IndiGo

"IndiGo Third Quarter Fiscal Year 2021 Financial Results Conference Call"

January 28, 2021

IndiGo

MANAGEMENT: **MR. RONOJOY DUTTA – CHIEF EXECUTIVE OFFICER**
MR. ADITYA PANDE – CHIEF FINANCIAL OFFICER
MR. WOLFGANG PROCK-SCHAUER – CHIEF OPERATING OFFICER
MR. SANJAY KUMAR – CHIEF STRATEGY AND REVENUE OFFICER
MR. ANKUR GOEL –HEAD, INVESTOR RELATIONS

Operator: Good evening ladies and gentlemen and welcome to IndiGo's Conference Call to discuss the Third Quarter of Fiscal Year 2021 financial results. My name is Aman and I will be your coordinator. At this time, all 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 hand the conference over to your moderator, Mr. Ankur Goel, Head of Investor Relations for IndiGo. Thank you and over to you, sir.

Ankur Goel: Good Evening, everyone, and thank you for joining us for the Third Quarter of Fiscal Year 2021 Earnings Call. We hope that you and your families are safe and in good health.

We have with us our Chief Executive Officer – Ronojoy Dutta and our Chief Financial Officer – Aditya Pande to take you through our performance for the quarter. Wolfgang Prock-Schauer, our Chief Operating Officer and Sanjay Kumar, our Chief Strategy and Revenue 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. I hope you are all keeping safe and healthy.

We reported a net loss of 6.2 billion rupees in the December quarter compared to a net gain of 5.0 billion rupees in the same period last year. During the quarter, we operated at roughly 70 percent of our domestic capacity as compared to the same period last year. We have been ramping up our capacity as is being allowed by the Government and during the current month, we operated at around 80 percent of domestic scheduled departures as compared to the same period last year. International capacity continues to be severely constrained and we are only operating at around 28 percent of our International capacity year over year. Overall, during the quarter we operated at around 60 percent of our capacity compared to same period last year.

It may be worthwhile to discuss the quarterly trends that we are seeing to assess the strength of the recovery. Our capacity increased from 8.9 bn ASKs in the September quarter to 15.3 bn ASKs in the December quarter reflecting more than 70% increase in sequential capacity. Despite this rapid increase in capacity and despite the fact that these routes haven't fully matured, our load factors improved by 6.9 points and our RASK improved by 1.0 percent sequentially. We remain bullish on the demand in the market, particularly as a number of Tier 1 and Tier 2 cities are now exceeding their pre Covid passenger numbers and we are happy that the market is embracing the added capacity.

Overall, the capacity restrictions are still a drag on aircraft utilization and although the flights that we are operating are contribution positive, they are not able to offset all our fixed costs. Our losses excluding foreign exchange impact have now come down from a peak of 27,684 million rupees in the June quarter to 8,224 million rupees in the December quarter. We are hopeful that the government will see fit to remove the capacity restrictions in the near future to support the ongoing recovery.

Our ancillary business continues to do well and while our capacity has declined by 40.8 percent year over year, our ancillary revenues have declined by 22.1 percent. This performance of our ancillary business can be primarily attributed to cargo operations which continue to perform well for us. We operated around 1,500 cargo charter flights in this quarter and we have seen a steady increase in total cargo tonnes carried.

Our cost reduction efforts have proved to be invaluable in these revenue challenged times. Despite flying 40.8 percent lower capacity, our CASK during the quarter remained essentially flat on a year over year basis at 3.68 rupees driven by lower fuel prices, our cost reduction efforts, higher utilization of our NEO fleet and positive movement in value of rupee. Sequentially, CASK has reduced by almost 20 percent.

In order to increase efficiency and to further improve our CASK performance, we will continue to replace our CEO engine aircraft with the NEO engine aircraft, in line with our previously stated plans.

Our priority remains to provide a safe and hassle-free experience on board our lean, clean flying machine. We introduced a system for self-scanning of boarding passes so as to promote contactless travel. The process of providing PPE kits, face shields and sanitizers for our customers and enforcement of social distancing norms continues. Our tireless efforts to provide a safer and more hygienic experience coupled with focus on customer service are paying off. We have gained in customer confidence over the last six months because of our safety measures and customer initiatives. I am happy to report that our NPS continues to improve and our complaint rates are at minimal levels. In particular, I am pleased to note that we have improved markedly in the warmth of our service. Further, an online survey conducted by us during December 2020 revealed that 81 percent of the travelers are confident that IndiGo will ensure clean and safe travel, this is a 16-point improvement as compared to the same survey conducted in June 2020. Our teams have been putting in their best efforts to enhance the customer experience in all possible areas including our on-time performance. For instance in December, we were ranked first with the on time performance of 94.7 percent, 10.8 points above the rest of the industry. For the quarter, our on-time performance was 96.6 percent, which is one of the best performances over the last couple of years.

I am pleased to report that we have received several awards during the quarter in the areas of crisis management, health and safety standards, managerial effectiveness, and CSR initiatives. Favorable recognition from our stakeholders motivates us to do even further in creating additional value for our brand.

Now to give you an update on liquidity, our operating cash flow has been steadily improving. We exited June with a cash burn of 300 million rupees per day and had an average cash burn of 250 million rupees per day and 150 million rupees per day in the September and the December quarters, respectively.

Given the recent run up in oil prices and the fact that we are going into a seasonally weak quarter, we cannot state with conviction that the improving trend in cash burn will continue into the current quarter. We would like to hit the seasonally strong first quarter of next year with all cylinders running and at full capacity at least domestically.

In terms of broad capacity guidance for fourth quarter fiscal year 2021, subject to Government lifting the restriction on capacity, we are hopeful of deploying about 75-80 percent of our fourth quarter fiscal year 2020 capacity. In terms of International capacity, with the exception of air bubble flight arrangements and charters, the low levels of international capacity continue to remain a major concern for us and continues to hurt our financials. We are anxious to get back in a big way into the international game. With the advent of the vaccine by major players, we are hopeful that the restrictions on international travel will be lifted. The enthusiasm of our employees has been a major force behind our fast-paced recovery. I am very proud of the way all our employees have displayed dedication and teamwork in the past few months.

Let me step back a little and discuss the revenue environment we are seeing in greater detail. It is a very volatile environment, and we get a period of strong revenue lasting for about 6 weeks followed by a period of weak revenue lasting for about 4 weeks. This volatility is partially driven by the fact that capacity is being added without the full benefit of the longer booking periods that we are historically used to. Through all this volatility it is encouraging that the volume of bookings have increased steadily while the yield is gyrating and absorbing the shocks of additional capacity. Specifically, I can state that the 4-week period starting 15th of December has been relatively weak but again since 15th January we are seeing strong momentum. Given this volatile environment we are unable to provide near term revenue or cash guidance with certainty, but we can state unequivocally that the trend is up.

And with that, let me hand over the call to Aditya to discuss the financial performance in further detail.

Aditya Pande: Thank you Rono and good evening everyone.

For the quarter ended December 2020, we reported a net loss of 6.2billion rupees compared to a profit after tax of 5.0 billion rupees for the same period last year. We reported an EBITDAR of

9.9 billion rupees compared to an EBITDAR of 19.6 billion rupees during the same period last year.

During the quarter, we operated at 59.2 percent of our YOY capacity, this is in line with our previous guidance of around 60 percent.

The key highlights of our performance during the quarter are:

1. We operated at a load factor of 72 percent, a reduction of 15.6 points on a year over year basis.

2. Our yields reduced by 4.6 percent year over year to 3.70 rupees. Further, our RASK reduced by 16.4 percent to 3.27 rupees primarily driven by reduction in our load factors by 15.6 points.

3. Our fuel CASK reduced by 42.2 percent compared to 31.5 percent reduction in average ATF prices on a year over year basis.

4. Despite a 40.8 percent reduction in capacity, we were able to hold our increase in CASK ex-fuel to 22.2 percent as a result of our cost reduction efforts and helped by favourable trends of the rupee. Our employee costs year over year continue to remain 35.8 percent lower.

5. Our cargo revenue has grown by 38.5 percent on a year over year basis, this has helped us generate much needed liquidity during the crisis.

The update on our cash position and liquidity is a follows:

1. We ended the quarter with a free cash of 74.4 billion rupees and total cash of 183.7 billion rupees.

2. Our net cash burn per day reduced from 250 million rupees per day in the last quarter to an average of 150 million rupees per day in the December quarter. This was helped primarily by net contribution from our operations, which nearly doubled quarter over quarter.

3. Out of the 33 billion rupees balance of additional liquidity we had targeted at the end of September quarter, we were able to raise 21 billion rupees during the quarter and the remaining is expected to be realised in the next quarter. Further, we also have several options of debt financing available with us in case there is a need in the future and our ongoing deliveries of NEOs in FY22 will continue to provide us with additional liquidity.

4. In the light of gradual recovery, we believe that our internal sources of cash will be self-sufficient for our operations and thus, we have decided not to raise funds through the QIP.

On the other key balance sheet numbers, we ended the quarter with capitalized operating lease liability of 245.6 billion rupees and total debt, including the capitalized operating lease liability of 277.3 billion rupees.

We are consistently working hard to increase capacity, optimize costs and enhance liquidity and we are eager to be back on the path of growth.

With this, let me hand it back to Ankur.

Ankur Goel: Thank you Rono and Aditya. 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 question, if needed. And with that, we are ready for the Q&A.

Note: This transcript has been edited for readability and is not a verbatim record of the call