"IndiGo First Quarter Fiscal Year 2022
Financial Results Conference Call"

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Operator: Good evening ladies and gentlemen and welcome to IndiGo's Conference Call to discuss the First Quarter Fiscal Year 2021 financial results. My name is Janis 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 First Quarter Fiscal Year 2022 Earnings Call.

We have with us our Chief Executive Officer – Ronojoy Dutta and our Chief Financial Officer – Jiten Chopra to take you through our performance for the quarter. Wolfgang Prock-Schauer, our Chief Operating Officer 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 shortly. The transcript of the Q&A session will be uploaded subsequently.

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

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

We announced our first quarter fiscal year 2022 financial results today. We reported a net loss of 31.7 billion rupees for the quarter ending June 21 as compared to a net loss of 11.5 billion rupees for March quarter of fiscal 2021 and 28.4 billion rupees for the June quarter last year.

Needless to say, we are deeply disappointed by these results. Last year for the June quarter, we had reported a loss of 28.4 billion rupees and this year we have a loss of 31.7 billion rupees. Let me first explain the reason for the higher loss. 2.9 billion rupees was due to the foreign exchange losses and 1.5 billion rupees pertained to lower finance income. Without these two non-operational items, our losses would have been roughly the same.

The next question of-course is that given we had around 9.1 billion higher ASKs why could we not generate more positive contribution from this additional flying, year over year? Fuel unfortunately was a big negative driver and our YOY fuel cost adjusted for overall capacity impacted us by 5.4 billion rupees. You will of-course be aware that year over year fuel price has doubled. The second large factor was the severe impact that the Covid second wave had on our revenues in this quarter.

The best way to illustrate this Covid impact is by reading out to you our monthly revenue performance for the period of April'21 through July'21. April revenue was 15.4 billion rupees, May was 6.7 billion rupees, June was 9.6 billion rupees and July is projected to recover back to April levels.

Sequentially, our CASK for the June quarter increased by 43.7% compared to the March quarter on account of higher fuel price, rupee depreciation and 41.5% lower capacity deployment. Our cash burn also increased from an average of 190 million rupees per day in the March quarter to an average of 334 million rupees per day in the June quarter because of lower demand and lower capacity deployment. Unfortunately, with the second wave we faced similar challenges as we did last year and had no option but to re-instate leave without pay for our employees.

On the cash side, we continue to look at ways to bolster our balance sheet through various sources of funds and have also obtained shareholders' approval to raise up-to 30 billion rupees through QIP. We ended the quarter with a free cash of 56.2 billion rupees.

In the near term, our primary focus remains on adding capacity so that we can get back to pre-Covid levels as quickly as possible. Currently, we are restricted to 65% capacity deployment, but we are in continuous dialogue with the Ministry and we are hopeful that we will see a gradual relaxation of these restrictions. Of-course the additional capacity will have to be tempered by the reality of Covid impacted demand so that we are always covering our variable costs and generating cash to cover the fixed cost.

Scheduled International operations remain challenging, and our short-term focus is on increasing the capacity deployed through air bubble arrangements and charters.

As we have reiterated throughout the pandemic, our focus is to manage our cash levels, improve our cost structure, run a high-quality airline with highly engaged employees and position ourselves for the future.

The core to our business remains our customer service. Some of the key accomplishments during the quarter are

1. Globally, IndiGo was ranked as 3rd most punctual airline by OAG rankings for Jan to Jun'21
2. Domestically, we have been ranked as number one in our OTP consistently for the past 4 quarters.
3. Our customer complaint rates in the Jun quarter were the lowest at 0.1 complaints per thousand passengers as compared to rest of Industry average of 1.09 per thousand passengers.

4. We have been felicitated as India's best places to work in Transportation by Great place to Work Institute.

While the impact of the Covid second wave has been severe on both our income statement and our cash flow, we are pleased to see that as Covid numbers decline travel revenue also rebounds quickly.

This has obviously been a very bad quarter and the key question in investors mind must be when do we start seeing light at the end of the tunnel? Given the vaccination rates a reasonable scenario is that the third wave will be relatively flat and as such we hope to be at 100% of pre-Covid domestic capacity by the end the year, after which we can hope to return to normalcy on revenues.

And with that, let me handover the call to our CFO, Jiten Chopra

Jiten Chopra: Thank you Rono and good evening everyone. Hope all of you are safe and doing well.

For the quarter ended June 2021, we reported a net loss of 31.7 billion rupees compared to a net loss of 11.5 billion rupees for the quarter ending March 21. We reported a negative EBITDAR of 13.6 billion rupees compared to an EBITDAR of 6.5 billion rupees in the quarter ending March 21.

In the March quarter, we operated at 75% of pre-Covid capacity but during the Jun quarter we operated at only 44% of pre-Covid capacity. Such lower capacity deployment has negatively impacted our performance metrics. Some of the key variations from the March quarter are

1. We operated at a load factor of 58.7 percent, a reduction of 11.4 points
2. Our RASK reduced by 16.4 percent primarily driven by reduction in our load factors by 11.4 points and reduction in our yields by 5.7 percent to 3.48 rupees.
3. Our fuel CASK increased by 8.5 percent compared to a 12 percent increase in average ATF prices on a sequential basis.
4. Our CASK ex-fuel increased by 56.0 percent.

The update on our cash position is as follows:

1. We ended the March quarter with a free cash of 71.0 billion rupees
2. Our average net cash burn during the quarter was 334 million rupees per day.
3. At the end of March quarter, we had announced liquidity initiatives aggregating 45 billion rupees. Further, in the June quarter we were able secure additional liquidity of 10 billion rupees taking the total initiatives to 55 billion rupees for the year. Of this we infused 14 billion rupees during the quarter. We are also in discussions with various lenders to further enhance our liquidity position.
4. Additionally, we continue to work with our various partners to secure favourable credit terms.
5. We ended the June quarter with a free cash of 56.2 billion rupees and total cash of 170.7 billion rupees.

On the other key balance sheet numbers, we ended the quarter with capitalized operating lease liability of 259.3 billion rupees and total debt, including the capitalized operating lease liability of 316.9 billion rupees.

The strength of our balance sheet is our biggest defense in the fight against Covid-19 and we will continue to enhance this strength by focusing on cost reduction, liquidity enhancement and capacity addition.

With this, let me hand it back to Ankur.

Ankur Goel: Thank you Rono and Jiten. To answer as many questions as possible, I would like to request that each participant limit themselves to one question and one brief follow-up question, if needed. And with that, we are ready for the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Amit Shah from BNP Paribas. Please go ahead.

Amit Shah: The reason for the loss was Rs. 2.9 billion due to forex, and the Rs. 1.5 billion was because of?

Ronojoy Dutta: Lower interest income.

Amit Shah: And also, sir, for July, what is the revenue trending at? I missed that number.

Ronojoy Dutta: Like we said, we gave you the April number. And then we said, July looked like it will be similar to April.

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

Binay Singh: Actually, I had two questions, firstly, on the quarter, we have seen increase in staff costs, could you talk a little bit about that on a sequential basis? Along with that, we have also seen ancillary revenues as a percentage of revenues go up, so any sort of a one-off or anything on that? And secondly, any outlook on the second quarter, typically we see that Q2 is the weakest quarter in every financial year, so this time as things are opening up, crude prices are high, are airlines able to pass on the crude pressures or yields are actually trending down? If you could comment on that. Thanks.

Ronojoy Dutta: So, regarding the seasonality, we think Covid has sort of trumped seasonality by a big factor. So, really depends on how Covid is performing. And as you know, Covid numbers are coming down. Yes, stalled at about 40,000 cases a day, we hope to continue to drop. So, really, we think that seasonality will be a factor once we get back to normal, but not for now.

Now, to the other question of staff costs, part of that has to do with mostly driven by pilot cost, what we are doing with pilot training, where we are holding people. As you know, we have a lot of people coming in from other airlines, and they were in the training for a long time, now they are coming out of training and there's a little bit of cost increase because of that. Those were your two questions, I think, seasonality and staff costs.

Binay Singh: And also on the ancillary revenue side, if I look at the ancillary revenue for the quarter, it's only 26% below your best ancillary run rate, so what's happening there?

Ronojoy Dutta: Ancillary is actually doing well in terms of cargo. So, you are comparing it to which quarter, how are you saying 26% less?

Binay Singh: Or if you could rather share the cargo number within that, how much will be cargo now for you versus the same quarter last year?

Jiten Chopra: So, ancillary revenues number is actually not less. If you look at the capacity, I am sure you are looking at sequentially, right. And if you look at sequentially, our cargo numbers stand pretty much the same as last quarter. And in fact, some of our ancillary revenues, like cancellation etc., have been steady for the quarter. So, if we look at from a capacity perspective, though our capacity has fallen from last quarter, but we are still holding good on the ancillary revenue because of cargo and these other niches.

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

Varun Ginodia: I have two questions; one is on the yield side. So, passenger yields, they fell sequentially, despite fare bans in place, and government also increasing the lower end of the fare band in the month of June. So, if you can throw some color there, what were the drivers behind lower passenger yields? And the second question is on the lease rental site that number looks to be much higher compared to the activity that we did in 1Q FY 2022. So, if you see, 2Q FY 2021 was a year where we posted similar revenue, but the lease rentals were much lower, plus we also had disposals of CEO happening in this quarter, so why this number appears to be high on the higher side? So, if you can just give your thoughts on these two.

Ronojoy Dutta: So, first on the yield side, clearly Covid impacted the yields a lot. And really it was again a May phenomena, which really hurt us. So, through February as you know, things were looking better, things were going okay. And then once Covid 2 hit, the traffic really dried up; and as traffic dried up, yields dried up too. As far as the lease rental, if you are looking at comparing it to the revenue, two things have happened. We have obviously taken delivery of new aircraft, and at the same time, our returns were impacted by Covid. So, we had a number of redeliveries that were slated, but they fell short because many of the MROs were closed, and therefore our overall lease costs would be higher, yes. I also want to say though, but as Covid is disappearing, we are pushing out these redeliveries at a faster rate. And by the end of the year, we hope to catch up again.

Varun Ginodia: Okay. So, historically, I believe this number is like Rs. 0.8 - 0.9 per ASK, is that a fair way to look at it on a longer-term basis? Or will this trend up as we take deliveries of the new aircraft?

Ronojoy Dutta: Well, if you are comparing it to revenues, we are absolutely sure when we get back to normal revenue, the lease cost will not be a factor. Right now, clearly revenues are subdued. Lease costs remain fixed, and redeliveries have slowed down. So, that is the issue. Once we get back to redeliveries being pushed out, which will happen, we get to more international flying, particularly when the least cost per revenue will be back to normal, yes.

Moderator: Thank you so much. The next question is from the line of Deepika Mundra from JPMorgan. Please go ahead.

Deepika Mundra: Sir, firstly on the liquidity, could you give a broad breakup of the Rs. 50 billion of liquidity for the year?

Jiten Chopra: So, as I mentioned in my commentary also, we are talking to our biggest lenders, but we don’t normally give a breakdown of our liquidity. Right now our number is at Rs. 55 billion, which we are called out, and we keep enhancing it as we continue engaging with more lenders.

Deepika Mundra: Okay. Secondly, on the employee cost reductions, how much was it applicable in the June quarter? Or is it going to be starting from the September quarter? Also, previously, you have given a guidance for employee cost for the year, so any similar guidance for FY 2022?

Ronojoy Dutta: FY 2022, no, I don’t think we can do that. Right now, our employee costs are down about 28%. And there’s no reason why that should change, it is fairly flat. But at what point we will start giving pay raises, taking back all the pay cuts, all that will depend very much on the environment.

Moderator: Thank you very much. We take the next question from the line of Arvind Sharma from Citi Group. Please go ahead.

Arvind Sharma: First question, a more structural one. IndiGo is a market leader with almost 50% to 55% market share. But despite that, and given the cost pressures from the fuel side, the yield has been rather soft. So, do you think that as traffic comes, the yield would be at least relatively higher than other players? Or do you think the Indian market would be commoditized for a longer time, and therefore, the market leadership might not necessarily translate into better yield compared to competitors?

Ronojoy Dutta: No, I mean, I think the yields pressure we are seeing right now is purely driven by Covid. So, February, as I think we mentioned, we were quite optimistic, the yields were good. And I think we will at least recover to pre-Covid levels. And then it’s a question of, well, after that can we go higher? So, I don’t see any permanent impairment of yields in any way at all, it’s purely driven by Covid.

Arvind Sharma: Thanks sir. Sir, just one more question on the lessor side, given that operations have been weak, there have been restrictions on the capacity. Have there been any further negotiations with the lessors regarding the supplemental rentals or the cash rentals in terms of quantity or timelines of payment?

Ronojoy Dutta: So, as far as the lessors are concerned, we take a long-term view of this. There is a pipeline between OEMs through lessors to IndiGo, and we very much cherish that pipeline, we want to keep it strong, and we look at long term relationships. So, we have had discussions with both OEMs and lessors, and to some extent, they have been flexible, but we are not in a mode of we are not going to pay you, things are tough, and we will pay you later, we are not in that mode at all. And that’s not just true for lessors, whether its airport or oil companies, we make sure that all our bills are current, we don’t have any payables built up at all.

Arvind Sharma: Great sir, that's good to know. Sir, if I could just ask a very small data question. In the new accounting norms, the lease rentals are divided into finance costs and depreciation. Could you share that number, how much is the finance costs, how much is in depreciation?

Jiten Chopra: No, we don't share that number.

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

Aditya Makharia: Maybe a little bit of a larger picture question, the corporate or the business travel will come back at some point of time, but what are the trends you are seeing, maybe you could talk about July or generally how you have seen it? And how do you see this particular segment evolving? That's my first question.

Ronojoy Dutta: I will ask Sanjay Kumar to answer the question. Go ahead, Sanjay.

Sanjay Kumar: In terms of the corporate business, we had seen recovery of almost 50% until about February and March before the second wave hit. And after that, of course, there have been downturn of the business. But what we saw was certain industries like manufacturing, infrastructure, pharma, banking, oil and gas, they kind of saw better recovery compared to some of the IT consulting and professional services industry. So, what we are hoping is, as the Covid second wave is coming down, we will be seeing the recovery in the sector once again, which will kind of be close to about 40% to 50%. And IT and consulting, these kind of industries might take a little longer than what we can expect in other part of the industry. We will see gradual recovery in next few quarters I guess.

Aditya Makharia: And how do you just see the work from home, let's say, pre-Covid corporate travel was on a base of 100, once things normalize, because of things like work from home, do you see a more realistic level at maybe 70 or 80, I mean, any thoughts you could just share?

Ronojoy Dutta: So, I think we have shared before, and I don't think numbers have changed. Corporate used to be 20% of our travel, and then it's shrunk to over 7%, 8%, and our best guess is it will stabilize at about 13%, 14%. So, it won't recover to 20%, but it will probably hold at about 13%, 14%.

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

Anshuman Deb: My first question is regarding the debt number, if you can share the debt number ex finance lease and ex capital lease obligations.

Jiten Chopra: 269.3 billion of capitalized operating lease, and total debt of Rs. 316.9 billion.

Anshuman Deb: So, 369 minus 270 would be roughly the kind of normal debt?

Jiten Chopra: Yes.

Anshuman Deb: Okay, thank you. And the second question is regarding QIP. So, if you could tell us what is the delay in QIP, because the way we see it, the big cash arbitrage that we had in terms with our peers, is now shrinking, in the sense that they are in deeper debt, but we are also losing very valuable cash. And QIP could be an important step in bolstering our balance sheet. So, I just wanted to understand the timelines and the possible reasons for the delay.

Ronojoy Dutta: Okay, so I will just make one statement on QIP, and I don't think we are in a position to take further questions on this issue at this time. So, here's the statement I will made. Given the current cash position of the company, we continue to evaluate timing and size of any QIP. Full stop.

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

Achal Kumar: I had two questions, if I may. First of all, so you mentioned that July revenue is almost similar to April. So, if you look at the profitability level, it is going to be worse than April, because fuel price itself is almost 20% more than April, and then of course all the other employee cost and all looks like slightly higher. So, do you think in terms of profitability, the July looks like worse than April? That's my first question.

And secondly, in terms of advanced sales, how do you see, I mean, so how do we expect your working capital to play out in case your advance sale is not as good as it used to be? So, how do we look at the advance sale and working capital? Thanks.

Ronojoy Dutta: Okay. So, let me talk about how revenue is shaping up. As I said, it's a very, very volatile environment, we get periods in which we are quite optimistic, then we go to pessimistic, then it become optimistic again, and all within a very, very short period of time, very compressed cycles. And it's really all driven by the Covid numbers. If you want to know what's going to happen to our revenues, if you just subtract the Covid numbers, you will get a very good sense of it. So, May was, I don't know how to say what's the right thing to say, but it was distressing in terms of how quickly the revenues shrunk. But that again was driven by 400,000 levels of infections per day, now we add 38,000 - 39,000 infections per day. So, of course, the revenue is improving, and therefore I don't think we should say, okay, last quarter it was this and therefore next quarter it will be similar. The quarter which will be sort of June, July, August, definitely is shaping up to be better in terms of the revenue numbers. Now, our forward bookings are picking up but they are not as strong as they were back in February, again, all based on Covid. So, we have a reasonable optimism for the quarter relative sequentially. But again, if tomorrow Covid 3 hits and cases spike, within a week we will change our tune. So, it's very, very volatile in that sense.

Achal Kumar: But then why you want to fly more? So, initially you commented that because the oil prices are high, and that's why despite flying more capacity, your losses are higher than last year. So, what will make you too confident that your losses will come down if you fly more, despite having such a high fuel price and lower yields?

Ronojoy Dutta: So, we have watched that number very, very carefully, and you are right, it's a very much a balancing game of how much capacity we should put into the market. And we are not doing any long term planning and all, it's almost like, okay, next week what should we do? And our goal is to make sure that we are always covering our fixed costs. And we have said before, I think that our fixed costs are in the range of 45% to 50%. And as long as we can cover that, we should be willing to put capacity out in the market. But that number also changes, depending on the yields, if the yield is low then that

45% becomes higher. So, we are watching all this carefully, and we are trying to make sure that no matter what we do, we are cash positive and we are always contributing towards fixed cost.

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

Aditya Mongia: I had two questions, both of them actually were on yields. I wanted to get a sense, so you gave a sense of the revenue number on a monthly basis, it will help if you could give us a similar kind of number for yields on a monthly basis, because as you pointed out, once should kind of take out the sort of equation and then see.

Ronojoy Dutta: I am not sure that will be particularly helpful to you, frankly. We are giving you the overall revenue number, and that's what's important. And that's the combination of load factor yields. So, now if I tell you a yield number, you will say what's the load factor, what's the capacity, how much are you flying. So, you will ask few more questions, whereas the real important issue is, how much revenue are you generating, however, we get there, we can get to revenue through capacity, we can get to revenue through yields, we can get to revenue on load factor. So, the final product is how much revenue. And normally we don't share monthly data, but we thought this year in particular, it was important to share that, which is why we have given you the revenue number.

Aditya Mongia: The second question that I had was, so the context is the declining share of business travel or corporate travel as you think would happen over time versus pre-Covid levels. The question I wanted to ask is that does not have any impact or should it have an impact on the overall yields that the company would be able to earn, because certain passengers would book closer to the date of travel would be lesser in number. And if so, are there different ways of probably managing the situations that yields are not impacted?

Ronojoy Dutta: So, this is a mixed bag. So, all our bookings have closed in. Before we used to have 60 day booking, 30 day booking. And part of the challenge during this May decline was, hey, the bookings are happened in the last five days. And some of these booking is happening at quite high yield. So, there was a big spread between corporate travel and retail travel, if you will, because part of it was also age of booking. Now that everything is compressed, the yield difference between business and retail has also been compressed. So, that's the good news. Also, as we said, travel in India is among the lowest yielding in the world. So, there's not much room for yields to go any lower, they can only inch up

slowly. And then we are talking about India growth story and the middle-income.

So, I like to say in a very sort of emphatic way, that yes, Covid is a big crisis, no question. But it is a short-term crisis. And we don't want to lose sight of the longer-term picture, otherwise we sort of lose the script. And the longer-term picture is, the India story remains strong. I mean, you look around, look at other industries, the India story is very much there, the middle-income growth story is very much there. So, while, yes, oh my god, what's happening next quarter, and the quarter after that is all very important. When we look at the long term, we are saying, listen, let's just keep the cash level managed, let's run a really good airline, let's really focus on the quality. And then let's make sure our fleet is efficient, that we get rid of the fuel inefficient planes, that we have got the right size of the fleet and focus on the longer-term. And the longer-term picture I have to tell you, is a stable thumping, great story. And we are not losing sight of that.

Moderator: Thank you. The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

Chintan Sheth: One question is on the capacity side, if you can highlight, what can we expect for the coming quarter and this year, given we are not outlining the guidance in the press releases, but if you can use some color while we were looking at it if you can.

Ronojoy Dutta: So, broadly speaking, we are at 65% of pre-Covid capacity, that's dictated by the Ministry, that's where we are today. We have solicited a higher level of capacity, as have a couple of other airlines. Now, just because the capacity is there we are not going to fly, it's not like the government says, okay, you can go to 100, let me go to 100%, of course not. So, we will be dictated by, again, the breakeven load factors that we see in the market. And the breakeven load factors will be very much driven by the yield, which again will be very much driven by Covid. So, we would like the government to do away with this caps, because we don't think they make sense, it's up to us to decide how much to fly. But once those caps are removed or even relaxed, we will fly judiciously. We are not scared to lose money; and therefore, we will put in capacity slowly and in a measured way so as to make sure we are always above breakeven load factor.

Chintan Sheth: Sure. And on the expensive side, with the run rate we should look at the around the employees and the rentals, should be similar to this numbers at least on the fixed side?

Ronojoy Dutta: For which period you are talking about?

Chintan Sheth: For the upcoming quarters.

Ronojoy Dutta: It is roughly the same, I would say. We get some new airplanes in, we put some old airplanes out, and the fleet cost will remain roughly the same.

Chintan Sheth: And lastly, the timeline of retiring all the CEOs will be December 2022, right?

Ronojoy Dutta: Wolfgang will take that question.

Wolfgang Prock-Schauer: CEOs would be all returned in about two years and all the CEOs will be out by then, that is our plan. There might be some CEOs left, but not very many actually. And you also see that the lease return situation, after the COVID crises that was there till the end of last quarter is stabilizing. So, as Rono has mentioned, we will quickly catch up on the lease returns. This will also help us stabilize our lease costs.

Ronojoy Dutta: And again, while we have been slower than plan, we will still be returning CEOs at quite a good pace. And as we do that, both our lease costs will come down and our maintenance cost will come down, which is the other good thing.

Wolfgang Prock-Schauer: And let me also say the CEOs last by December '22 is when they will be out.

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

Joseph George: So, I had two questions, the first part of the question was in relation to the capacity guidance. So, in your opening comments, you mentioned that by 4Q your capacity would hit the pre-Covid levels. So, what I wanted to understand was, when you refer to pre-Covid, are you talking about pre-Covid domestic capacity or pre-Covid overall capacity?

Ronojoy Dutta: No, pre-Covid domestic. Yes, thank you for clarifying. International, as we know, there is no vision as to when the whole thing is going to get opened up. So, we are talking about domestic capacity, absolutely.

Joseph George: Sure. So, if your exit rate is going to be, at pre-Covid it obviously means that the whole of FY 2023 you expect to be better than pre-Covid in terms of overall capacity, would that be the right statement to make?

Ronojoy Dutta: Absolutely. Look, we have a stable of fuel efficient new aircraft just waiting. I just need the flag to come down that saying Covid has gone, and life is coming back to normal, those airplanes will pick up like a shark. So, I am very anxious to keep adding capacity every chance we get. And by 2023, of course, I mean, I don't think anyone will say 2023 Covid will be still around.

Joseph George: Perfect, thank you. The second question that I had was in relation to your balance sheet. So, when I looked at the FY 2021 balance sheet, the net worth that you had was about Rs. 1.1 billion rupees positive. And with a loss of Rs. 32 billion in 1Q, it's quite obvious that the net worth has turned negative. So, in that context I had two questions, one is, does a negative net worth impact the terms of your lease agreements, maybe existing or future with respect to the implied lease rentals because of the perceived risk of going up, is there any such issue to be worried about?

Ronojoy Dutta: None, whatsoever. And as we said before, one of the relationships that we prize and that is very solid is this IndiGo to lessor to OEM relationship. And we have placed all our contracts with the lessor over the number of years. We don't place these aircraft close, and they are placed well in advance. And we see no softening of that market from our standpoint. If anything, I think in the lessors' eyes, IndiGo has become even better risk, if you will, from that standpoint. I mean, they see what's happening around everywhere else and they look at IndiGo, and we just are blue chip in that sense.

So, our pricing is only improved, not get worse.

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

Ashish Shah: So, my first question is that in terms of our lease, are these all fixed rate leases or variable rate leases? So, tomorrow if the overall borrowing rates were to go up, would these leasing costs would also go up?

Ronojoy Dutta: Absolutely no, these are long-term contracts.

Ashish Shah: Okay, so they are not susceptible to the increase?

Ronojoy Dutta: I mean, when you look at that way, when things were tough we didn't reduce the rate. So, again, that's the relationship, we are not looking at transaction, we are looking at relationship.

Ashish Shah: Secondly, there has been a lot of questions around the yields, one point is that when the DGCA comes and says and the Ministry comes and says that we are increasing the floor of the fair by an X amount, does that reflect into the yields that you get in the market? Or somehow while the ministry dictates certain terms, but in practice, in commercial terms, you do not see that yield going up in the market?

Ronojoy Dutta: I will hand the question back to Sanjay Kumar.

Sanjay Kumar: So, obviously, there is a reflection of the fair revision by the DGCA in our yields from time to time. As and when the fares kind of revise upwards, there has been some kind of impact on the overall yields. But just to kind of capture this, everything is largely dependent on the overall demand environment, and as the demand environment improves, obviously, it will result in better kind of load factor as well as revenue situation. So, overall, it does affect to some extent, but until the demand environment looks good, we will continue to see some pressure on the yields. Thank you.

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

Achal Kumar: So, just want to understand about the situation with the engines, I think you ordered some of the CFM engines, so what is the status? When are you going to receive it? And how are you planning to finance those engines, please?

Ronojoy Dutta: How to finance the engine?

Achal Kumar: Yeah.

Ronojoy Dutta: I mean, this is all part of the lease cost, lease arrangement that we have with the lessor. So, we pay the engine manufacturers, but finally that whole engine and the aircraft goes to the lessor and they pay for them and we pay the monthly rental. I am not sure I understood your question, did I answer it correctly?

Achal Kumar: No, that's fine. Basically, moreover, I just want to understand what is the status, I mean, when are we going to receive those engines and how that fits in your overall fleet?

Ronojoy Dutta: You are talking about the CFM engines, the LEAP engines coming in, is that what you are asking?

Achal Kumar: Yeah, exactly.

Wolfgang Prock-Schauer: The LEAP engines delivered have just started couple of months ago. And right now, majority of our NEOs are naturally W engines. Now the LEAP engine has started, and we expect also to get all the approvals as we have for Prat now in the extended range operation. So, it started, and so far, I have to say our experience with LEAP engines was very good.

Achal Kumar: Last one, if I may. So, now, how confident are you in terms of reaching back at the February 2021 traffic levels in the quarter to December, which you were quite confident last time and you said that you believe that you will reach at that level during the last quarter. Now, of course, the traffic has recovered. But from here on, we are at almost like 160,000 passengers to reach 320,000 seats is just double, how confident are you?

Ronojoy Dutta: Okay. So, like I said, it is a very volatile environment. Back in February I remember how optimistic we were, we were forecasting a profit at some point very close. And we were like, oh, so by this month we should make money, etc. Then the bottom fell out with Covid 2. And May, the numbers were so bad, it's like, oh my god, can it go any lower than this, it was that bad. Then we get this period of improvement, stalled improvement. Now, what causes this improvement in stall? It's really driven by the narrative in the marketplace. So, when the Covid numbers are down, we get a sudden surge. Then there's talk about delta variant, a U.K. variant, a third wave is coming, wear double marks, and we immediately see the numbers fall again. So, it's very volatile, so anything I tell you, you have to say that behind the background is what is happening now.

Now, assuming Covid behaves and that the third wave comes but is relatively flat because of vaccination, this is a best guess scenario, with all the caveats of that put in there, about Covid and third wave and so forth. Our best case scenario is that, by December we should be back to about February, I am back to almost pre-Covid level for domestic only; international will be slow, but domestic we should get back to December. So, we have got a buildup that we are seeing, and obviously we are projecting it based on what we are seeing in July, what we are seeing in August, what the medical profession is saying about Covid. With all that, and with all the caveats and forecasting is a dangerous game in this very volatile time, but with all those caveats, yes, we think by December we should be back at pre-Covid levels.

Moderator: Thank you. We take the next question from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

Chintan Sheth: One question I want you to understand on the demand coming from which segment, whatever demand we are seeing right now, is it catchup in metro or we are still seeing more Tier 2 travelers picking up your space, your capacity.

Ronojoy Dutta: So, let me try. What was the different ways that came through on the revenue side? Immediately after we opened up, it was the metro to non-metro and one-way traffic, as you know, it was mostly migrant labor, all of that, and well advertised in the press, places like Patna and Ranchi, so huge spikes, but

one way spikes. So, that was the first way. Then we saw that slowly becoming a two way spike as people started returning to the work. But metro to metro also remained weak, not also, metro to metro continued to remain. So, metro to non-metro, our capacity actually went from 47% to 65%, because it was strong growth in demand, whereas metro to metro we reduced capacity, from about 25% to 20% of capacity. However, now with this buildup in revenue, we are saying metro to metro also coming back, and that makes us feel better because it's more of a balanced growth, it is no longer one way, it two way to non-metro, and metro to metro is also coming back.

Moderator: Thank you. That was the last question for today, I would now like to hand the conference back to the Management for closing comments.

Ronojoy Dutta: Okay. So, we have all been together now for four quarters, four quarters of very challenging times. And we started by saying that our goal during this pandemic is to come out stronger than we went in. So, the question is, we should look at ourselves now and say, are we delivering on the promise? And I will point to the following factors, when we say we are going to do better, better at what? How do you know we are better? Well, let's look at the customer facing issues first.

In terms of quality of flying, we have never run a better airline. And we are as good as the best in the world, we are not just saying in India. If you look at our OTP numbers, on time, we are third punctual in the world. If you look at our customer complaint ratios, they have gone way down, 0.1 versus 1.0 for the rest of the industry. If you look at that NPS, they are way up. So, everything from the customer facing side, yes, IndiGo has gotten better.

Then look at our underlying structure. And in structure, the two most important things, are our fleet and our employees. Our fleet is the most fuel efficient we have ever been, we are becoming more fuel efficient with time, we have this wonderful animal called the A321. We have the XLRs on order. So, our fleet is a quite a remarkable fleet, I would say. If you look around the world, and you can ask yourself, who has a fleet like this that is this young, this fuel efficient, and this much growth built into it.

Our other pillars as I said is employees. So, take a temperature of our employees, we have gone through very tough times together. We have taken pay cuts, we have taken layoffs, and yet the employee morale is remarkably high. People are engaged, people are enthusiastic, people love IndiGo, our employees do. And you can see that in the Great Place to Work, all this has happened only recently. And then I look around and say what is happening to each division. So, I told each division, I want you to be the best in the industry, IT, you be the best IT in the industry; HR, you be the best HR in the industry; even legal, be the best legal that you can be. And then look what happens, we are among the top 15 in-house legal firms in Asia. Look at HR, we keep getting award after award for management of HR. So, all of that speaks to, yes, our employee structure is also strong.

Then let's look at our brand. We used to be the 53rd most valuable brand, we are now the 32nd or 33rd most valuable brand. And just know that ahead of us are mostly multinationals, is the Googles and American Express and the Nestle, well, we have a hard time dislodging them. But if you look at Indian brands, we are the seventh most valuable Indian brand.

Then you look at our market position. Every major city, and I am not stuck over with six metros, I am going down, down, down, most major cities we have a remarkable market position. And then we have position in all the smaller towns and cities of the country. And places like Leh, okay, we didn't fly there, now we are flying in the middle of the pandemic, places like Aizwal, places like Bareilly, we have opened stations even in the middle of the pandemic. So, I look at this list and I say, is IndiGo emerging stronger from the crisis than when we entered? And I said, hell yes. Of course, we have lost money and I am not promising we will make money next quarter or anything like that. Short term losses are there, but the long-term structure, IndiGo is emerging, much stronger than IndiGo went into this crisis. Thank you.

Moderator: Thank you. On behalf of IndiGo, that concludes this conference. Thank you all for joining. You may now disconnect your lines.

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