft flying. However, sporadically, we do face shortages and some planes have been temporarily grounded. We expect the situation with the spare engines to improve in the current quarter.

IndiGo continues to be the leading airline in terms of on-time performance and we ranked No. 1 in the DGCA reported OTP for each of the months of April, May and June with an average OTP of 83.9% for the quarter. Our Technical Dispatch Reliability was 99.85% and flight cancellation rate was 0.33% for the quarter. I am also happy to report that our Company has been awarded the 'Best Low Cost Airline in Central Asia and India' at the Skytrax World Airline Awards 2018 for the ninth time in a row and the 'Best (Domestic) Airline India' at the GMR Annual Awards 2018 for the seventh time in a row. These great operating results and accolades are due to the hard work of our 18,000 committed IndiGo team members and I want to take this opportunity to thank them.

As we continue to add capacity over the course of the year, you will see IndiGo deploy capacity to new routes and destinations. During the quarter, we have added two new destinations – Hubli, our 1st destination under the UDAN scheme, and Trichy. This brings our total number of destinations to 52 including 8 international cities. We have started nine new routes during the quarter – Calicut to Chennai and Bengaluru, Trichy to Chennai, Bengaluru and Kochi, Hubli to Kochi and Goa, Kochi to Ahmedabad and Madurai to Hyderabad. In addition to this, we have also started selling tickets for five new destinations: Dhaka, Gorakhpur, Jorhat, Surat and Tuticorin.

While we remain focused on building our domestic network, we will also continue to connect international destinations to additional cities in India and also open up new destinations internationally. With our existing fleet and the new A321neos that we expect to start getting towards the end of the year, IndiGo will have the capability to reach cities in China, Middle East and South East Asia. We have also secured traffic rights to fly to cities like Abu Dhabi, Kuala Lumpur, Kuwait, Male, Jeddah and Hong Kong. We are evaluating all such opportunities to expand our network and provide many more choices to our customers.

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

Rohit Philip:

Thank you, Rahul, and good evening everyone.

For the quarter ended June 2018, we reported a profit after tax of Rs.278 million compared to a profit after tax of Rs.8 billion during the same period last year. We reported an EBITDAR of Rs.11 billion with an EBITDAR margin of 17.4% compared to an EBITDAR of Rs.20 billion with an EBITDAR margin of 34.1% 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 were lower compared to the same period last year primarily because of four factors.

First – Foreign Exchange. The Indian rupee depreciated significantly during the quarter and closed at Rs.68.44 per U.S. Dollar. Based on this, we booked a foreign exchange loss of Rs.2.5 billion compared to a gain of Rs.66 million during the same period last year.

Second – Fuel prices were higher in the quarter compared to the same period last year. After adjusting for the increased volumes, this increase in fuel price resulted in higher fuel costs of Rs.5.6 billion compared to the same period last year.

Third – We continue to see a competitive fare environment in the industry and despite the increase in fuel prices, while our load factors are up, our yields are down year over year. The impact of these lower yields on our profits was Rs.3.3 billion. As Rahul mentioned earlier, we do not believe that the current revenue environment is sustainable given the increase in input costs.

And fourth – We had an increased number of shop visits this quarter on the engines pertaining to our older A320ceo aircraft. These engine shop visits are a regular event and happen in the ordinary course of operating an aircraft based on the numbers of hours the engine has been used. We had significantly more scheduled shop visits during the quarter compared to the same period last year which resulted in an increase in our maintenance cost.

Our total capacity for the June quarter was 17.8 billion ASKs, an increase of 18.4% compared to the same period last year.

Our revenue from operations in the June quarter was Rs.65 billion, an increase of 13.2% over the same period last year. Our other income was Rs.3 billion for the quarter.

Our RASK for the quarter was Rs.3.70 compared to Rs.3.82 during the same quarter last year, a decline of 3.1%. This decline in RASK was primarily driven by lower yields, partially offset by higher load factors. While our yields were down by 5.4% to Rs.3.62, our load factors were up by 1.3 points to 89.3%.

As I mentioned earlier, fuel prices have risen by over 27% which led to an overall increase in CASK of 19.8%. Our CASK for the quarter was Rs.3.69 compared to Rs.3.08 during the same period last year. CASK excluding fuel was Rs.2.17 in the current quarter, an increase of 13.3% from the same period last year. As I mentioned earlier, this was mainly because of the adverse effect of foreign exchange and the engine shop visits that I discussed earlier. The foreign exchange loss combined with the impact of currency depreciation on our dollar based expenses resulted in an increase of 9.1% in our CASK excluding fuel. The engine shop visits in the quarter contributed another 5.4% to the increase in CASK excluding fuel. Excluding these two factors, our CASK excluding fuel would have gone down by 1.2%.

As we have said before, we have the lowest cost structure in the industry which we believe is fundamental to our business. Over time, as our older planes get replaced by A320neos, in addition to the fuel burn advantage, we expect to see a reduction in our maintenance costs as well. Further, as we start getting larger A321neos, our unit costs will further reduce. We also continue to optimize our cost structure by improving efficiency and leveraging our scale.

We are strengthening our balance sheet by purchasing aircraft with our free cash. We purchased

3 more ATRs during the quarter and have a total of 9 ATRs purchased so far. Our cash balance at the end of the period was Rs.132 billion comprised of Rs.61 billion of free cash and Rs.71 billion of restricted cash. We had total debt of Rs.25 billion at the end of June 2018.

During the previous quarter, our Board of Directors recommended a dividend of Rs.6 per share for fiscal 2018. This will be placed for approval of our shareholders in the upcoming Annual General Meeting which will be held on August 10th. Subject to us receiving the approval, the dividend will be paid shortly after that.

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 28% for the second quarter. We still expect a full year capacity increase of 25%.

With this, let me hand it back to Ankur.

Ankur Goel: Thank you, Rahul and Rohit. To answer as many questions as possible, I would like to request that each participant limit themselves 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. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Sonal Gupta from UBS Securities. Please go ahead.

Sonal Gupta: Rohit, if you could just talk about your maintenance accounting, because clearly this huge jump in maintenance shop visit. I thought you guys used to amortize it out or in a way we were regularly planning for this, so, we should not see one off jump. So, could you just talk about maintenance accounting and do we continue to see then going forward these sort of unforecasted jumps in maintenance cost?

Rohit Philip: So, the way the accounting works for maintenance is fairly simple. The majority of our aircraft are leased aircraft for which we accrue a supplementary rent liability. So, we take a supplementary rent expense on our books every month and it creates a liability. And when the maintenance event happens we pay for the maintenance event out of the supplementary rent accrual. Depending on the nature of the shop visit the actual cost may be higher or lower than the supplementary rent accruals. Typically, what happens is when a lot of these older aircraft that are going through a second shop visit, if you recall we have extended the leases of several of our original planes beyond the original six-year term. And so, several of these aircraft are going through what is called the second shop visit, the first shop visit is around four years, second shop visit is around eight years. And so, several of these are second shop visits which typically tends to be a little bit more expensive, and the supplementary rent accrual which is done on a straight-line basis typically is insufficient to cover the second shop visit. So, that is why you see an extra hit in maintenance expense. So, that is typically how the accounting works.

Sonal Gupta: Just to understand this better, so, we have to pay for this. I mean, this does not get paid completely out of the supplementary rental and we need to take this in addition to that?

Rohit Philip: We will first utilize the balance that is available under the supplementary rent accrual and then if there is an excess, which as I said in some cases there is, and in this quarter there clearly was, we will take that charge to maintenance expense which is in the other expense category.

- Sonal Gupta: But this applies to all the aircraft then. I guess like even the additional ones that we have taken on lease as well as the newer ones. Right?
- Rohit Philip: These typically will relate to older aircraft because the first engine shop visit is typically after four-year mark, So, these will typically relate to older aircraft.
- Moderator: Thank you. Our next question is from the line of Binay Singh from Morgan Stanley. Please go ahead.
- Binay Singh: Just a follow-on from the previous question, So, how do you see this expense going ahead, was it just a one quarter thing and the issue has been resolved with regards to higher maintenance cost. Are you going to increase the provisioning going ahead for supplementary rental to adjust for this?
- Rohit Philip: So, Binay, what you see is the year-over-year impact in Q1 was more significant because we had a very low number of shop visits in the same period a year ago. If you go forward, yes, there was little bit of a spike in shop visits this quarter, just happened to be, but you still see these kind of things going forward but the year-over-year impact will be less because in Q2 to Q4 last year we had a similar situation with shop visit. So, it just shows up starkly in Q1 just because Q1 last year had a lower number of shop visits. Going forward, this is all a result of this fact that because of the delivery delays in our A320neo we had extended the leases of several of our older planes. Over time as new neos come into the fleet and these planes get returned you will go back to having maintenance cost in line with a younger fleet.
- Binay Singh: And just one question on the Annual Report - we talk about almost a 75 billion FOREX outgo. I understand this will include lease rental. This will include purchase of plane. What else is included in this amount? Because I assume fuel cost will not be included in this, right, when we talk about FOREX outgo in the Annual Report of almost 75 billion?
- Rohit Philip: I am not sure about the 75 billion figure, but effectively all the FOREX outgoes are dollar denominated expenses which primarily are aircraft leases and maintenance cost, as well as any capital cost for new aircraft purchases like we have with the ATRs. In addition, there are several other areas where there are dollar denominated expenses, like certain IT software and other matters. So, there are several line items in the income statement that have had a dollar denominated expenses as well as certain capital cost.
- Binay Singh: But the fuel expenses will be excluded in this, right, because all your fuel payments will be in INR terms?
- Rohit Philip: Domestic fuel will be in INR terms. Obviously, we have a fair amount of capacity that is international and international fuel will be dollar denominated as well. As well as the station operation expenses associated with our international operations.
- Moderator: Thank you. Our next question is from the line of Deepika Mundra from JP Morgan. Please go ahead.
- Deepika Mundra: Firstly, I just noticed that your free-cash has dropped slightly from the March quarter. This is largely because of the purchase of the ATRs or have you all commenced the neo purchase program as well?
- Rohit Philip: No, we have not purchased any neos with our free-cash. The reason for the reduction in free-cash

for the quarter was primarily driven by the ATR purchases as well as certain CAPEX associated with maintenance expense on our owned aircraft as well as the fact that typically in this quarter you see a higher amount of profits. Because of low profits, the cash flow wasn't generated through profits as well. So, those are the three factors that reconcile the reduction in cash.

Deepika Mundra: And just to follow-up on that regarding the neo purchase program, when is that expected to kick-start? And both Pratt & Whitney and Airbus have recently highlighted a pickup in neo deliveries. So, when does IndiGo start seeing benefit of that?

Rohit Philip: So, firstly, I will answer the financing question first and then we will talk about deliveries. On the financing question we have indicated that we plan to start buying A320 aircraft as well with cash. We have not made a firm decision as to when we will finance it. We also indicated previously we have already pre-financed a number of our A320 deliveries through sale and lease backs for the remainder of the year. So, we still have not decided when we are going to start buying those planes. We will keep you posted as we decide to start buying A320 or A321 aircraft with cash. As far as the delivery schedule, Wolfgang, you want to comment on the delivery schedule?

Wolfgang Prock-Schauer: We saw during the quarter a temporary stoppage of deliveries because of a snag which was detected and which has been in the meantime rectified. Now deliveries have resumed and we see overall moving forward to year end, a full recovery of deliveries. So, we see aircraft moving in the faster rates right now because older backlog will be clear now.

Moderator: Thank you. Our next question is from the line of Achal Kumar from HSBC. Please go ahead.

Achal Kumar: I had two questions, one actually was about the profitability. Of course, you said that the fares are not sustainable and the input cost is rising. In that scenario, now of course, I understand from the recent news that most of the airports are trying to increase the charges as well as some of those charges are probably on the cards for the peak hour slots. So, is that going to be the addition to the cost burden? And if that is the case, then do you see profitability further declining? I mean, are you expecting moving to the losses because you barely managed to make profits this quarter? And with such a high cost we see additional burden from the dollar, fuel is where it is and then if these charges are coming, how do you see the profitability playing? And, the second question I had about is on the network planning, it looks like you are adding more flights on the new routes. So, how do you see the balance between the yields and the new network planning? If you can please help on these two things, thank you.

Greg Taylor: When we look at capacity planning, we really do not focus on what is going on so much in the current quarter, as we look at it much more as a long-term strategy. Realistically, India continues to be a very underpenetrated market with respect to air travel and demand is growing about 20% a year. And although we are sitting here with fares and yields that we do not think are sustainable in the long run, we do think that with the cost that we have and the strong balance sheet that we are in a better position to sustain and do well in this environment than anybody else. So, although we are under a lot of pressure from cost and this weak revenue environment, we still think the long run strategy that we are pursuing is really the right strategy and we are going to quickly build up our network. We are going to make a broad network in a lot of markets that is deep with frequencies where we need them. And we think that is clearly the right long-term strategy for not only passengers but our shareholders. So, again, I guess in summary, yes there is a lot of short-term pressures, but we think we are well-positioned and we are taking a long-term view that is

going to be really the right strategy for shareholders.

Achal Kumar: Yes, I agree with you that India is an immature market. It is quite underpenetrated market, but the routes which you are talking about are still under mature I will say and it will take years for these routes to see some maturity where you can charge the fare we want. Don't you think that will add pressure to the yields?

Greg Taylor: So, I agree with you that some markets are maturing, but what we are seeing is that when we put capacity on the market, we are finding that there is a lot more demand out there than anybody thought was there. There are a lot of these cities pairs where there has never been non-stop service before and when we put capacity in there what we are finding is that there is quite a bit of demand. I mean, if you look at where we are with respect to load factors they are clearly very strong. So, the demand is there at the current price. The real challenge for us, as was mentioned by Rahul, is what is going on in the 0 to 15 day booking window. When we look at our sales outside 15 days we are actually seeing yields up year-over-year. So, the kind of pricing we are putting in the market to stimulate traffic is doing well. The challenge we are seeing is that inside 15 days the period which would typically be business travelers, who are not so price sensitive, where we would normally get higher yields, the competitive market is just not allowing us to get the kind of yields inside 15 days that we used to. I mean, it is a situation where historically airlines would use advance purchase parameters to low fares you have to buy outside 15 days. When you buy inside 15 days typically the fare is higher. Inside 7 days would be even a little bit higher. And that structure has worked very well for the industry over the years where we could take these high yields that we get from business travelers and use it to offer low fares to leisure travelers. And the problem we are seeing right now in the markets is that these sort of advanced purchase rules have been competed away and we are just not getting higher yields inside 15 days that we used to. So, our strategy is going to be that we are going to remain competitive because we do not have any choice. You have to be competitive in this market. And we just think over time, as we said, the fare structure is not really sustainable. It is going to have to get better. And we are going to focus on a longer-term strategy and build our network and we know things are going to get better over time.

Moderator: We will move to the next question that is from the line of Prashant Kothari from Pictet. Please go ahead.

Prashant Kothari: Two questions, one is on the fuel cost. We see a good increase in fuel expenses, 54%, which is not explained by the amount of ASK growth and fuel price increases you have seen. We should have had some benefit of the neo planes as well which we were kind of seeing in the last few quarters that does not seem to be there anymore. Any particular reason why we are seeing fuel expenses rising by as much as this?

And the second question is, if you could just give some outlook on the industry capacity additions that you expect in the next one, two years?

Rohit Philip: I will take the first question and Greg will take the second. On fuel, if you just look at fuel divided by ASKs or if you look at our fuel CASK, it went up by about 30%. So that would adjust for the capacity increase. The IOCL published fuel price went up by about 27%. So you are absolutely right. It went up slightly higher than the actual underlying IOCL price and typically you should see some savings from neos as well which we would have. The reason for the increase is - it is

just a function of how the domestic oil companies price their fuel. So, the way they price that fuel is - you negotiate these deals which have a discount per liter of fuel and that is a fixed discount. So once fuel prices go up the discount as a percentage of your fuel prices actually starts to become a smaller percentage. So it is a higher percentage at a lower fuel price and when you go up the arithmetic works against you. So, it is just normally how the domestic oil companies price their fuel. So, that is the explanation of why the fuel CASK is slightly higher than the IOCL published price increase. On the industry capacity, Greg, you want to talk about it?

Greg Taylor: I am sorry. Could you repeat your question one more time? I didn't quite hear it clearly.

Prashant Kothari: Question is simply about your outlook or your best estimates in terms of how much is the industry capacity going to grow by in the next one, two years?

Rohit Philip: Let me take that. We all know with industry capacity, lots of people try to make projections. But, a lot of capacity comes in on short-term leases. People have talked about their orders, some of the competitors have talked about their orders but the delivery schedules of those are not clear. And so, that is fairly volatile. Overall, we are very comfortable with the level of capacity increase that we have planned and we do expect industry is going to add some amount of capacity as they have been doing over the last several quarters. But as specific forecast, I think we do not have anything more to guide you on in terms of what other airlines are going to do.

Moderator: Thank you. Our next question is from the line of Anshuman Deb from ICICI Securities. Please go ahead.

Anshuman Deb: I had a question regarding the sustainability of the fare that you said which is clearly not sustainable. So, are we expecting some kind of capacity rationalization by competition when we say that fares are not sustainable? In the sense that some kind of capacity addition by the competition will be slowed down so that they may be profitable, and fares increase. And could you also give me the passenger numbers for this quarter. I do not see that anywhere actually. Thank you.

Greg Taylor: Let me talk first about the fare situation and competitive capacity. So, we say that the current fare levels are not sustainable, surely something have got to change. The revenue for the industry has to cover the input cost and that is going to have to play out over the long run. As I said before, I think some changes in fare structure could benefit the industry. Maybe that will help with the problem in the near-term. But in the longer-term, I think there will have to be either adjustments in supply or we are going to have to wait long enough for demand to grow to fill the gap. So, that is my sort of theory on the whole process. Passenger numbers, do we have those?

Rohit Philip: We have reported those to the DGCA, I think the DGCA's normal report which comes out on the 20th has not come out yet. So, it should come out shortly. If not, you can call Ankur and we can get you the information.

Moderator: Thank you. Our next question is from the line of Arvind Sharma from Citi. Please go ahead.

Arvind Sharma: My first question is on the FOREX losses part since this is the first time you are reporting it explicitly. So, what exactly are these FOREX losses? And do we expect them to continue over the year or do we expect that by the end of the year on an annual basis they will be more or less as they were?

- Rohit Philip: So, this number given the materiality we have decided to put it as a separate line item in the financial statements. But historically every quarter that I have been here in the last eight quarters, we have always given that number during the Q&A session. So, we thought we will just put it in the financial statements. So, it is the same number that I have been reporting every quarter. The number essentially is from accounting standards. There are two components to the foreign exchange loss, one is unrealized mark-to-market loss and there is a realized loss for any liability that is on your books that you pay out during the quarter. And so, there is typically the majority of this expense is going to be unrealized mark-to-market loss on your foreign exchange liability, which is typically a supplementary rent liability. And so, there is a significant supplementary rental liability on your books which is a dollar-based liability and we mark-to-market that liability every quarter and the foreign exchange losses are primarily related to that. So, now if you want to talk about going forward what we are doing is, we have already started implementing some new structures on how we secure our foreign exchange supplementary rent liabilities with these collateralized letters of credit and we are doing it in a manner where we started putting dollar deposits against these liabilities which will match our expense and revenues. So, we are not expecting this liability to continue to increase and over the next 12 months it will dramatically reduce as the renewals of these letters of credit come up over the course of the years, So, we expect to start reducing this liability and just match dollar assets with the liability.
- Arvind Sharma: And if I may just get some clarification on the EBITDAR numbers that you said of 11.3 billion, what exactly does this include in terms of the FOREX part?
- Rohit Philip: It includes the full foreign exchange number that we have in the P&L.
- Moderator: Thank you. Our next question is from the line of Santosh Desai from SBICAP Securities. Please go ahead.
- Santosh Desai: Sir, I had a question around the cost bit. So, we keep reading a lot about pilot shortages and stuff like that. So, is that the case that we see on the ground and would it actually push up costs when we have more of expats coming in for some of these roles?
- Wolfgang Prock-Schauer: I'll take this question. In IndiGo, we are in a unique position. We have, over the years, had a proper planning in creating a pool of pilots which starts with the youngest pilots which is the so called cadet program. We get the pilots with 18 – 19 years, train them and then after 4-5 years they will be upgraded to captains. And as we take this project further - we have added cadet schools to our program and we have the unique pool of senior first officers. It is the last stage before you become a captain which we can upgrade internally and if you cross a certain size, which we have already crossed, then you can generate enough captains on your own because you have a huge pool of first officers of which something 20% every year can be upgraded to captains. Having said that, there is a need for expatriates because we are in expansion which is slightly higher, always higher than the market growth and so, you will need temporary expatriates. But we are very confident that after certain interim period we can equalize that and we can actually be fully sustainable airlines in terms of pilot.
- Rohit Philip: Just to add. Overall, we expect the majority of our pilot needs to be sourced through our internal programs, but there will be some expats that will add some cost.
- Santosh Desai: Sir, second bit I had a question on the revenue side. While we understand that industry as such

has been adding capacity in double-digit which is possibly putting pressure on the yields as well, we do not see much of that coming on to the metros, I mean linked to Bombay and Delhi, given the slot constraints. So, this pressure on the pricing - is it broad based or is it more to do with the new routes that we see additions coming through?

Greg Taylor: We do not normally comment on route specific results, but what I would say is that as I mentioned before, the yield pressure we are seeing is primarily in bookings which is generally business traffic. And so, I think, as you would expect markets that typically have a lot of business traffic, we are seeing more pressure than other markets that are primarily leisure.

Moderator: Thank you. Our next question is from the line of Bhavin Shah from Sameeksha Capital. Please go ahead.

Bhavin Shah: In the last episode of fuel price increase that happened in 2013-2014, you were able to pass on about 50% of that increase in the form of fare and resulted in yield improvement, with some time lag. Now, how would you compare your ability to do now? So, for coming quarters or year when you look at the competitive dynamics back then versus now, what you see?

Greg Taylor: I really do not have too much to add to what I have already said on this subject. The cost inputs are up. We know that fare levels right now are down. The pressure that we are seeing on fares is primarily close in bookings. We hope to see some improvements there. Relatively to what was done in the past, every day we look at the fare environment and look for opportunities to pass on fuel cost to consumers and we will continue to do that. How it will play out over time is difficult for me to say. We know that we have to stay competitive in the market place and that is what we are going to do and as I said before I think we are better positioned probably than anybody else because we have the lowest cost structure. We have the strongest balance sheet. We have the economy benefits that go with a new fleet of fuel efficient airplanes. And in the end, I think we are going to wait it out and we are kind of going to be the winners in the end. That is my view of it.

Bhavin Shah: As a follow-up question, could you comment what percentage of your ASK in FY18 and also as of the end of this year will be from neo?

Rohit Philip: We have a table in the Investor Presentation that we have uploaded that has the fleet count. Just use that as a rough guideline to take the percentage of that. The neos on average fly the same as the ceos. So, the fleet percentage and the ASK percentage will be the same. We have that cut by different periods. You can take a look at that and just use that same percentage.

Moderator: Thank you. Our next question is from the line of Vikas Nagar from HDFC Securities. Please go ahead.

Vikas Nagar: You mentioned there is pressure in the 0 to 15 day window and apart from that your yields are actually up. Would this be possible for you to really quantify the sources of revenue that comes from this 0 to 15? Have you got the exact number, maybe a ballpark number? And my second question is with respect to effective tax rate. So, we are seeing the quarter is going down to about 11%. There is also a note regarding some favorable rulings that has come in, so could you throw some light on that?

Rohit Philip: Sorry, just to recap, the line was not very clear. The second question was about our effective tax rate?

- Vikas Nagar: Yes.
- Rohit Philip: And the first question also, you were not clear at all, if you can actually repeat the first question.
- Vikas Nagar: You were saying that we are facing pressure in 0 to 15 day window, and if you go beyond that the yields are actually up for IndiGo. So, would it be possible for you to really quantify how much of the percentage comes from this window, if not the exact number but maybe ballpark number?
- Greg Taylor: I guess what I would tell you is that 40% of our bookings come from inside the 15 day window. With respect to the specific yields and the different windows, I do not really have that number.
- Rohit Philip: I think that gives you the information you need on the 0 to 15 day window, majority of the yield decline is all explained by the 40% bookings that are in that window. Let me take the second question on effective tax rate. So, as you know the effective tax rate is an accounting number that is based on a lot of different factors like your book tax differences, your permanent differences, your absolute level of profits. There are a lot of things that effect the effective tax rate. So, based on all that our effective tax rate for this quarter was 11%. Having said that, I would continue to advise you for modeling purposes to use the 28% to 30% range that I have historically guided.
- Vikas Nagar: So, just to follow-up. What is that ruling that has come in our favor? Has it come in this quarter only?
- Rohit Philip: That note has been there in our financial statements for a long time. It has been in our Annual Report for the last many years. So, there is nothing new on that note.
- Moderator: Thank you. Our next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.
- Pranav Tendulkar: Could you give split between passenger revenue and cargo revenue in the operating revenue?
- Rohit Philip: Roughly 40% of our ancillary revenue is cargo revenue. That is roughly what it is.
- Pranav Tendulkar: So, this cargo revenue was around 600 – 700 run rate per quarter, right, is it around that?
- Rohit Philip: We have reported our ancillary revenues in the press release. 40% of that is cargo.
- Pranav Tendulkar: So, when you calculate RASK in the presentation that you have given on the exchanges, you include just these two, you do not include other operating income in the RASK calculation, right?
- Rohit Philip: RASK would include all revenue. What we have in the last page of the investor presentation is actually an abbreviation and definition that actually shows the exact calculation that has total revenue. There is another measure that you can use called PRASK which is Passenger revenue per ASK, which is another measure you can track, which is not in that presentation. But all the ingredients of that are in the press release, if you just take the Passenger revenue that we disclosed separately in the press release, you can calculate PRASK as well.
- Pranav Tendulkar: Another question just pertaining to this quarter, because your reporting has changed a little bit. CASK that you have calculated did it include a FOREX in previous quarter. So, FOREX as a cost did it include in CASK calculation in previous quarters vis-à-vis this quarter, because this quarter it clearly includes?
- Rohit Philip: Yes, the calculation of foreign exchange in CASK did not change at all. It was just that it was always in other expenses and now we have just highlighted it. We have just broken it out of other

expenses to give better disclosure in the financial statements, but the calculation is the same.

Moderator: Thank you. Our next question is from the line of Ravi Shrikant from Muthoot Family Office. Please go ahead.

Ravi Shrikant: I had just two questions. One is, given the current environment and given the current RASK do you think this is at optimum levels or there is some scope for improvement over here? And my second question is, basically general observation, what I have observed is that even on a 1.5 hours flight around half hour is spent just circling around the airport at the destination place. So, what is the global average for this and is this a big cost - the time spent over the airport?

Rohit Philip: We got the second question, the first question were you asking if the current RASK environment was optimal, was that your question?

Ravi Shrikant: If the environment remain as it is, for IndiGo do you see that the RASK that you have reported of 3.7 is it at optimum levels or do you see some room for improvement over here? Only for IndiGo, not the industry as a whole.

Rohit Philip: I think Greg talked a lot about the fact that we do not think the revenue environment is optimal right now, especially because of the fare environment in the 0 to 15 day bucket. So, if that environment improves you should see a significant increase in RASK. So, that is the answer to first question. Greg, do you want to add anything?

Greg Taylor: I guess I would add two things. One, I think we have a revenue management group and revenue management tool that sort of constantly trying to optimize the revenue on every client. And I think they are probably good or better than anybody in the industry. I think they are really very good at this. And I think we are getting as much out of that as possible in the environment. On the other side of the coin, there are some revenue areas where I think we have upside potential going forward and focusing on ancillary, there can be better focus on that. And the other area is cargo where I feel like we have been a little bit underperforming there, and so, going forward I hope to see some improvements and I expect to see some improvements in both of those areas over the next few quarters.

Wolfgang Prock-Schauer: Coming to your question on ATC delays, you are right that actually airlines are spending a lot of money encircling around the major airports. Although, I do not have the concrete figures with me, I am quite sure that the number of hours spend unnecessarily in the air due to air traffic control delays is here in India much higher than for example in Europe or in the US. Having said that, if you look back the last couple of years there was an improvement in the Indian aviation and that is why we could grow the industry by 15%, 20%. So, there is some improvement, but as the industry is continuously growing there is a constant challenge and I can say we work very closely with authorities here to improve the systems and there are many ideas which we can take from other countries to improve its situation further. So, there are short-term challenges, but in the medium-term to longer-term I think these challenges will be overcome.

Ravi Shrikant: As a percentage of flying hours how much is it?

Wolfgang Prock-Schauer: I cannot give a general figure, because it depends on the route network, depends on the season. So, to give a general figure here is not possible.

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

ahead.

Binay Singh: In the starting we talked about a couple of additional international destinations - fair to assume that that is coming from the existing order book only?

Rohit Philip: Yes, that is correct.

Binay Singh: A lot of media speculation on your long haul international strategy. Any updates on that? When are you going to place an order or something concrete playing out in financial year 2019 itself or is it more a FY20 thing?

Rahul Bhatia: Binay, like Rohit mentioned, I think on the last concall we tend to learn a lot about our company through the press.

Binay Singh: So, I guess it is the opportunity for us to learn from you.

Rahul Bhatia: I guess as and when we are ready with the information we will be very happy to extend that to yourself. For the moment it is all on the boiler plate and we are trying to figure out what is the best strategy going forward.

Rohit Philip: And just to again repeat what I said earlier, the routes that we talked about are all with our existing A320 fleet in the order book.

Binay Singh: And just linked to that, if you look at staff and number of fleet, in FY18 we saw that number inch up. So, was it because of the fact that in FY18 you built staff capacity but then the actual capacity got delayed? So, to an extent this year some leverage gains from that bench strength will be visible?

Rohit Philip: Absolutely, that is a good observation, Binay. We have talked about this on prior calls that there is always a little bit of a timing issue between adding employees and capacity actually coming in. You always have to hire people in advance and then if the delays come in, you are stuck with the cost for a little bit until the capacity comes in. You saw that a little bit last year, that is why this quarter actually if you saw our employee expenses went up 11% even though capacity went up 18%. So you saw some of that capacity increase absorbing some of the bench. So, that unfortunately, given the growth plans that will continue to go up and down, both ways, but that observation you are absolutely right.

Moderator: Thank you. Our next question is from the line of Garima Mishra from Kotak Securities. Please go ahead.

Garima Mishra: I just had one question. Is there any evidence on the ground that you are seeing right now of competitor airlines cutting down capacity given their sort of cash burn would be sharply higher than you guys? You are still in profits as of now. Thanks.

Greg Taylor: We do not have any evidence on the ground. It would not be obvious to other people observing the industry and there is really we have nothing to add to that.

Moderator: Thank you. Ladies & gentlemen, due to time constraints, that was the last question. I now hand the conference over to Mr. Ankur Goel for closing comments.

Ankur Goel: Thank you everyone for joining on this call. I hope you found this useful.

Moderator: Thank you very much, members of the management. Ladies & gentlemen, on behalf of IndiGo,

that concludes today's conference call. Thank you for joining us. And you may disconnect your lines.