"IndiGo Third Quarter Fiscal Year 2021 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 2021 financial results. My name is Rayomand 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 travellers 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. Favourable 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.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Arvind Sharma from Citigroup. Please go ahead.

Arvind Sharma: Just a small question on the accounting part, we have seen a decent forex gain in the quarter, could you please explain because normally when we have rupee depreciating versus dollar even at closing rate we normally tend to have a forex loss, so is there something that I am missing over here?

Aditya Pande: Forex losses are calculated on quarter end points. So, end last quarter, we were at 73.69 rupees, but it has now come down to 73.07 rupees, so therefore we actually made a gain of 62 paisa and therefore you are seeing a mark-to-market positive impact for us. The points are exactly quarter end points, that is how as per accounting you have to calculate the mark-to-market gains and losses.

Moderator: Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.

Ashish Shah: Sir, first question is that we are expecting to ramp up the domestic capacity further from here, but the passenger traffic numbers that we see over the last month or so have been sort of crawling just bit inching up marginally, so you think the market is ready to absorb this sort of increase in capacity from our side as well as I am saying from the other place as well?

Ronojoy Dutta: Yes, Ashish, so as we said it is a volatile environment and let me tell you, in November and the first week of December, the demand was really strong, and we were quite excited and optimistic about what was coming. Unfortunately, the second half of December and running into January, the demand has become weaker and it is perfectly coincidental with sort of the UK mutation panic that sort of seem to have taken over the market to some extent. So, like I said and then again in the second half of January, all those effects seem to have gone away and we are seeing strong booking. It really is very news flow dependent. If the market is quiet, there is no big news coming, then the revenue is strong. So, absent, another big South African mutation or something, yes, we are quite optimistic to the market that we will absorb the additional capacity. We have been talking to the government of course on this and we are urging them to take us to 100% of capacity as quickly as possible and we are very confident that would be a good thing both for Indigo of course and for the country in general.

Ashish Shah: Sir, secondly, on the yield part, obviously we know the yield for the Q3 as such, but if you could broadly split how individual months were October, November, and December? Was December a significant sort of a reversal or weakened month as compared to what we might have seen in October, November or the yield was uniform for the entire quarter?

Ronojoy Dutta: The yields followed that pattern that we have talked about. If we looked only November, we were very happy with the results. It was very good. December also started up well. Then we had a period of 4 weeks in which we were disappointed with the yields, but again in the last 10 days of January, seems to be coming back. Volumes have been strong all along by the way. We have never had a problem with volumes.

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

Sonal Gupta: And just following up on that question, I am just like trying to understand like you mentioned a couple of times that you are eager to get to 100% capacity deployment, so do we see that I mean is that the first objective and then we look at how the yields should shape up or the profitability should shape up, I mean like is that the first objective in the sense that full capacity would help you in terms of fixed cost absorption, how do you think about it because I am just trying to understand from a profitability standpoint like you guiding that Q4 will not be, I mean you cannot assure that Q4 will see further cash burn reduction, could you just explain?

Ronojoy Dutta: Several pieces to this. First of all, Q4 is a seasonally weak quarter. So, we are saying alright, we have had sequential improvement year-over-year, quarter-over-quarter and into a strong seasonal quarter, but coming ahead of us is the fourth quarter which is seasonally weak, that is one thing. To the issue of capacity, how do we think of additional capacity, clearly we want aircraft utilization to be high because that is what drives CASK**.** So, additional capacity helps CASK. Now, that would not be a good thing if revenue couldn't keep up with additional capacity, but we are very confident the revenue will and is keeping up. A part of the problem is that we are not getting enough of 8 week booking period if you will in adding the capacity, so we want to start adding the capacity, now open up for the summer schedule, start taking the bookings and we are quite confident that revenue will also come. So, adding capacity helps us in 2 ways. It reduces CASK and the revenue as we have seen quarter-over-quarter, the yields are holding up, not year-over-year, but on a quarter-over-quarter basis, we are doing better on the load factor than yields.

Sonal Gupta: Sir, but if I could follow up on that basically like typically I mean Q2 is anyway seasonably bad quarter, anyway this year's Q2 is not really much of a comparison and you do see it is actually strengthening significantly quarter-on-quarter which has not been the trend this time around. I understand the environment is very volatile at this point, but despite the fact that we are deploying additional capacity and the load factors have actually gone up, we are still seeing a decline in yields, so that is what I am trying to say.

Ronojoy Dutta: Like I said, the decline in yield is mostly factored around this mid-December to mid-January period, which is we think because of the UK mutation fear. Going forward, we think that the revenue will be strong especially the first quarter of next year and that's why we are anxious to put the capacity in place for that. Are you satisfied with the answer, I think you still have a lingering question in your mind?

Sonal Gupta: No, my question is probably may not be very short term, but I just wanted to understand like, from a longer term perspective, do we have EBITDA range or something where we would ideally want to offer it at, if there a profitability target that we have rather than this capacity deployment?

Ronojoy Dutta: We want to get back into the green as quickly as possible. We cannot get back into the green without good aircraft utilization. So, if we follow that logic, we want to be profitable, we need aircraft utilization, we need more capacity. Now, the countervailing force where you might have some question is, all this is good on the cost side, it is just also good on the revenue side and the answer is yes. The revenue is at least holding up well with the new capacity and with the period of booking curve advantage, meaning your flights are open for 2 months before we actually fly them, the revenue looks even stronger. So, we look at revenue on flights that have operated for 2 months, flights that have operated for 4 months and flights that have just been started and with the flights that have just been started, that's attracting us now and that is why we want to get ahead of the curve and open up more and more flights, cost will come down appreciably, revenue will hold up well is our formula for success.

Sonal Gupta: And just on that point, I mean the government still has these basic minimum fares on most of the main routes so is that not remunerative enough in that sense, like the minimum fare?

Ronojoy Dutta: Look, the fares are lower than they should be at this point and again it is because we are not getting enough of our booking period. All the bookings are happening very closely which is too short a period for us to have good load factors and good yield management. Yield management doesn't work if you are flying at 70% to 72% load factor, right. You need higher load factors to do better yield management.

Moderator: Thank you. The next question is from the line of Deepika Mundra from JP Morgan. Please go ahead.

Deepika Mundra: Couple of questions. Sir, what is the revised employee cost guidance given that you all have scaling back to full operations and secondly, when you mentioned on the yield improvement from January 15th onwards, could you clarify us that just sequential compared to the weakness seen in this quarter or on a year-on-year basis?

Aditya Pande: I will answer the employee question. So, as we had guided, we will be 30% lower than our pre-COVID levels of cost, so we continue to hold on to that and we think we will be able to achieve that by the end of the year. So, we are sticking to our guidance for the employee cost.

Ronojoy Dutta: To your yields and I will combine yields and load factor into a RASK discussion. So, we saw very good RASK in November, we saw good RASK first few days of December, then we saw a decline in RASK, and I am not going to give you actual numbers of course, I can only talk trends. We saw a decline in RASK in December below that of November and then the last 10 days of January, RASK has been picking up again and more importantly our bookings are picking up and bookings are obviously a predictor what is going to happen in February, so that is why we are saying there were troughs and valleys, we seem to be going up the slope at this time.

Deepika Mundra: And sir, if I may just follow up how sustainable is the trend in cargo from here as well?

Ronojoy Dutta: Cargo is a mixed bag, in the sense we have had steadily improving trend, right through the entire period, but going forward as more and more capacity comes in, we don’t think it is sustainable in the long run in the sense especially the charter cargo is going to drop off. Charter cargo, we are still seeing opportunities internationally which we are picking up on, but domestically obviously more and more of the charter cargo was going into the belly of the scheduled flights. As a result, there is a little bit of pressure on the cargo yield as well. So, cargo has surprised us from the plus side, but we don’t think it is sustainable long term.

Moderator: Thank you. The next question is from the line of Aditya Makharia from HDFC Bank. Please go ahead.

Aditya Makharia: This is Aditya from HDFC Securities. You mentioned about yields obviously being volatile and so far we have the benefit of crude prices being really benign, they were around 30 dollars, give or take. Now, obviously this quarter onwards, they are moving up to 55 dollars, basically across the half century mark so to say, I mean how should we look at profitability in the slice going forward?

Ronojoy Dutta: Clearly, there is pressure on profitability from crude. There is no question. It is a mix of factors. We have to get our CASK down; we have to get our revenue stable to us. Again, our first priority should be in getting the CASK down through higher utilization that is something we think is the first step in a path to profitability. After that, we have to manage revenues and if it wasn’t for this December 15th, January 15th period, you would have seen us being far more optimistic about revenues which we were talking in the first few weeks of November we would have said revenue looks great but fortunately again we seem to be doing a turnback and I think it is related like I said to news flow, it is vaccine effected, is there a South African mutation, is there a UK mutation. To the extent, the news flow is good, we see the revenue following that path.

Aditya Makharia: And how are your fleet expansion, so we have 287 planes now, how does this look in year end and for next year?

Ronojoy Dutta: So, as we said before, next year our fleet count will be down marginally, but our capacity guidance is still up in terms of ASKs because we have more seats per airplane. So, we are getting bigger airplanes like the A321, so our capacity here will be up slightly.

Aditya Makharia: Single digits is what you are guiding?

Aditya Pande: We have not given a guidance, but capacity would definitely be up.

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

Ankur Shah: This is Ankur from HDFC Life Insurance. Couple of questions, so one, we always believe that post COVID the competitive scenario would be little more rational given the balance sheets of a lot of players in the industry, but clearly again we have seen this large discounts being announced for incidentally the peak travel from April to September. So, what is your view on fare, slightly longer term over the next 2-3 quarters, how do you see fares and therefore yields kind of panning out?

Ronojoy Dutta: You started up by talking about some capacity consolidations, we don’t see that happening at this point. Even on flying capacity, you read the papers like we do. One of our competitors is getting more airplanes, so I don’t think there is a capacity reduction that we are counting on. We see that overall the revenue environment is reasonable. Clearly, all the fuel prices have gone up, they are still down from where they were, so we have some cost advantages, we have taken our costs out internally. So, to the extent we are able to get back to 100% capacity utilization. We should see a pretty significant improvement in our cash position. So, that is something we can manage, that is something we can control and that is what we are trying to do. Revenue environment obviously is not within our control, but again we are encouraged by the depth and breadth of our network, advantages of our product. So, we are seeing improvement in that context, especially connecting traffic for example. We have got so much traffic in so many different cities coming in through Hyderabad, Bangalore, Delhi, etc., that we think we will get a very good advantage on the connecting side. Because of our product, we think we get good advantage in terms of group travel, in terms of charter enquiries. Things that we can control, we are controlling very well. Now we can't quite control what happens in the revenue environment, but again hopefully with vaccine, it should improve over time. So, looking forward to 2022 and I know that’s taking not three quarters look but a year look. We are very optimistic that look, international be opened and everything we talked to the Government, they also issue us by April, May, June, international start opening up. So, when we go look a year ahead, we are very bullish in what is going to happen. Our costs will be under control and our revenue will be strong.

Ankur Shah: That is very helpful. Sir, secondly, we are adding close to about 10 odd NEO planes at the quarter may be add about 40 annually. While the planes being retired, I am assuming end of lease life, so how much of debt gets added on our book as in terms of the capitalized lease liabilities, so we are sitting at about 28,000-29,000 million rupees total debt, how would that increase by annually? So, while the overall fleets remain the same, I would assume the overall lease liability actually goes up?

Aditya Pande: You were seeing this addition, but we are also in the process of returning of our old planes. So, net aircraft count as Rono mentioned earlier, would roughly remain the same, it is slightly down actually, but capacity would be up. Whatever we are adding our newer planes right now, so you will see capitalized cost therefore going up in proportion to the retirals and what we are taking in as new planes, but remember all of these plans also come with a very big advantage on fuel economy as well as on overall cost economics. So, while on the capitalized side, you will see capitalization for these going up, but you will see overall costs from the operations of these planes being much finer than what they are today.

Ankur Shah: And just one last one if I may, if you could share the passenger volume number, both domestic and international for this quarter, if it is there?

Aditya Pande: I think if you can get in touch with Ankur and the IR team, I think we can get you details.

Moderator: Thank you. The next question is from the line of Amit Shah from BNP Paribas. Please go ahead.

Amit Shah: Just two questions actually. One more big picture question, see you guys have gained market share during the COVID period, right and assuming in the next 3 to 6 months, things normalize, how much of that market share gain you think you can retain?

Ronojoy Dutta: Let me say this. First of all, we are not focused on market share. We are focused on our mission which is to connect as many cities as possible across the country and as much high frequency as we can. Now, will that result in a higher share? Probably, but that is the side effect of once we rebound. So, let us talk about the major mission that we are trying to embark on. As you see in, we have announced opening of 7 new domestic stations and on top of that, we are adding frequency. As we do all that, you would expect our customer numbers to go up, yes.

Amit Shah: And just one house keeping question, what is the cash burn for this quarter?

Aditya Pande: So, it was 15 crore rupees a day.

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

Achal Kumar: Sir, going back to the yield question, of course, the yield has been soft, the fares have been down, so what I want to understand is that although the traffic has reached 55% versus last year in December and as you said the environment is being mixed. In your understanding, how much of the traffic could be because of the low fare and probably shifting from trains to planes and how much is according to you could be the underlying traffic growth and related to this, last quarter you said that you can still survive with the train traffic, but now with the higher fuel price, do you think you can survive with the train traffic and if not, what would be your strategy?

Ronojoy Dutta: So, Indigo very much believes in affordable fares. We are not pushing, nor we are going to migrate into high yield kind of environment at all. The fare environment we are in now is little too long to be economic. So, inevitably, it will tend to drift up, but it is not going to get much higher. So again, if average fare is around 3500 rupees, it might go up to 3900-4000 rupees and that would be fine with us. At those levels, I think we can be profitable as long as we are flying a full fleet in terms of capacity utilization. And to the trains fare, obviously again, if we had 3100 rupees, we almost add train fares, slight premium is something we deserve and even given the long distances that we are talking about. It is not just Delhi, Mumbai, we are talking about Coimbatore and places like that. I think we can afford to be as a premium. I can only tell you this that we are seeing growth in a very nice, distributed, comprehensive fashion. Before, if I go back 2 years, it used to be metro to metro traffic. Now it is not. The places that never used to have such strong demand in what are generally thought of as economically undeveloped areas are showing very strong demand. So, we think this transition from train to air travel is happening anyway, it is happening in pretty big volumes and it won't be subdued just because the fares go up around 5%. The underlying trend is much more long term, much more macro than being just really price driven.

Achal Kumar: And how about the growth in terms of what kind of growth in your opinion would be the underlying growth and how much of the traffic growth you notice in December would be because of the low fare?

Ronojoy Dutta: So, again, I obviously cannot answer your question specifically, but you can say what happens 12 months from now. You need to take a longer view of this because the short term is so clouded by the news flow, but if you go up 12 months from now, we see lot more room for growth particularly in Tier-2, Tier-3 kind of cities and those are not going to be affected by little fare changes. That will be affected by COVID, no question, but we are hoping a year from now that COVID issue also gets subdued completely.

Achal Kumar: Secondly on the international side, so international still remains uncertain and especially with the current situation in Europe and across Europe and in the other parts of the world. International seems like it still remains uncertain and even if the international boundaries open up, the demand could remain uncertain. I remember you talking about your international operations contributed almost 25% of the total revenue and now with international is no more there or probably is highly uncertain, how do you think you would be able to offset the loss from the international side of the business?

Ronojoy Dutta: We are hopeful that international will start opening up soon. As we said, we are doing 28% of international capacity compared to year-over-year. There are couple of key markets that were almost going to open, but were held back because of this UK mutation. Examples would be Saudi Arabia, Sri Lanka. Government to Government discussions were going on and we were on the cusp of being allowed to fly there. Because of this COVID UK issue, it has been held back, but everything, all indications from the Ministry are that okay in another 6 weeks, 8 weeks, all those markets would be back. Now, I do not know what will happen to UK or US, but the markets around us that are important to us. Sri Lanka, Saudi Arabia, Bangladesh, all of these places, I think I am fairly confident by April will be back. So, in our markets again, our goal is let us get back to 100% of domestic capacity by April, let us get back to about 50% of international capacity by mid next year and 100% of international capacity by the end of calendar year 21.

Achal Kumar: And the last question if I may, sorry, did you get a chance or did you speak to your corporates and what kind of a response are you getting, I mean when do we expect corporate traffic to come back to the planes and how much of the corporate traffic do we think could vanish on the permanent basis because of the usage of technology like Zoom and all, so if you could please help on that?

Ronojoy Dutta: Sanjay Kumar is obviously very close to this subject. I will let him fill that question.

Sanjay Kumar: So, as far as the corporate traffic is concerned, we are seeing very positive response from various corporate houses whom we have been interacting with. And especially now after the event of last year closure, this long holiday season of December, we are getting a sense that lot of corporates are now beginning to travel. Just to give you an example, we have seen some kind of growth in the SME sector and some of the industries like pharma, auto, infra, construction and other core sectors on the industry has started getting back with about 25%-30% of the travel on the official purpose. What is not right now working is the IT and the consulting sector which are still taking some time but we hope that by the end of the quarter four, I think April onwards, they will also come back to fly. So, as a result we are hoping that corporate travel will also come back in the beginning of the next financial year, I mean from quarter one to about 70%-80% if not more.

Moderator: Thank you. We take the next question from the line of Kalpit Narvekar from Allianz Global Investors. Please go ahead.

Kalpit Narvekar: I have two questions. Firstly, so from the fleet breakup, it seems like the return rates of CEOs, just returned 6 CEOs this year, but I remember Wolfgang talking in one of the earlier earnings call about the return rates picking up. So, I guess that has a positive impact on your CASK as well. So, do you think that will pick up return rates in the next quarter or next year and to what run rates on a quarterly basis?

Ronojoy Dutta: Wolfgang is here to answer your question.

Wolfgang Prock-Schauer: I mean our goal remains unchanged as I have elaborated last time or maybe one conference call before that. Maybe we get a lot of aircraft in, but we want to balance it out in getting more or less equal number of aircraft out of the older generation. So, our goal is basically we should come out of this crisis with much younger fleet, much more efficient fleet and not creating any overcapacity and that is what we are working on and this is a huge task, which you can imagine that we have been very successful in getting older aircraft out. We would return it back to the lessors. I would also want to mention that it will be a wrong impression that this prematurely terminating at least. When the lease comes to an end, we undertake all the work, so that we can return the aircraft exactly on time with slight delay maybe sometimes because of the COVID situation but return it more or less in sync with the lease expiry dates to the lessors. That is what is our goal, come out stronger with a much more efficient fleet.

Kalpit Narvekar: But any kind of numbers that you are looking at on a quarterly basis?

Aditya Pande: Let me try and answer for this. So, clearly our redeliveries have increase than what we have seen in Q1, Q2 and Q3 and as we go forward in Q4 and Q1 next year as well, we are still on track to return 100 planes as we have said by December 2022.

Kalpit Narvekar: That is helpful. And my second question is on the competitor side, there is news of one more player coming in and there are also consolidation talks**.** So, how do you think like capacity addition might happen on the competitor side as well? So, how do you see that impact in passing the yield going forward? Do you think yields would hold up and at the same not going forward in, say 1 or 2 quarters, but, say 12-18 months, down the line?

Ronojoy Dutta: I don't see much room for sudden jump in capacity from the competitors. I don't think the fleet is there. So, whatever fleet is being unused, yes, some of it will come back. But there are no new net planes coming into the system other than Indigo. So, I think it will be a very tempered growth. So, I am not too concerned about competitive capacities suddenly coming up. If you are talking about Jet Airways or something like that revival, those are years away, at least months away.

Wolfgang Prock-Schauer: If I can add here, we have the big advantage that our fleet if ready for operation and is completely reconfigured, whatever it is, engines, everything. Everything is flyable. So, whenever the capacity is opened, we are ready to fly. We have the resources also on the pilot side and we have a situation when you go around an airport in India, we find this quite a number of aircrafts not flying for several reasons, not in our case, but this is for others. So, that is why we also share the view that capacity increase by other airlines will be very muted, to put it that way.

Moderator: Thank you. The next question is from the line of Christopher Siow from RWC Partners. Please go ahead.

Christopher Siow: Just have one question regarding the demand trends and where we see traffic returning with respect to the routes between a metro to metro, metro to non-metro and also non-metro to non-metro. Just wondering, I mean whether the yields are reflection of how the routes have reopened. Thank you.

Ronojoy Dutta: I think we said this in the last call and through this call as well. Metro to metro is really one of the weakest sectors. It used to be one of our most profitable sectors, that is not true right now. Non-metros are doing better. So, metro to non-metro is where we see the most growth, the most profitability, the best deal. And that is why it gives us more confidence if you will because metro to metro promising and profitable as they were, it is still limited to 6 metros. Once we go into non-metro, there is so many of them. And we see all of them doing well and before there was a period when it was all in the South or in the West whereas lot of markets in the East, I am sure you have seen this everywhere, in all other segments as well. So, Eastern UP, Bihar, Chhattisgarh these are not traditionally known as strong markets, but we see them as strong markets right now and that gives us a lot of hope. So, it is a very much more of a distributed pattern and many more cities participating. So that we have not sort of held hostage to, Bangalore, Hyderabad, Chennai has to do well and then the Airline Industry will do well. All the cities are really performing very promising in their volume growth.

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

Dinesh Singh: My first question is on the corporate side, could you share some numbers as to what was the percentage of mixed corporates who are the peak? How is that changing between December quarter and what you are seeing today? And secondly could you also share your utilization hours for day at the peak and how many hours per day are we running up today, that is it.

Ronojoy Dutta: Let me try this. Business travel, pre-COVID was about 22% of our revenue. It went down to about 8% of our revenue and our best guess is, Sanjay was saying, we will probably stabilize at about 15%-16%. That is what we suspect is going to happen. As far as aircraft utilization is concerned. As we have said repeatedly, it is very critical for us to get that aircraft utilization up without which we see very little hope of getting to profitability. So, we are very focused on that. Aircraft utilization rough numbers as I recall used to be around 13 hrs. Right now, we are close to 7 hrs, 6.8 hrs or somewhere in that range and again we need to get to about 10-11 hrs as quickly as we can.

Moderator: Thank you. The next question is from the line of Chokalingam Narayanan from BNP Paribas Mutual Fund. Please go ahead.

Chokalingam Narayanan: It is quite interesting that you kind of talked about the capacity coming up would be lot larger fleet, but meanwhile the city pairs or the trunk routes, the metro pairs are not really firing, so one would have ideally thought connectivity from Tier-1 to Tier-2 or Tier-3 cities, ideally ATR would have made sense as a fleet pair. Do you actually get more utilization on a larger plane even on a shorter stage length? How should we think about that?

Ronojoy Dutta: Our fleet plan was obviously set its tone long time back and we can't sort of adjust to it. So, part of the reason our load factor is lower because we have more A321 in the mix. And if we didn't have A321, if we just had A320, our load factor if it is reported at 72 percent would have been higher by a couple of percentage points. To the issue of, do these markets makes sense? Look, there are some markets which are clearly ATR markets and we have enhanced a slew of say 7 new stations as you saw and half of those will be ATR, half of those would be A320. Now, there are enough of these tier-2 cities which demand more seats. So, I am sure you would have seen this in the press. Cities like Chandigarh, cities like Srinagar, cities like Patna, they are way above the pre-COVID levels. So, it is not like everyone is hurting as I said metro to metro capacity is hurting, volumes are hurting, but many Tier-2, Tier-3 cities are doing exceptionally well and yes, there we need seats, not just ATR seats, we need Airbus seats. You will appreciate Patna, Chandigarh those are not ATR markets. Equally though we are announcing places like Darbhanga and so on which will be ATR. So, it is a mix, and we are lucky and fortunate to have the right fleet at our disposal. The ATR market**,** we are glad we have the ATRs, because many of these markets only work for ATRs, but equally we are delighted, we have the A321 because where we need the volume. Especially as load factors improve, the A321 will become even more valuable

Chokalingam Narayanan: The other one was because of the disruption that happened because of COVID, has there been any sort of Government-to-Government kind of talks where the bilateral are kind of finally changing and the Indian carriers are starting to get a better share of the traffic wherever it is operational, or you think there can be a reset to this entire thing?

Ronojoy Dutta: There is continuous Government-to-Government contact. They ask for our views from time-to-time but Ministry will announce when they have a deal. But is the conversation going on continuously, the answer is yes.

Chokalingam Narayanan: But any particular key feeder markets where you have seen the pendulum kind of move or rather the needle kind of moving?

Ronojoy Dutta: Moving in what sense, in terms of better deal for India?

Chokalingam Narayanan: Yes, Indian carriers.

Ronojoy Dutta: Too early to say. I mean the Government is obviously trying its best to get there. But we are not in a position to say that we are successful**.** The Government will announce that.

Moderator: Thank you. The next question is from the line of Varun Ginodia from Ambit Capital. Please go ahead.

Varun Ginodia: My question is a follow up on Ankur's question on lease liabilities going up as higher capacity planes come into the mix. I was thinking whether there can be an offset to that trend in the form of higher discounts that you would get from OEMs and our lessors given you are taking deliveries during times that we are in right now and getting higher discounts than what you used to get pre-COVID. So, will that kind of offset the higher lease rentals on those higher capacity planes. Will that be an offset? That is my question.

Ronojoy Dutta: Our relationship with OEMs and our lessors are very important to us and we have continuously dialogue going on, but I can't give you, oh yeah, we are doing better, we are squeezing more out of them, no, I can't make that statement nor do we want to comment on that relationship frankly. We hold that pretty sacred, if you will.

Can I just jump in here, guys? I feel like there were number of questions around, so how is this plan supposed to work? I mean, ultimately we all want to get back to profitability and obviously it is an uncertain environment and people are justifiably asking, is this going to work out? So, our strategy is fairly simple and I think very much grounded in the reality of what we are saying. Our strategy is to get the domestic up to 100% capacity as quickly as you can and it is grounded in the reality of yes, the demand is there. The demand is not going up in a straight line. It is cycling up and cycling down as the news flow comes in, but the trend is up and the trend is up in a very healthy distributed way not confined to a couple of markets, but it is like happening everywhere, in the deep South, in the deep East, deep North, all these Srinagar, Chandigarh, these cities are doing really well as our Patna, Varanasi etc. So, we see a very distributed pattern, we are very convinced that domestic 100% capacity is the right thing to do and it will work. International, we have to work with the Ministry, and the Ministry and us are on the same page. Let's open up internationally gradually, just like they opened up domestic, which I think was a good thing by the way. I have to give credits to the Ministry. They opened it up gradually in a very measured way. International needs to open up in a measured way. But international has to focus country by country and clearly the key countries right now are Saudi Arabia, Sri Lanka, Bangladesh, Nepal and a few countries like that. Let us get some more capacity in there so that, by the middle of calendar year 21 we have 50% capacity and end of calendar year 21 we are at 100% capacity. So, that is the path to success that we are seeing. 100% capacity, get the CASK down, hold the revenue at least flat while you are adding the capacity and then get the revenue up as you move into international as well. So, it is a strategy that we are very confident about because we are seeing it working. When we started in May, we didn't know what is going to happen, what strategy works. We are not deviating from this strategy. This strategy is working, we need to be patient with it. Give it a couple more quarters and we are very confident that we are on the right track. Ok, back to questions.

Moderator: Thank you. We take the last question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: This question is for Aditya. Aditya, in the previous call, both the calls you spoken about what are the various efforts of monetization that we have done with the math of what has been the total cash burn and how much we have monetized. Could you talk about that number for the 9 months, please?

Aditya Pande: We did overall for 9 months about 5400 crore rupees of liquidity And as we said, we will do 66 billion for the full year that was the goal we had given out last time and we are confident of doing the 12 billion in this current quarter as well. So, as we had promise and as we guided at a 6600 crore rupees* number for liquidity, we will be able to achieve that. So, 9-month period is 5400 crore rupees

Moderator: Thank you very much. We will take that as the last question.

Ronojoy Dutta: Alright, everyone. Thank you for joining us on the call. Thank you.

Moderator: Thank you. On behalf of Indigo that concludes this conference call. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

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

**This number was errounously called out as 6700 crore rupees during the call.*