"IndiGo First Quarter Fiscal Year 2024 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 2024 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 first quarter fiscal year 2024 earnings call.

We have with us our Chief Executive Officer - Pieter Elbers, our Chief Financial Officer – Gaurav Negi, and Head of Investor Relations – Kailash Rana with us to discuss the financial performance and are available for the Q&A session.

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.

We will upload the transcript of 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 Pieter Elbers.

Pieter Elbers: Good evening, ladies and gentlemen and thank you for joining the call. Today, we announced our financial results for the first quarter of Fiscal Year 2024.

And, before I speak about the first quarter, I would like to mention about the last financial year, if you would recall, last year we had a distinct period of 2 halves. The first half was negatively impacted by the high prices of fuel and the depreciation of the rupee that led to a loss of 26.5 billion rupees. The second half of the year, owing to the stabilization in external variables and the initiatives set in motion towards operational improvements enabled us to report a net profit of 23.4 billion rupees.

That very positive momentum from the last two quarters has also continued in this quarter as we started the new year on a strong note and reported the highest ever quarterly revenue of 171.6 bn rupees and the highest ever quarterly net profit of 30.9 bn rupees - a good 3,000 crores, which is the third consecutive quarterly profits. And, we are back in the black for three quarters in a row now.

This series of strong financial performance can be attributed to our clear and focused strategy – of Reassure, Develop and Create – backed by our very strong operational performance. At the very heart of this performance are our loyal customers that chose to fly with us and our 6E colleagues ensuring synchronization of many operational factors together to serve our customers.

It is the Power of We, the unwavering dedication to service excellence and focus on customer-centricity, that has paved the way for such an exceptional performance. I would like to thank our customers and congratulate all our employees for starting the year with such positive results.

During the quarter, a record number of 26.2 million passengers chose to fly with us, an impressive 30 percent jump compared to the first quarter of last year FY 2023. I would like to also share that in May of this year, we reached a milestone of flying 3 lac passengers on a single day. And, it gives us great pride and excitement to make flying accessible to more and more Indians every day, and thereby giving wings to the nation by connecting people and aspirations.

Now, I would like to update you also on one of the key highlights of the quarter. On June 19th, we set another truly momentous and very exciting step in the journey of IndiGo as we placed a sizeable firm order for an impressive 500 aircraft of the Airbus A320 family. This 500 aircraft order is not only IndiGo's largest order ever, but also the largest-ever single aircraft order placed by any airline with Airbus. This order speaks to the growth and the future of Indian aviation where we are proud to play a pivotal role. Further, last month I had the privilege to be part of the prestigious Indian CEOs delegation in Paris, alongside the leadership of the country. It was a moment of pride for us when this historic order of 500 aircraft was widely commemorated at this forum.

We already had previous orders totalling around 480 aircraft which are yet to be delivered between today and the end of this decade. With this additional order of 500 aircraft, our outstanding orderbook has now almost a 1,000 aircraft yet to be delivered till middle of the next decade. These 1,000 aircraft will help IndiGo to move forward, to make sure that we live up to our promise and continue to build our unparalleled network both domestic and international.

We are well positioned, not only to expand and densify our unparalleled network, but also to execute our role in fulfilling our mission of boosting economic growth, social cohesion, and above all, mobility in India with affordable air connectivity and on time & hassle-free service across our country and globe. This large order will help us in further expansion of air travel in the country and will also help in generating and supporting direct and indirect employment. And, we feel privileged at IndiGo, to be able to contribute to the growth of Indian aviation market and economy.

Operationally, despite a myriad of complexities, intricacies related to operating at such a large scale, we remained to be among the global leaders as we operated with an average OTP of 89 percent and a very low cancellation rate of 0.30 percent during the June quarter.

We are also pleased that our efforts to make IndiGo a globally known brand, is being recognized as we have been, recently, ranked as the world's 'Top 50 most valuable Airline Brands' by Brand

Finance. With this recognition, we have maintained our distinction as the only Indian airline consistently featured in the 'Airlines Top 50' list for three consecutive years.

On the network side, we continue to densify by adding new routes and frequencies to enhance connectivity in the country. We have added almost 200 routes in the last three years, which is more than 60% increase in the number of routes – today totalling over 500 individual routes.

Further, in line with our objective towards unparalleled connectivity, we are adding our 79th domestic destination - Shivamogga this month, this will be our 6th destination in the state of Karnataka. It will provide enhanced connectivity to central and coastal region of Karnataka and will further improve accessibility to popular tourist destinations.

During the quarter, we further bolstered our international network with the launch of new codeshare destinations as far as the United States of America. We now offer codeshare flights to New York, Boston, Chicago, and Washington. And, these new connections mark an important milestone, with IndiGo's entry into a new continent, reinforcing our commitment to enhancing international connectivity from India.

We are also leveraging on the massive opportunity in the five to six hour flying radius from India and we have recently announced 6 new destinations across Asia and Africa. In the coming few days, we are starting operations to Nairobi, Jakarta, Tbilisi and Baku. Further, in the coming few weeks, we will start operations to Tashkent and Almaty. Addition of these new destinations will help to offer an array of super exciting opportunities for customers to travel worldwide on IndiGo.

Looking ahead, while Gaurav will speak on the capacity guidance for the second quarter of fiscal year 2024, for the full year we remain confident in achieving our previous guidance of north of mid-teens growth. With the highest ever passengers welcomed in Q1, we are well on track to reach our target of a 100 million customers this year. This will be a very big moment for India and IndiGo.

The long-term economic growth trajectory of the country matches our ambition to double in scale and size by the end of the decade. On the 4th August 2006, IndiGo embarked on this journey with a vision to offer quality, on-time travel experience to our customers, at affordable fares. As we turn 17 the day after tomorrow looking back at our journey, we can only feel very privileged and humbled with the support and faith that we have received from our customers that has enabled us to grow to one of the largest airlines in the world.

At the same time, I also complete almost a year in India and with our vibrant organization. Amongst many other things, personally I have always admired the cultural diversity, and hospitality. I had the privilege of travelling to a number of cities across the length and breadth of India. And I would like to express my gratitude to the people for the warm and supportive environment rendered to me. While visiting various stations, I had the opportunity to witness the teamwork and the enormous dedication of our IndiGo stars which is a key element in the success of our strategy – Towards new heights and across new frontiers.

Let me now hand over the call to Gaurav to discuss the financial performance in detail.

Gaurav Negi: Thank you, Pieter and good evening, everyone.

For the quarter ended June 2023, we reported a net profit of 30.9 billion rupees with a profit margin of 18.5% compared to a net loss of 10.6 billion rupees for the quarter ended June 2022. As Pieter mentioned, this is the highest ever quarterly profit for IndiGo.

We reported an EBITDAR of 52.1 billion rupees with an EBITDAR margin of around 31.2 percent compared to an EBITDAR of 7.2 billion rupees for the quarter ended June 2022. This improvement is primarily attributable to increased scale of operations and efficiencies further supported by lower fuel costs and favourable foreign currency movement at quarter end.

For the quarter ended June 2023, the total revenue increased by around 32 percent on a y-o-y basis. Our unit revenue came in at 5.12 rupees, which is around 9 percent higher compared to the quarter ended June 2022. While the yields came in stronger than expected and remained flattish compared to quarter ended June 2022, the load factor increased by 9.0 points leading to this growth in unit revenues.

On the cost side, the fuel CASK reduced by around 26.6 percent primarily due to a reduction in average fuel prices. Further, the rupee closed slightly stronger at the quarter end leading to a forex gain of around 1.2 billion rupees.

Excluding the impact of forex and fuel, the CASK ex fuel ex forex has increased by around 9 percent, compared to first quarter of fiscal year 2023 primarily driven by

- Annual contractual escalations and inflationary cost pressures.
- Increased cost resulting from engine related supply chain challenges that we have.
- Depreciation in rupee leading to increase in dollar denominated costs in rupee terms.
- And, the investments for growth in various initiatives including digital transformation, infrastructure enhancement and our investments in talent and human capital.

Due to our strong operational and financial performance, our liquidity has further improved as we ended the June quarter with a free cash of 156.9 billion rupees. This translates to a net increase of 35.0 billion rupees as compared to the March quarter end.

Further, we ended the quarter with a capitalized operating lease liability of 430.9 billion rupees and a total debt, including the capitalized operating lease liability of 462.9 billion rupees. Further, we added 12 net additions to the fleet and our right to use assets at the quarter end were 282.0 billion rupees.

Another development is on the engine side wherein we have received some information from the OEM regarding the probable manufacturing anomalies in certain series of engines. This issue will require removal of these engines for a detailed inspection across all airlines globally. We understand, this activity will be undertaken in a phased manner impacting a handful of our engines in the first phase. We are working with the OEM to assess and minimize any potential impact on our fleet.

Now moving on to the seasonally weaker second quarter, we are expecting to add around 25% capacity in Q2FY24 as compared to Q2FY23 which translates to around 6% capacity growth as compared to Q1FY24. Further, as compared to the second quarter of last financial year we are experiencing some improvement in load factor coupled with a downward pressure on yields.

Since our inception, we have made significant strides in establishing ourselves as a global leader in the aviation market. We are incredibly excited about the possibilities and potential that lies ahead. Our pending orderbook of around 1,000 aircraft allows us to leverage the growth potential presented to us by an underpenetrated aviation market.

In order to develop people, processes, and technology; and create the next phase of our growth, we are investing in digital infrastructure, human capital and loyalty program to meet the requirements of our future scale of operations.

Apart from this, given our strong liquidity position, we are planning to invest in some aircraft and related assets.

Further, subject to regulatory approvals, we are also planning on launching our venture capital arm to invest in early-stage companies operating in aviation, consumer focused and allied sectors such as travel & lifestyle, hospitality, and transportation. Given our large consumer base and growth plans we believe that these investments will help us add value to our airline.

As we embark on the next chapter of our journey, we remain fully confident in our ability to achieve operational excellence on an even greater scale and size.

With this, let me hand it back to Richa.

Richa Chhabra: Thank you Pieter and Gaurav. 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.

Moderator: The first question is from the line of Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: Congratulations for good set of numbers. I have two questions. So my first question was on the yield side. Typically, we see that the Q2 is seasonally weak, so yields drop by around 10% or so. But this time around, we've also seen crude prices rise. So in that context, how are you looking at yields adjusting for crude prices and weak seasonality?

The second question is when we look at the cost items, we've seen staff as a percentage of ASK and airport charges as a percentage of ASK and sequentially jump. Does this reflect the annual increments that you talked about? Or should we see more inflation in these cost items? So these are the two questions. Thanks.

Gaurav Negi: Binay, on the first part of the question, we are seeing deeper cut as far as yields are concerned, Traditionally, what we've seen a shift from Q1 to Q2 has been in the range of high single digits to early double digits. This time around, we have seen a larger kind of a dip as far as yields are concerned. Like I mentioned, we are trying to hold at least the load factors are coming in still better. And as a result, there is a deeper cut on the yields, but the load factors are going to be slightly better than what we've experienced in the past.

Binay Singh: What do you think is driving that yield? What do you think is driving that? Because now IndiGo is almost 60% of the market. So, this is the strongest the business has ever been. So is demand slowing down? Like what are the drivers for that?

Gaurav Negi: See, again, it's a combination of the fact that we again had a very strong Q1, similar to what we have seen in the last year also. And plus, because of seasonality, some of the festivities that were planned, which had happened in Q2 last year had shifted into Q1 also. Example, Eid had moved into Q1. As a result, we do not have the festivities in Q2. So as a result, there is a bigger dip that we have in Q2.

Pieter Elbers: And your second question on the staff and the salary cost part, we have indeed restored the salaries. I told you earlier, we have three consecutive quarters of positive results. And with the results, we have also restored the salary cuts we did at the end of last year, and we are comparing now to the quarter of the year before. And indeed, the annual increments are included as well.

Binay Singh: Any other cost line items where you see inflationary pressures in the coming third quarter, maybe due to this engine issue or anything else on the cost side ex of fuel that you would like to call out?

Gaurav Negi: The large part of the costs that have already come into this particular quarter in terms of unit costs, I'm talking about, there will obviously be commensurate to the growth that we have. In terms of unit cost, I think one of the areas that we are closely monitoring are going to be airport-related charges that we have as well as maintenance like you pointed out. But aside from that, a large part of the unit cost is already in the Q1 months.

Moderator: Thank you. The next question is from the line of Venkatesh Balasubramaniam from Axis Capital. Please go ahead.

Venkatesh B.: Just one very simple question. Can you delve a little bit deeper in terms of the new Pratt & Whitney problem, where the -- there are impurities in the engine, in the core metal, which has been used, how many engines of IndiGo have been impacted. And consequently, how many aircrafts have been impacted. Does this in any way impact your ASK growth guidance of 17% to 18% for the current year?

And secondly, you did mention that the second question is, you did mention that deals are more -- have gone down much more. And is it like gone down 15% so far, or is it like 20%?

Pieter Elbers: I think with respect to the Pratt engine issue, this is a new issue, indeed, which is highlighted by the OEM. Here, we have to rely on the communication, which was shared last week by Pratt & Whitney about certain probable manufacturing anomalies, which are leading actually to additional inspections. The activity will be undertaken in a phased manner as per some of the media reports. The initial phase, which has a global number, has still a very limited number for IndiGo. I would say, a net number of -- a single-digit number of engines in that very first phase. We don't know yet what is going to be the precise impact for the phase thereafter. Of course, we are in clear contact and clear coordination with Pratt to see what's going to be the precise impact. But I would not prefer to speculate on any precise numbers thereafter.

The fact that Gaurav just mentioned the capacity guidance for Q1 and in my introduction, I repeated the capacity guidance in the north of mid-teens for the entire year. And of course, we are working both with the OEMs to assess what is the exact impact for the stage hereafter. And we're also checking on possible mitigating measures like actually we have done with prior issues.

Venkatesh B.: Regarding the drop in yields, is it more like 15%, 20%, 12%, what is the kind of level of drop okay. So far.

Gaurav Negi: Again, so far, it's in the teens that we are seeing, just with 1 month of data, we're seeing the drop is in the teens right now.

Moderator: Thank you. The next question is from the line of Deepak Krishnan from Macquarie. Please go ahead.

Deepak Krishnan: I just wanted to understand in terms of the older engine, P&W engine issues, where are we in that and how does the current issue, do we completely need to ground aircraft? Or is it like you would be requiring replacement engine so that shouldn't be a problem?

Pieter Elbers: Thank you for your question. Actually, without repeating my question to the previous one, we have an existing situation with a number of aircraft, which are impacted by the supply chain challenges. That issue was in the high 30s. I would actually label it now is around 40, the impact of the first phase. I just mentioned, that's a single-digit number of engines. So that does not dramatically change the picture we have so far, neither does it lead to an adjustment of our capacity guidance, and we're in close contact with Pratt to evaluate what's going to be the possible impact for the stage thereafter, and there are still a lot of questions on our side what is the precise duration and the phasing of the inspections to be taking place. And here, we have to await further detailing and information from Pratt & Whitney itself.

Deepak Krishnan: I guess maybe just one follow-up in terms of deploying capital towards aircraft related acquisitions. Could you highlight a bit more as to what is the strategy there? And what are we particularly looking at?

Gaurav Negi: So again, like we mentioned, the extent of our free cash flow has been increasing. There have been questions also in the past related to this topic. One of the avenues of deployment of the capital we are looking at is related to acquisition of aircraft and related equipment for aircraft. It could be engines. It could be the smaller aircraft like the ATR. So that's the thought that is evolving here. More information will follow once we kind of close out any acquisitions in that space of assets. But that's the evolving thought process related to deployment of capital from our side.

Moderator: Thank you. The next question is from the line of Krupashankar from Avendus Spark. Please go ahead.

Krupashankar NJ: Thank you for the opportunity. Just wanted to check on -- first on the fleet addition side, have you firmed up on what would be the XLR capacity, which will be added over the next five years? And how would the international growth look like in your overall mix at least in the FY '24 and perhaps over the next four years, five years?

Pieter Elbers: Thanks for your question. We have a flexible basis when it comes to the XLR. So, we have the opportunity to go up to a significant number of XLRs. We have not finalized the precise numbers. We still have time to do so. As we shared with you before, we clearly have the ambition to let the share of international business grow already. We are taking significant steps. We prefer actually to just do the things rather than only to talk about things.

Therefore, the six new international destinations, which are going to be announced actually between -- which is going to be started -- sorry, they have been announced. Which is going to be -- start the operations from this very Saturday when the first flight from Mumbai to Nairobi will take place, and thereafter the other five will be added. That will bring our share of international ASKs by the end of this year towards a range of 30% which is an increase from the low 20s where we were earlier, and we continue to build on that numbers.

We're not fixating any sort of long-term number where we should go, but we keep adding it to a number significantly higher than what it is today. I think we have demonstrated at IndiGo that we have a very high agility when it comes to our network planning and operations. And again, the step taking in the next few weeks is basically moving it from a number starting with a two towards a number starting with a three by the end of this year.

Krupashankar NJ: My second question is on continuation to the previous comment made on the conference -- on the previous conference call. Are you still seeing a high proportion of less than 15 day booking window in the seasonally weak second quarter as well, given that you are seeing a relatively better load factor. So, can you please throw some light on that?

Gaurav Negi: No, you're right. Actually, we continue to see the booking patterns are more closer than even in Q2, what we experienced in Q1. So that trend continues for us, a lot closer in than what it used to be pre-pandemic when there was more spread-out kind of booking pattern and booking curve that we are seeing.

Moderator: Thank you. The next question is from the line of Pramod Kumar from UBS. Please go ahead.

Pramod Kumar: My first question is pertaining to the other operating income. There has been a reasonable distribution quarter-on-quarter here, despite the better revenue. So, I just wanted to understand what is driving that?

Gaurav Negi: On the other revenue side, it's largely driven by VGF related. Along with that, we are getting some credits, which have been considered in the current year -- in the current quarter, I would say.

Pramod Kumar: Okay. And also, I note that the ancillary revenue run rate has kind of -- has not been that strong as what we've seen on the passenger revenue side. Any particular thoughts there, or is it something which is expected to remain behind the curve after ASK the passenger revenue run rate?

Gaurav Negi: Yes, we've seen some softness that we're looking into that because related to some baggage as well as fees revision that we carried out related to our convenience fees. There's been some moderation that we are seeing. We hope that this will start yielding may not necessarily on the ancillary side that will come into the PAX revenue side. So, it's a trade-off that we are playing between ancillary versus the PAX revenue in terms of pulling up new customers into our PAX volumes.

Pramod Kumar: And the last one question is on the VC arm that you talked about. If you can just help us understand what are you -- briefly touch upon the areas which you're going to look at. If you can just help us understand more about the kind of corpus you're looking at on the investment threshold, what you're looking at here? And by what any time lines, what do you have in mind by when you want a certain invest to be done? Any broader thoughts there, if you can share please?

Gaurav Negi: Again, a little bit of an early day kind of look because we are going in for regulatory approvals. What we've uploaded also on the stock exchange. We are going to be establishing an LLP. The objectives have been stated, we will look at investing to begin with INR7 crores, but this is just to establish the entity. There is more to come on this. There's internal discussions happening. And as there's going to be maturity of decision, we'll come back to you. But this is a directional view we wanted to share with all of you that we are getting into a venture capital arm side, where we will be making early-stage investments in various companies, which are going to be adjacent to the aviation business and our business, which will, again, help grow those businesses which are in that particular space as well as benefit IndiGo. But more to come on this. And we haven't kind of narrowed down in terms of how much capital we want to allocate towards this; INR 7 crores is just the starting point for us.

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

Achal Kumar: First of all, on the engine side, I know the visibility is limited. But any communication from Pratt, would Pratt be able to give you some spare engines at the time when you are removing those engines and sending it for testing? Or you have to ground -- you won't have any option but to ground the aircraft?

Pieter Elbers: Well, thank you for your question. Rest assured that already, before this recent announcement of Pratt, we had a very intensive and open communication line with Pratt on the availability of spare engines and to make sure that we can continue to operate our fleet in the best possible way. And again, I think it speaks to the capacity and the agility at IndiGo that so far, we have been able, despite the fact that we have the present number of planes on the ground, we have been able to operate according to our capacity guidance by a whole range of mitigating measures such as extension of leases and even the two wide bodies we have on operation between India and Istanbul are helping in that context to make sure that we live up to our capacity guidance.

Achal Kumar: My next question is about the loyalty program. Could you please elaborate what -- I mean how are you strengthening your loyalty program? Is it like, I mean, is it like the similar ones which European LCCs are offering? I mean offering some -- giving some discount to the -- on additional services, including onboard sales ticket seat selection and all? Or are you thinking -- are you investing in or are you thinking about having a more-broader and more strong loyalty program? I mean, could you please give us a bit of a color on your plans towards loyalty program?

Pieter Elbers: Yes. Well, we can give that color at the moment when we announce the details of our loyalty program, which is clearly not today. What we have shared and we're actively working on that is that we will further enhance our loyalty program. We'll update all of you at the appropriate time on that. Clearly, with the traffic coming back. And again, here, the first quarter, 26.2 million customers for the entire year will be -- we're well on track to achieve our objective of 100 million customers flying at IndiGo. I think that's a formidable basis to start further exploring that loyalty program.

How it precisely will look, again, we'll share that with you in due time. I think IndiGo has a history of 17 years of crafting its own path and its own structure and its own choices. So for sure, we look at other LCCs or even some of the network carriers are doing and basis on that we'll draft our own plans and our own structure, which are actually fitting the IndiGo customer basis. And the fact that we have such a unique base of 100 million customers here operating to all these destinations. So, bear with us, give us a bit of time, and we'll share with all of you what's the outcome of it.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: My first question is on -- so firstly, how does the redistribution of slots given up by Go First happened during May? And how do you think, if Go Firsts resumes operations, how do you see the redistribution happening again?

Pieter Elbers: Yes. Well, clearly, there was this suspension of the operation created a sudden disruption of operations and flight and a sudden reduction of capacity. Many airlines, including IndiGo, have been able to scale up some capacity and basically support all customers who still wanted to fly on these routes. So we have been able, in coordination with the airports to have a sort of temporary access to some of these slots. How it precisely will play out in the weeks and if not months ahead, time will tell, I guess we have the same access to information as you, when it comes to a resumption of the operation and possible sizing of that. So we're awaiting that. And again, here, I think the collective airlines have been able to, IndiGo and also the other airlines, have been able to temporarily fill some of that capacity. But clearly, no one had the ability to immediately jump in and immediately have all the same capacity on the same routes.

Prateek Kumar: And second question, how do you see the recent events around tail strikes for IndiGo in the past six months, as per the past reports DGCA was investigating the same? Can you elaborate something on this?

Pieter Elbers: Yes. No, the safety, of course, is an incredibly important topic for IndiGo. IndiGo is a very safe airline with a very strong safety record for many years already. Safety is not something you do for just a point in time. But you keep on doing that going forward, of course, it keeps our number one, number two and number three priority will remain there. All the tail strikes are either investigated or under investigation, and I don't think on those which are under investigation, we should jump to conclusions here. We're investigating them with all the parties involved. We've received the DGCA notices on this, and we're now evaluating that DGCA notice and taking our options and considering what should be the next steps on this.

But let me reiterate what I started with. Its safety was, is and will always be of paramount importance for us, and we continue to optimize our procedures and our processes in order to move forward. And that's IndiGo actually always been doing, and we keep doing that with actually the same procedure as other airlines in the world - always look for continuous improvement of safety.

Prateek Kumar: And if I may squeeze one more. On your international capacity additions, you were looking at 30% of your ASK mix in terms of international ASK by end of FY24. Does that remain the same, or how is that placed right now?

Pieter Elbers: It remains the same. Again, we keep our capacity guidance. Some of the international flights, of course, depend on slots and exact availability. So I think earlier we said we have, in the next two years, that percentage going up. We take a very significant step now with the capacity additions. There's again a bit of uncertainties around bilaterals, what are the traffic rights available, what are the precise slots available.

So I think the precise percentage cannot be, sort of, put firm. What can be put firm is that it's just a priority for us. And we're not only adding new destinations as the one I just shared with you, the six, but also a lot of new routes recently - the Goa-Abu Dhabi was announced. We also started flights from Ahmadabad to Abu Dhabi. So we keep expanding the network. And actually, we have added a couple of dozens of new international routes over the past couple of months.

Moderator: The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: My first question was focused more on international. I wanted to get a sense of the quarter gone by and what has been your market share in international. Effectually trying to kind of gauge how big has been Europe for you in recent time for the quarter?

Pieter Elbers: Well, international market shares are always a bit of a more difficult story. Do we look at what international do we look at? Total international. And then do we only look at the share we have as compared to the other international airlines, or do we just look at the domestic airlines.

So if we take all flights in and out, India, we're in the range of 15% to 16% of market share, which is a mixture of international and Indian airlines. That's our share there. And as we know, the Indian carriers have a somewhat lower share than the international carriers when it comes to traffic to and from India. That's precisely why we believe there's such an opportunity to grow that share and making sure that we get a bigger share of that pie. So that confirms our ambition and our strategy to grow faster on the international side.

Your specific question to Europe, today we only have the two wide-bodies flying into Istanbul and from there, connecting to an impressive 34 European destinations and 4 to the US. What's very, very encouraging actually is that this is working very well. We see actually a very strong appetite in the Indian market to move there. And it's also helping actually to build India more and more as a global aviation hub.

So if you look at the connection, let's say, Amritsar to Hamburg, we fantastically have an opportunity to fly Amritsar-Delhi, Delhi-Istanbul then Istanbul on codeshare to Hamburg. So that customer is flying Amritsar to Delhi with IndiGo, Delhi to Istanbul with IndiGo and the last mile, so to speak, is on the codeshare flight with Turkish. So we have our strong domestic network, which today is 78 and soon 79 domestic destinations, which are connecting through our various hubs in the country to international.

Well, today, again, one flight out of Delhi to Istanbul, one flight out of Mumbai. But clearly, it's a strong -- for us, a strong opportunity to start preparing when the XLRs come in later and to create a stronger awareness to that market. The four recent US codeshares which I announced and which I mentioned earlier in the introduction, are also actually doing very well on the routes to Istanbul and connecting there to these four US destinations.

Aditya Mongia: And maybe I'll repeat the question that I asked last time around, is international to international, in any form, taking shape given the successes that you're getting in domestic international at this point of time?

Pieter Elbers: Yes, absolutely. And with the expansion, since you had the question last time, but with the expansion of our both domestic and international network, we can see more opportunities. And with the cooperation we are working in some of the airport's measures to expand capacity to make sure that the airports are more suitable for international and international customers. There's a good opportunity. Again, our launch, for example, Mumbai-Jakarta is also connecting to some other flights coming from Southeast Asia into Mumbai and as such, again, building India into a global aviation hub.

Aditya Mongia: And not a question, but just a clarification. In the initial remarks you talked about numbers of

200 routes and 550 routes, are these routes that IndiGo is flying at this point of time, or were you referring to some other statistics?

Pieter Elbers: Yes. Well, I will answer your question. By the way, I noticed that no one sticks to the guidance of having one question each, but I'll be happy to elucidate on this one. When I was mentioning the number of routes, these are direct routes being operated. Of course, in the number of city pairs, which we sell with one or two connections, it's much more. So we used to have a situation prior to COVID, where we had in the range of 350-ish different routes and every sort of Ahmadabad to Kolkata is a route and Delhi to Dubai is a route and so on. So we have -- at that point in time, we had like 80 destinations and 350 routes.

Today, we're in the range of having 110 destinations and an impressive 500 routes. And I think why this is important. It shows that we're not only adding new destinations, and by adding new destinations adding new opportunities for our customers, but we're also building on connections between existing destinations.

The example I just gave for Abu Dhabi is I think it's a good one, where, in fact, we're now also connecting Goa and Ahmadabad to Abu Dhabi. So Abu Dhabi in itself is not a new destination, but the new routes, which we're launching, are creating for our customers - direct opportunities to fly between these 2 cities.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: One is just a bookkeeping question. The second one, in your guidance of this 25% capacity increase in second quarter, how many plane additions have you factored in?

Gaurav Negi: Can we get back to you on that one? I'll get back to you on that part.

Pulkit Patni: Okay. Gaurav. Gaurav, one quick question. Just for my model purpose, how much accumulated tax losses do you have so that we know which year you start paying taxes from or accounts taxes from?

Gaurav Negi: Somewhere in the range of INR 16,000-odd crores.

Pulkit Patni: So not for the next seven quarters, eight quarters, at least.

Moderator: Thank you. The next question is from the line of Kushagra from Old Bridge Capital. Please go ahead.

Kushagra: Just one on your capital allocation, again, is there a threshold or a number which you're working of free cash as a percentage of your revenues? And hence, the drawdowns from the cash balance could be limited to the tune of INR 2,000 crores, INR 3,000 crores? Or there is no such limit of free cash as a percentage of revenues and drawdowns can be a little higher as well? Just a perspective on that.

Gaurav Negi: No, we haven't defined any cap right now. We're looking at guidance from other airlines also, in terms of what's going to be the best safety net that we want to carry as we scale up our operations. So this is a moving number right now, but there's sufficient available capital to deploy on the strategy we kind of shared with you in areas of assets as well as infrastructure builds, as well as digital, as well as talent.

Moderator: Thank you. The next question is from the line of Joseph George from IIFL. Please go ahead.

Joseph George: My question is on your comment about assessing the possibility of buying aircraft and other assets. So, if you recall in -- back in 2017, you had adopted this position of buying physical assets. But I think one or two years down the line when things weren't going too well, you shelved that strategy, and now we are back on the same path. So, what I wanted to understand is what are the factors that have led you to go on that path and then call it off and again, go on that path? And a related question is, if it is purely the fact that the cash flow generation has been extremely strong, the cash on the books is very strong. Have you considered paying dividend to shareholders?

Gaurav Negi: So, if you compared to 2017-18, when we were buying assets, that was again, largely because we were accumulating cash through performances. But unfortunately, when COVID happened, we have to change courses. And as a result, we have to offload those assets that we had bought on our books. Again, the circumstances have started to improve, like you've seen in the last three quarters have given us positive outcomes, both in terms of profitability as well as cash generation. As a result, we are going back to that similar philosophy of allocating capital towards acquisition of these assets that we've done in the past.

As far as dividend is concerned, yes, we are working towards that as we come into a positive net worth territory, that will be the time that we'll again look at dividend as an option also, which used to be pre-pandemic when we had a positive net worth. It's a pre-condition requirement, the condition for, again, dividend is that you need to have positive net worth. We're aggressively working towards coming back to a positive situation.

Moderator: Thank you. The next question is from the line of Ankur Sharma from HDFC Life. Please go ahead.

Ankur Sharma: Just one question again on the yield, where you kind of referred to a 15% kind of a fall as we get into Q2. So just kind of putting it in context, given the fact that the industry's capacity constraints, given all the issues with some of your competitors, lastly Pratt & Whitney engine issues. So, I'm just struggling to understand why should yields come off so much in an environment when also crude is going up. So, wouldn't you, kind of, try to protect your margins and maybe try and hold yields -- so just trying to understand why it should be down so much? Or is it that demand kind of slowing down and therefore, the kind of pricing is going down as well? Is that also one of the reasons why you are seeing this?

Gaurav Negi: Usually, Q2 is a very seasonally weak quarter because you're coming off a very strong Q1, which is, again, largely because of the holiday seasons as well as now festivities that have moved from

Q2 into Q1. Q2, traditionally, is always a seasonally weak quarter. As a result, the demand goes down significantly. And that invariably has an impact on your yields also. So that's what's the biggest driver of yields coming off if you compare it to Q1. Again, Q1 was a very strong yield quarter. And when you compare between Q1 and Q2, that's where the dip is even further aggravated here.

Ankur Sharma: Even on a Y-o-Y basis, it seems like a similar almost like a mid-teen kind of a drop. So even on a Y-o-Y basis, it seems like a really significant fall?

Gaurav Negi: Yes, it is. Again, there are two elements that you'll see if you look at Y-o-Y, you look at the load factor. The load factors will probably be in the 70s. This time around, what we mentioned is that we are trying to at least stimulate demand so that the load factors still hold up while the yields are turning out to be softer than what traditionally has been the dip between a Q1 to a Q2. So it's a combination of both that you'll probably have to look at, both load factors as well as yields put together. So our objective is, as we've communicated in the past, is to maximize revenue. So a combination of that is where we are playing out Q2 for ourselves.

Moderator: Thank you. Next question is from the line of Venkatesh Balasubramaniam from Axis Capital. Please go ahead.

Venkatesh B.: I had a couple of follow-up queries. Now the new planes which you are getting from Airbus are they all the CFM LEAP engines? Or you're still taking engines from Pratt & Whitney - the GTF engine.

Gaurav Negi: Simple answer all CFM engines for the c.470 aircraft order.

Venkatesh B.: Okay. Now each piece of CFM engine, earlier, you were using the Pratt & Whitney engine in the CEOs also, you're using the Pratt & Whitney engines in NEOs also. The new Pratt & Whitney engines was supposed to be 15% more fuel efficient. And I assume that was the reason why people were opting for that engine. Now how does the fuel efficiency of the CFM engine compared with the GTF engine or Pratt & Whitney?

Gaurav Negi: So, they're at par in terms of between the new NEOs from Pratt & Whitney and the LEAP, they are at par in terms of their fuel performance. There could be a marginal kind of a difference, but then you can consider them to be at par.

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

Achal Kumar: I had two actually. So, one, on the international side. So whatever strategy you're adopting, now you're flying two 777s and all. So is it kind of a bridge to -- until the time you start receiving your A321 XLRs or is it a kind of a permanent strategy, you will continue despite even after you start receiving A321 XLRs, I mean how should we look at the international strategy once you start receiving A321 XLRs, if you can give us a bit of color.

And my second question is about -- again, about the yield. I mean, so I think, I mean, again, there's a lot of uncertainty about Go First but then the government has given clearance. So how do you see the yield impact? I mean or in simple terms, what kind of impact -- positive impact you had on your yield due to the disappearance of GoAir. And now if GoFirst fly again, what kind of impact do you see on the yields?

Pieter Elbers: Let me start with your first question on internationalization. Clearly, IndiGo, since we started to operate international, we have gradually built it. And today, as we shared before, we're moving from something in the low 20s towards 30% of all our ASK international. The geographical position of India ensures that we actually, in the present range aircraft, already can do a lot of international flying, which we are doing by adding new frequencies, new routes and so on and so forth. The next step clearly if that is the XLR. It's not precisely clear yet when we will have the XLR neither is it precise and clear what's going to be the exact range. What is clear, though, is that it will bring us to Europe and that it will bring us further into Asia.

And that means that our present wide body, of course, which was born out of the necessity for additional capacity because of the supply chain challenges. But the fact is, it is helping us very much to prepare for that next stage that the moment we have these in XLRs coming in and we can fly to places like Athens and Rome. And so that means that at that point in time, we also have the opportunity, in fact, to already have some of these flights in codeshare as we do have them today with Turkish, not so much Seoul, obviously, but places like Athens and Rome, we have in place already. So, our strategy clearly is to build on that and to make sure that we can continue to grow that international piece of our business.

When you -- effect on the yields, I mean, it's difficult to precisely say what's the exact impact. What we can say, though, and I think that's a number which is relevant is that a relatively limited number anywhere in the range of 15%, depending a bit whether you look at flights or a precise capacity, in the range of 15% of our routes was overlapping with Go First. And all the other routes did not have any Go First flight.

So, that means that the actual impact on that is limited to that. Yes, there has been some effects. And yes, when certainly some capacity is disrupted in the market, there is some market disruptions. I think we've all seen that and we've all witnessed that. But overall, again, looking at the scope of our network and the 500-ish routes, we're having a relatively small number. I mentioned 15%, again, depending a little bit what parameter you use 15% to 20% was having an overlap from Go First on these specific routes.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference over to Mr. Pieter for closing comments. Thank you, and over to you, Pieter.

Pieter Elbers: Thank you so much. I will not repeat everything what I said at the beginning, but maybe just by closing, expressing our gratitude to all our loyal customers and dedicated IndiGo colleagues for the progress we have made towards this wonderful results, in the third consecutive quarter of profits, and by the execution and implementing of our new growth strategy towards new heights and across new frontiers.

Ladies and gentlemen, thank you very much for your attention and looking forward to talking to you next quarter.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of IndiGo, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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