



“IndiGo Third Quarter Fiscal Year 2022  
Financial Results Conference Call”

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**Operator:** Good evening ladies and gentlemen and welcome to IndiGo's Conference Call to discuss the third quarter of fiscal year 2022 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, Ms. Richa Chhabra from the Investor Relations team of IndiGo.

**Richa Chhabra:** Good evening, everyone, and thank you for joining us for the third quarter of fiscal year 2022 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 – Jiten Chopra to take you through our performance for the quarter. Wolfgang Prock-Schauer, our Chief Operating Officer, Sanjay Kumar, our Chief Strategy and Revenue Officer and Kiran Koteshwar, our Head of Investor Relations and sustainability 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 be archived on our website. We will upload the transcript of today's prepared remarks by day end. The transcript of the Q&A session will be uploaded subsequently.

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

**Rono Dutta:** Thank you Richa. Good evening everyone and thank you for joining the call. Hope all of you are safe and doing well.

We released our third quarter fiscal year 2022 financial results today and I am pleased to announce a net profit of 1.3 billion rupees for the quarter ending December 21 as compared to a net loss of 14.4 billion rupees for quarter ending September 21 and a net loss of 6.2 billion rupees for the quarter ending December 20.

Decline in covid cases and removal of capacity restrictions resulted in buoyant traffic numbers. We were encouraged to see how rapidly the domestic traffic reverted to pre-covid levels during the quarter. We added capacity to take advantage of the ongoing recovery and we are pleased to see our efforts culminate into a profitable quarter.

First, I would like to take you through the key highlights for the December quarter and then provide some insights on the impact of the new covid variant on our performance in the current quarter.

Within the quarter, October was a relatively weak month, but we saw strong momentum building through November and December. During the latter part of December revenues started declining because of omicron – if this had not been the case, we would have reported even better performance. Overall, we achieved strong pricing levels & high load factors of about 80 percent during the quarter.

While international capacity is still restricted, traffic showed particular strength. With the gradual addition of bubble flights, International capacity deployed grew by almost 80%, quarter over quarter and bookings grew by 95%.

System wide, we deployed approximately 45% more capacity, sequentially, reaching to about 88% of our pre-covid capacity for the quarter and about 97% of our pre-covid capacity in the month of December. Our load factors have increased to 79.7% in the December quarter compared to 71.1% in the September quarter. Yields have increased by 5.2%. These drivers led to a RASK improvement of 13.5% sequentially to 4.09 rupees. Higher yields and higher capacity deployment have resulted in a sequential revenue growth of 63.5%.

Moving to the cost side, we reported a CASK of 4.03 rupees, which is 10.7% lower sequentially in spite of increased fuel costs. Higher capacity deployment has helped reduce our unit cost. Fuel continues to be a significant headwind and as a result the fuel CASK went up by almost 13% on a sequential basis.

In line with our fleet modernization programme, we continue to replace the CEOs with NEOs. During the December quarter, we inducted 18 fuel efficient NEOs and returned 16 CEOs. We remain firmly on the path of returning most of our CEOs by the end of December 2022.

Towards our long-term goal of enhancing our global footprint, we also signed a codeshare agreement with Air France-KLM, our fourth arrangement with an international carrier. This is a two-way code share agreement and will help us increase connectivity and gain access to new markets. We are confident that such partnerships will improve IndiGo's reach to new markets and customers once the International operations normalise.

Before we talk about current market conditions, I would like to pause and thank all our employees for providing exceptional service to our customers during the difficult calendar year. In 10 out of 12 months during calendar year 2021, IndiGo was positioned as number one in on time performance as a result of our employee's efforts.

Now let me talk about the current market conditions. In response to increase in Covid cases we have reduced our operations to stay in line with declining demand.

We are expecting that our capacity deployed in the fourth quarter of fiscal year 2022 will be

reduced by approximately 10-15 percent as compared to the third quarter of fiscal year 2022. We think that load factors for the fourth quarter could possibly be weaker than the third quarter. We are clearly in a volatile environment, and we are reviewing our bookings and capacity deployed on a daily basis.

Unfortunately, we are experiencing a bit of an unpredictable environment with traffic recovering and declining lockstep with the covid cases. While we are going to see declining revenues for the fourth quarter, the experience of other countries leads us to believe that we are likely to see a recovery take place again in the first quarter next year.

In summary, we are particularly pleased that we were able to report a profit for the quarter for the following four reasons:

- 1) It demonstrates that the fundamentals of aviation in India remain strong and once we are able to put the pandemic behind us, we should be able to return rapidly to a path of profitable growth
- 2) It validates our core belief that higher employee engagement results in higher levels of customer service which in turn manifests itself in better revenue performance. Whether it is group fares, or charters or individual bookings, we are positioning ourselves as the preferred airline because of our superior service.
- 3) International revenues continue to be very robust and this augurs well for our future growth.
- 4) The essence of our business model with its emphasis on cost leadership and reliability has served us well even in these uncertain times.

We are looking forward to the next financial year with optimism and with a steely resolve to make sure better times are ahead for all of us.

With this, let me handover the call to our CFO, Jiten Chopra.

**Jiten Chopra:**

Thank you Rono and good evening everyone. I hope that all of you are keeping safe and healthy.

For the quarter ended December 2021, we reported a net profit of 1.3 billion rupees compared to a net loss of 14.4 billion rupees for the quarter ending September 21. We reported an EBITDAR of 20.0 billion rupees compared to an EBITDAR of 3.4 billion rupees in the quarter ending September 21.

In the December ended quarter, we operated at 88% of our pre-covid capacity. This higher capacity deployment has helped us to further improve our performance metrics. Some of the key measures of the reported quarter are as follows

1. Our RASK increased by 13.5 percent driven by sequential increase in load factors by 8.6 points and in yields by 5.2 percent to 4.41 rupees, sequentially.
2. As we deployed 45.2 percent additional capacity, our CASK ex-fuel reduced by 19.9 percent sequentially to 2.60 rupees. We still have substantial head room for absorbing our fixed costs by increased international and domestic operations.
3. Our fuel CASK increased by 13.2 percent, sequentially driven by increase in ATF prices.

The update on our cash position is as follows:

- We ended the December quarter with a free cash of 78.1 billion rupees, net increase of 14.6 billion rupees as compared to September end. Our total cash at 31 Dec 21 was 173.2 billion rupees.
- We continue to monitor the ever-changing market conditions and will respond in an appropriate manner whenever necessary.

We are thankful to our employees who have kept up their spirits during the difficult days. In line with the better performance in third quarter, we have rolled back certain employee cost measures.

On the other key balance sheet numbers, we ended the quarter with capitalized operating lease liability of 307.6 billion rupees and total debt, including the capitalized operating lease liability of 351.5 billion rupees. Our ROU assets at the quarter end were INR 202.8 billion rupees.

The key to overcoming current pandemic conditions is largely in maintaining our cost leadership position. We are striving each day to improve on our cost metrics and looking at innovative ways to further capitalize on this strength.

With this, let me hand it back to Richa.

**Richa Chhabra:**

Thank you Rono and Jiten. 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.

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