"IndiGo Fourth Quarter and Fiscal Year 2023 Financial Results Conference Call"

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Operator: Good evening ladies and gentlemen and welcome to IndiGo's Conference Call to discuss the fourth quarter and fiscal year 2023 financial results. My name is Neerav and I will be your coordinator. At this time, the participants are in a listen-only mode. A question-and-answer session will follow today's management discussion.

As a reminder, today's conference call is being recorded. I would now like to turn the call over to your moderator, Ms. Richa Chhabra from the Investor Relations team of IndiGo.

Richa Chhabra: Good evening, everyone, and thank you for joining us for the fourth quarter and fiscal year 2023 earnings call.

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

Please note that today's discussion may contain certain statements on our business or financials which may be construed as forward-looking. Our actual results may be materially different from these forward-looking statements.

The information provided on this call is as of today's date and we undertake no obligation to update the information subsequently.

We will upload the transcript of prepared remarks by day end. The transcript of the Q&A session will be uploaded subsequently.

With this, let me hand over the call to Pieter Elbers.

Pieter Elbers: Good evening, ladies and gentlemen and thank you for joining the call. Today, we announced our Fourth Quarter and Fiscal Year 2023 financial results.

The financial year 2023 was a year of recovery and growth as the demand remained robust, and we continued to serve the lion-share of this demand. Our revenues for the financial year 2023 more than doubled as compared to last year and we also reported the highest ever annual revenues of 558.8 billion rupees.

In terms of profitability, the year had two very distinct periods of 2 quarters each. The first two quarters were negatively impacted by the high fuel prices and the depreciation of the rupee due to which we reported a net loss of 26.5 billion rupees for the first 6 months period ended September 2022. Excluding, the impact of foreign exchange, we were close to break-even during the same period.

However, starting the third quarter the increase in demand along-with our strong operational performance and stabilization of external variables led us to report a meaningful profit after many quarters. The net profit for the 6 months period ended March 2023 was 23.4 billion rupees. Excluding, the impact of foreign exchange, we reported a profit of 26.8 billion rupees during that same period.

For the quarter ending March 2023, we reported revenue of around 146 billion rupees and a net profit of 9.2 billion rupees and a net profit margin of 6.5 percent. This net profit in the fourth quarter was the highest ever fourth quarter profit ever.

Further, for the full financial year 2023 if we exclude the impact of foreign exchange (largely on account of mark to market losses), we reported a profit of 26.5 billion rupees for the financial year 2023 as compared to a loss of 52.2 billion rupees for the previous financial year. Gaurav will discuss other elements of our financial performance in more detail in his section.

During the third quarter of the financial year, we had set our organization's long-term direction and we had defined three strategic pillars of Reassure, Develop and Create to support our growth plans as we are looking to double in size and scale by the end of this decade – In other words, something that took us around 16 years will now be achieved in less than half of that timeframe.

A wide range of initiatives were set in motion under these three strategic pillars and an enormous amount of teamwork has been displayed by the employees across departments and locations which has enabled us to improve on operational, financial and customer experience parameters.

Under the Reassure pillar – we are reassuring and improving wherever needed on the very basics of our company which are on time performance, courteous and hassle-free service, affordable fares, and we have added to this an unparalleled network. Some of our achievements under this pillar are:

1. First, an increase in passenger served to a record of 86 million passengers last year, a 72 percent jump as compared to financial year 2022. This is by far the highest number of passengers ever served by us.

2. An improvement in the on time performance from November 2022 onwards as we are back to become the most punctual airline in the country and for sure among the top airlines in the world.

3. Launch of new destinations such as Ras Al Khaimah, Itanagar, Mopa-Goa, Nashik and Dharmshala.

4. Addition of connectivity through new routes including Pune to Varanasi, Indore to Surat and Jaipur to Bhopal and addition of frequencies from destinations like Mumbai, Kolkata, Bengaluru, Hyderabad and Cochin.

5. Lastly, the introduction of 2 widebodies on damp lease, the second widebody commenced operations from Mumbai to Istanbul as recent as yesterday.

Under Develop pillar we are developing and aligning people, processes, and technology in line with the growing size and scale of our company. The initiatives we are taking under this pillar are enabling us to steer path towards our goal to serve around 100 million passengers in this fiscal year 2024 – a scale at which only select group of airlines in the world have operated. Some of the outcomes under this pillar are:

1. Improvement in our aircraft utilization levels.

2. Introduction of Electronic flight briefing that improves dispatch reliability and helps in reduction of flight weight by some 40kgs also adding to our sustainability goals.

3. Further, digitalization including deployment of world class cloud native platforms for our customers and employees to enhance the experience, add operational efficiencies, and to support scalability.

4. Lastly, training of more than 1,850 employees per day at our state-of-the-art learning Centre-Ifly and improvement in our employee promoter scores.

Under this third pillar of Create, we are working to create the next phase of our growth combining our very strong Indian foundation with our international aspirations, some of the steps taken under this pillar are

1. Expansion of our International footprint as we now do serve an impressive 33 European destinations through our code share partner Turkish Airlines, the recent additions being Edinburgh and Sofia.

2. Secondly, the commencement of foundational work for customer loyalty program that will enable further customer loyalty.

3. We have supplemented the business with two freighters and a third one expected sometime in the third quarter of this financial year 2024.

Apart from all this, recently our IndiGo employees responded to the critical humanitarian needs as we repatriated hundreds of Indian Citizens from Sudan under the Government's program – Operation Kaveri. And, we have also operated multiple special flights from Imphal to various parts of the country. I would like to here again express my sincere gratitude to all IndiGo employees for their participation in such causes.

Now on the growth side, while Indian aviation has grown at an impressive (passenger) CAGR of around 13 percent in the 7 years pre covid we are still a highly underpenetrated country currently in terms of both domestic and international air travel. In order to bridge this gap, our airline has expanded its presence already to 78 destinations in India and 26 destinations outside India. We will continue to develop on the domestic network and reassure an unparalleled connectivity–with a goal to serve every city–this is part of our purpose of Giving wings to the nation, by connecting people and aspirations- something that we have lived by since our inception and which we continue to do going forward. Well summarized as India by IndiGo.

Another important large part of future is the Internationalization which falls under the “create” pillar. We fly a diverse set of destinations—Srinagar in the North, Cochin in the South, Jodhpur in the West and Silchar in the East. The sheer size of India and the demographics, in combination with the unparalleled network of IndiGo, allows us to have a very rich international scope. Towards this goal, we have recently became the first Indian airline to commence international operations from Bhubaneswar – being at the forefront of further enhancing international connectivity, from not only the metro cities but also from non-metro cities, at very affordable fares.

Keeping in mind our customer’s preferences we are adding more routes and frequencies, for instance we will soon connect both Delhi & Bhubaneswar also to Singapore. With these added routes, we will be flying to Singapore from 7 Indian destinations with 44 weekly flights. Going forward, we will further strengthen our presence in Central & Southeast Asia and the Middle East by adding more routes and destinations.

Our network expansion plans are being well supported with our pending order book of around 500 planes and Government policies and initiatives. We are operating in one of the most exciting and vibrant aviation markets in the world and within that we are structurally one of the strongest players. With an average fleet age of only 3.5 years, we are proud to also operate one of the youngest, and most fuel-efficient fleet. Our early on investments in new technology has enabled us to become one of the lowest CO2 emitting airlines in the world.

Before I end, I will give you some directions towards the current quarter, the demand remains robust with healthy yields and forward bookings are very encouraging. The actions we have taken in the last few quarters have put us in a position of strength and will allow us to take full advantage of the opportunity. We are looking forward to the next fiscal year with great enthusiasm as we aspire to grow north of mid-teens, building on our ambitious expansion plans towards our purpose of giving wings to the nation, by connecting people and aspirations.

Thank you for your attention. Let me now hand over the call to Gaurav to discuss the financial performance in detail.

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

For the quarter ended March 2023, we reported a net profit of 9.2 billion rupees with a margin of 6.5% compared to a net profit of 14.2 billion rupees for the quarter ended December 2022 and a net loss of 16.8 billion rupees for quarter ended March 2022. We reported an EBITDAR of 29.7 billion rupees with an EBITDAR margin of around 21 percent.

For the year ended March 2023, we reported a net loss* of 3.1 billion rupees compared to a net loss of 61.6 billion rupees for the year ended March 2022. Excluding the foreign exchange impact, we reported a profit of 26.5 billion rupees compared to a loss of 52.2 billion rupees for the year ended March 2022.

Further to what Pieter shared, we reported an EBITDAR of 73.1 billion rupees for the year ended March 2023 compared to an EBITDAR of 11.5 billion rupees for the year ended March 2022, an increase of more than 500% against a capacity increase of 62.5%. This improvement is primarily attributable to increase in revenue due to higher load factors and yields and better absorption of fixed costs due to the added scale of operations.

For the quarter ended March 2023, the unit revenues came in at 4.68 rupees, which is about 18% higher on a year over year basis and 11% lower compared to a seasonally stronger December quarter. Total revenue increased by around 78% on a y-o-y basis and dipped marginally by around 5% on a sequential basis.

On the cost side, the fuel CASK reduced by 8.3% primarily due to a reduction in average fuel prices by close to 7% as compared to the December quarter.

Looking at the non-fuel costs, the rupee closed stronger at the quarter end leading to a forex gain of 2.5 billion rupees. Looking at the cost ex fuel ex forex there is a sequential increase by about 2% mainly due to increase in our maintenance costs. All other cost line items have broadly remained range bound.

As you all are aware, over the past couple of quarters the aviation industry has been facing global supply chain disruptions leading to shortage of spare engines. Due to this issue, some of our aircraft remained grounded during the quarter. On the other hand, the demand for air travel remained robust, warranting us to deploy adequate capacity through alternate routes as well as sources including wet leasing and lease extensions to enable us to remain on track with our growth plans. Such lease extensions added economic value to our business and is accretive to the bottom line but will have an adverse impact on our maintenance cost.

Despite these on-going supply chain disruptions, we demonstrated high level of agility with positive market developments that led to a capacity growth of around 19% in financial year 2023 as compared to financial year 2020, this is higher than our previous guidance of 13-17%, that we had provided at the beginning of the year.

Our liquidity continues to remain strong as we ended the March quarter with a free cash of 121.9 billion rupees, a net increase of 15.8 billion rupees as compared to the December quarter end. Our total cash as on 31 March 2023 was 234.2 billion rupees.

We ended the year with a capitalized operating lease liability of 415.5 billion rupees and a total debt, including the capitalized operating lease liability of 448.5 billion rupees. Our right to use assets at the quarter end were at 265.4 billion rupees.

Our pending order book of around 500 aircraft, structural cost advantages and long-term relationships we have with supply chain partners are our key assets as they place us in a very strong position to reap the benefits of the robust demand in the market. We are expecting to add high mid-teens growth in Q1FY24 as compared to Q1FY23 which translates to around 5-7% growth as compared to Q4FY23.

We will broadly grow at north of mid-teens in the financial year 2024 as compared to financial year 2023. We had the privilege of serving around 86 million customers in FY23, and we expect to serve around 100 million customers in FY24. To support this growth, we are investing multiple crores in series of digital initiatives, and we are also hiring around 5,000 employees.

Having been through a period of robust growth since our inception, our future is full of attractive opportunities as we look forward to doubling our size and scale by the end of the decade. We are taking all the right measures today to support these growth plans and we continue to remain focused on providing high quality services to our customers, increasing our efficiency levels and remain committed to generate healthy returns on capital for our shareholders.

With this, let me hand it back to Richa.

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

Moderator: We will now begin the question-and-answer session. The first question is from the line of Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: So, the first question is on the international side. Just wanted your comments on profitability per fleet on international versus domestic. Asking in context of the fact that we are using the Boeing fleet, a first time for us, whereas in the past, we've generally been in the Airbus fleet.

The second is, we continue to see very high other operating income. I assume it's coming from the Pratt & Whitney compensation. Could you comment a little bit about what percentage of fleet is grounded? And is it fair to assume that the rise in other operating income is actually being offset by higher costs also that the company is bearing, given the fact that the fleet is grounded? So, these 2 questions.

Pieter Elbers: Let me try to answer your first one and then Gaurav will address your second question. So, on your first one on the international versus the domestic profitability, I would say, it's a rather generic because not every international route is the same, neither is every domestic route the same. But if we take it from a very generic approach, in general, international operations have a somewhat lower cost per unit given the stage length, which is somewhat longer.

And also the average levels international flights are somewhat better. So, a very generic statement would be, in general, the international operation is doing somewhat better than the domestic operation. Again, going into more details, you'll find very good domestic routes and lesser international routes and the other way around. But generically, it's slightly better.

Gaurav Negi: Then Binay, on your second question related to other income, I'll not answer just on other income, but overall, on the revenue basis, on the revenue, we do have income coming from finance income in terms of investments that we've done, also VGF fundings that we have for our regional routes. And it also does include certain compensation we get from various OEMs. So, to answer your question, we do get compensation from various OEMs, which is part of our revenue classification, but it also has finance income and various RCS related viability gap funding that we receive.

Moderator: Next question is from the line of Deepak Krishnan from Macquarie. Please go ahead.

Deepak Krishnan: I just wanted to check with the competitive environment changing, are we doing anything to, sort of, accelerate fleet addition because our guidance is still north of mid-teens for the year? But anything that we can do to accelerate deployment and sort of gain incremental share? And what is our viewpoint both for the domestic market and the international market on this?

Pieter Elbers: I think what we have demonstrated over the past couple of quarters is to be very consistent in our outlook and very consistent in our predictions. And despite the fact that we have been confronted also with supply chain challenges, as Gaurav alluded to in his speech, we actually have been able in the past quarter and for the full year '23, we have been able to operate at somewhat higher levels than predicted.

Our level now which we have forecasted for the full year '24 is actually the very same high mid-teens number as we shared last time with you. So, we continue to deal with the supply chain issue. We continue to work on mitigating measures like we did earlier on extension of leases. And with that, we are confident that we can deliver the capacity guidance, which we have shared with you earlier.

Deepak Krishnan: And maybe just one follow-up on CASK, we've indicated that part of that is you do supply chain extension. But do we look at this quarter's number of 0.77 as supplementary and maintenance rental as a percentage of CASK, or do we go back to the 0.66 level that we have? Or is it like this issue would continue till we have sort of our fleet grounded? How do we look at that?

Pieter Elbers: I'm not sure I understood your question.

Deepak Krishnan: The supplementary and maintenance cost for ASK is higher this quarter at Rs. 0.77. This is largely a function of obviously indicated lease extensions. So, does this continue at these levels? So, would we continue to have elevated maintenance expense? Or would it normally go back to the Rs. 0.7 level that we generally have?

Gaurav Negi: It's going to be range bound between the 0.7 and the current unit cost that you see because there are elements of, again, escalations, inflation and FX that will come into play. So, you can consider this to be range bound between what we had earlier to where we are today from a unit cost standpoint.

Moderator: Next question is from the line of Mitul Shah from Reliance Securities. Please go ahead.

Mitul Shah: First question is on one of the competitor’s entire operation coming to a standstill and key reason coming out is that engine supply from PW. So, what is our status on that side? How we are placed in terms of situation of the engine supply over Q3, Q4 and current? What strategy we are following differently that we are relatively in a much better position?

Pieter Elbers: Our number when it comes to planes not operational due to supply chain challenges, it's actually a very stable number. It's relatively stable, it changes on a daily basis, but the overall number itself is around the high 30s. Again, with that, we have taken a lot of mitigating measures to deal with that situation. And we should look at the overall and the entire fleet of IndiGo and that combination of the overall fleet size. Today, we have a little over 300 planes for IndiGo and the overall fleet size should be taken into consideration in combination with the mitigating measures we're having.

Mitul Shah: Sir, directionally situation is improving or more or less stable, we can say, or it is improving Q-on-Q?

Pieter Elbers: Directionally, I would say it's stable.

Mitul Shah: And sir, in terms of directionally number of aircraft grounded, is that similar to what it was in Q3 or it has improved in Q4?

Pieter Elbers: I would say it's directionally stable.

Gaurav Negi: It continues to be stable between Q3 and Q4. It's still stable for us, and we are actively engaged with our OEM partners to make sure we are able to resolve it, but you can consider this to be stable for the time being.

Mitul Shah: Sir, second question on yield. Q-on-Q drop is 11%, seems to be slightly higher considering that our load factor has marginally dropped, even ASKs are quite high. So, an overall traffic situation is relatively much stronger compared to past Q4 seasonality. So, is it like we need to pass on the maximum benefit of lower fuel prices or anything else beyond seasonality?

Gaurav Negi: No, it was largely seasonality. And again, we were coming off a very strong Q3. So, that's why you see the dip that happened from Q3 to Q4. Looked a little more elevated in terms of the decline, but it's all largely driven by seasonality for us.

Moderator: Next question is from the line of Arvind Sharma from Citi. Please go ahead.

Arvind Sharma: First question would be on the yield trends in the current quarter, i.e., 1Q FY '24. Especially in the backdrop of lower fuel costs, would the yield still continue to be as strong on a Y-o-Y basis? So, comments on that.

And my second question would be more details on the damp lease aircraft. Do you see more of these coming in, in the fleet and the impact on profitability? And just an addendum to this question. With the current competitive landscape or the broader industry landscape, do you think there could be opportunities for you leasing out aircraft which are already in India, but not in use?

Gaurav Negi: So, the first one in terms of the yields, given the capacity constraints that is there in the market, we are seeing some better yields on a Q-o-Q** basis. So, that's working out favorable on the yield side. The load factors are also coming in strong, given the constraint on the capacity, which is there for obvious reasons. So, that's what we are experiencing at least from a Q1 standpoint. And if you just come up with the second question you had?

Pieter Elbers: The second question was on the damp lease. The damp lease operation, of course, it was born out of a combination of several factors. One was the mitigating measure for the supply chain issues and the other one was the partnership we were already having with the Turkish Airlines. It's probably a bit too early to come to a final evaluation from a financial perspective.

What I can say is we're operating now for 3 months the 777-damp lease between Istanbul and Delhi. We've commenced yesterday actually the flight from Mumbai to Istanbul. We see a very healthy development of loads, and we see also a very healthy development of connectivity. As I mentioned in my elucidation, we do have 33 beyond codeshare destinations which are giving IndiGo a lot of exposure in the European markets where basically until recently IndiGo was not present. So, I would say very positive development, healthy loads. A bit too early to come to conclusions on the bottom-line effects of that.

Arvind Sharma: And if you could just share your views on the possibility of aircraft within India, given that we could have some aircraft which would not be used?

Pieter Elbers: We're not speculating on any sort of availability of aircraft and what will happen with aircraft. Again, I think we have initiated a lot of actions at the end of last year for lease extensions. We do have an order book of close to 500 aircraft, which means we have a steady flow of aircraft coming in. And for the rest, I think it's a bit premature to make statements on other possible aircraft coming available.

Moderator: Next question is from the line of Deepika Mundra from JP Morgan. Please go ahead.

Deepika Mundra: So, just on the lease cost hardening that we've seen globally, how much do you think is already flowing through IndiGo's P&L? And how much do you expect lease yields to harden from here given both inflation and higher rates?

Gaurav Negi: Not significant for IndiGo because large part of our leases were fixed rate leases. So, a substantial chunk, more than 95% is what we've said. So, there is no impact on IndiGo related to the reference that you're making in terms of hardening both because of interest rates going up.

As far as looking forward, again, we do not expect a substantial change in the lease rentals that we have given the relationships that we've enjoyed, strong relationship with lessor community. So, as a result, we do not foresee a severe headwind related to lease costs going up for us. There will be a marginal increase given the interest rates, that have increased, but it's not going to be of a substantial effect to IndiGo. That's at least our read for the time.

Deepika Mundra: So, just to clarify, this is on new deliveries also that the economics haven't changed too significantly, other than, of course, FX?

Gaurav Negi: No, the new ones will be again closed out with the latest rates. But a large part of the credit that comes to us in terms of the financing that happens through the lessor community is also based on the credits that we carry in the international market. So, the lessors have looked at IndiGo more favorably, given what they've experienced with us in the last 3 years, especially during the pandemic. And given our strength of the balance sheet that now we have, given the cash that we carry, we are always able to negotiate a better rate than what would be available or what you would be hearing from the rest of the community.

Deepika Mundra: And if I can just follow up on the 15% plus growth targeted for next year, how much is that likely to come from damp leases or other extension-related measures rather than new deliveries?

Gaurav Negi: The large part of the measures that we took for lease extension as well as the damp lease that we've taken is to compensate for the grounding that we are facing. So, equivalent to that, you can consider as a percentage will be coming from these extensions and the damp lease.

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

Achal Kumar: So, first of all, on the international side, I would appreciate if you could please give us a bit more color on your strategy towards international? I mean, you mentioned that you're starting flights from Delhi and Bhubaneswar to Singapore. But I remember you started flight from Delhi to Singapore and then that did not work because you were competing against Singapore Airlines and Air India. So, you closed down that flight and started Delhi-Chennai-Singapore, which was actually Chennai-Singapore, not Delhi-Singapore. So, basically, that was an example, but how are you planning to strategize your international operations? I mean, to be fair, if I'm flying to international destinations on A321 versus 787, of course, better ride on 787. So, are you competing on the fares? I mean, what is your ground? What is your strategy on the international side? So, that is my first question.

And then secondly, on the liquidity, I mean, your cash is piling up and now you've got a free cash of Rs. 122 billion. What are you thinking? I mean, do you have any plans to use this cash? I mean, of course, globally, I understand that most of the airlines including Ryanair, they plan 20% of their revenues, I mean they prefer to maintain liquidity. But I mean, in your case, it's already 22% and then the business environment is so strong. But do you have any plans to use this cash?

Pieter Elbers: Let us divide again. Question 2 will be dealt with by our CFO, Gaurav, and I will deal with your first question. When it comes to the international situation and thanks for bringing that up, the situation, of course, with Delhi-Singapore, I think we suspended that operation prior to COVID. And that, I would say, was still a different setting and a different dynamic.

To your question how we are going to compete and how are we going to win the customers, actually, it's the very same as we do on the domestic network, our customer promise, on-time performance, courteous and hassle-free service and affordable fares. And especially the latter one with a lot of pressure on international fares, we see that a lot of customers are choosing for us.

And back to the earlier question on even profitability and customer preference. We see a strong performance on the international network precisely for us staying very truthful to the very core of our customer promise. What has changed, of course, is the recovery of the market post COVID. But also, I would say, at IndiGo itself, we have now built up a lot more connections. If you just look to Delhi, and perfectly aligned with the ambition of the Indian government to develop also India more into a global aviation hub, we see that we do have a lot of new connectivity. So, if you have to transfer from Dharamshala to Singapore, for example, you have a perfect way to fly with IndiGo from Dharamshala to Delhi, connect with us and fly onward to Singapore.

Second part, I guess, is that we have strengthened our overall position. The fact that we do now have 7 destinations in India connecting to Singapore directly is really helping us to make sure that not only customers from India, but also customers from Singapore, basically, our philosophy there is, wherever you have to go in India, you have to go IndiGo. That's precisely our philosophy, India by IndiGo.

Third point on the international network, and sorry to drag on a little bit on that part, but I think it's an important part of our strategy, is to further build up that network. So, the examples I've given, we're focused on Singapore. But indeed, as you rightfully should point out, we have mentioned more international expansion.

In the previous call, we have mentioned Nairobi and Jakarta as destinations. We start opening in due course of this summer. Of course, we are now working subject to all regulatory approvals and all preparations for international flights. That require a bit more preparation time than opening domestic flights, but we're very much committed to make sure that Nairobi and Jakarta will be added, and we're also looking towards Central Asia for further network expansion. So, actually, there's a combination of factors.

And to summarize my reply, we focus on what has made IndiGo strong domestic to do the same international. We work with partners, and we develop our network. That network is connecting over quite a few places, and we are creating a customer proposition with some good connections, but also some unique connections like Bhubaneswar, Dubai and through Bhubaneswar, Singapore as well. And lastly, we'll continue to expand our international network with the destinations which I mentioned.

Gaurav Negi: As far as the second question goes in terms of the free cash, like you gave a reference point to one of the airlines, 20% of the revenue. I think today, we are reasonably placed having that amount of cash available to us. But as far as where to deploy this cash, a large part of that cash is going to be deployed towards the growth initiatives that Pieter also talked about in his categorization of Develop and Create.

We've got a lot of investments going to support that growth in the digital space. We are looking at expanding some of our infrastructure. Even for us to expand internationally or to start of areas of loyalty programs as well as the freighter business requires our investments. Those are the areas we'll be prioritizing.

But we are well placed today in terms of the size and scale of the business that we've become, close to Rs. 56,000 crores, that we do need to carry this level of free cash that we have or any kind of contingency if they so arrive. But we'll continue to keep investing for the growth that has been talked about. So, we're looking to double ourselves in the next 7 years, and that's where the cash is going to be prioritized towards.

Moderator: Next question is from the line of Krupashankar NJ from Avendus Spark. Please go ahead.

Krupashankar NJ: My first question is on the additional slots which will be potentially available in specific airports because of the substantial scale down of operations by our competitor. Will IndiGo aggressively bid for additional slots in the domestic airport? And what is the timeline in which we can expect that these will be allotted to the industry participants? And my second question was on the corporate traffic. Perhaps if you can throw some light on how that has shaped up in the quarter gone by and how is it at present?

Pieter Elbers: When it comes to the slots, I think it's again here, too early to comment. There's still a lack of clarity and uncertainty. What we do at IndiGo is we try to make sure that Indian consumers who want to fly domestic, we have capacity for them. So, it's a bit too early to jump into what's going to happen on other parts, as I mentioned with the earlier question.

But again, we try to optimize our network and make sure that we offer the capacity whereas demand from the customers. When it comes to the corporate market, there's, of course, a situation where we see that the Indian economy is doing well. And with the Indian economy and the domestic economy doing well, we also see a demand.

Having said that, it is very difficult to precisely segregate between the 2 sets of travelers. But based on the product offerings we're having, and we can see some historic trends. But the strict definition of corporates, like business versus leisure or people working from different locations is not easy to segregate. Overall, I think we see a healthy development of that business part, and we see especially on the thicker routes and on some of the strong routes, a development of more traffic geared towards corporate travel.

Krupashankar NJ: Let me rephrase my question in a different fashion. What we are seeing here is, of course, the less than 15-day travel window seeing a sharper increase in yield vis-a-vis the greater than 15-day booking window. So, just wanted to check how is the demand for both segments? That is something which we used to give out pre-COVID. So, just wanted to check how is the demand being in that scenario?

Pieter Elbers: I think having the benefit of having worked for 30 years in different international markets. I think the Indian market is a market which is very late booking and which has a very high percentage of bookings in that, let me say, 15, but even 30 days prior to the departure. It's also something like, it seems the customer behavior has changed somewhat, not only for the business part, but even for the leisure or the non-business part. So, it's probably not possible to differentiate and say whatever books between 0 and 15 days for departures, largely business and whatever, has a longer time frame is non-business. I don't think we can say it like that. It was already probably different prior to COVID. Post-COVID for sure, that's not the case anymore.

And maybe just to add to that question, that's why the agility we have demonstrated at IndiGo is so important. Whenever we have opportunities, we adjust our network and we focus on the market. And then actually, we do see even at the very last moment, a lot of bookings coming in. So, against that background, it sort of proves our point that the market has changed more fundamentally, I would say.

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

V. Balasubramaniam: Yes. Can you please share what was the number of employees you had at the end of FY '23? I believe this number was 26,164 at the end of FY '22. So, can you please share the number at the end of FY '23?

And on a related note, I think this year, your per ASK employee cost was around 0.4%. At the beginning of the year, the scenario was very different. I guess Akasa was ramping up and Jet Airways was supposed to start. But now we are ending the year very differently with one airline in trouble and Jet Airways never started. So, there was a general expectation that there will be some wage inflation. But do you still expect that to happen, or this remains at this 0.42 level going forward? That is my first question.

Gaurav Negi: Related to the first part in terms of the number of employees, we closed the year closer to a 32,000-employee base for IndiGo. As far as employee salary cost as a percentage of ASK, it's going to remain at these levels, but subject to the increments that are part and parcel of every organization's costs, which will kick in from the fiscal year 2024.

V. Balasubramaniam: The second question is on aircraft additions. Could you share what was the gross addition in this year? And how many CEO claims you returned in the current year? And also, how much do you expect to add on a gross basis? And how many planes do you expect to return next year?

Gaurav Negi: On a net basis, we are looking to add close to 40 to 50 planes in the fiscal year 2024. As far as the other question in terms of what happened in 2023, there was a net addition of around 29 to 30 aircrafts that we had. Final details you can contact the IR team and they'll be able to provide you.

Moderator: Next question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika: So, if we look into this current engine issues, I mean, is it on a case-to-case basis or is it like more blanket in nature? I mean, considering there has been reports that almost like half of your fleet is still on P&W engines. So, do you see that there is always some risk of these also going bad or something of that sort? Or do you think that things should remain steady here on? Or are you looking to completely replace those engines down the line?

Pieter Elbers: Well, the aircraft which are coming in as from now are aircraft with the LEAP engines. So, we still are having the basis of the Pratt engines. We have LEAP engines coming in, and we'll see that mixture will change a little bit over time. But again, we work closely with the OEMs to make sure that we have adequate support and cooperation on that part and we are watching the situation closely going forward.

Sabri Hazarika: So, your current fleet, you don't see any worry? There's part of the fleet which is still running on Pratt & Whitney, right?

Pieter Elbers: Sure. We have a part of the fleet running on Pratt & Whitney. The new aircraft coming in are coming in with LEAP, so that automatically changes the ratio going forward. And again, we work closely also with Pratt to make sure that the supply chain issues are being addressed.

Moderator: Next question is from the line of Shalin Choksy from Axis Capital. Please go ahead.

Shalin Choksy: My first question was on the load factor. The load factor was at 82.1% in FY '23? And how do we expect it to move in the next 3 years or so?

Gaurav Negi: Our endeavor is going to be to keep pushing it up, but we do not want to give any kind of forward guidance today for the next 3 years. But the effort is to keep pushing this upwards by utilizing the aircraft better as well as obviously attracting more customers towards IndiGo. But we can't give you an outlook for the next few years.

Shalin Choksy: And another one, if I may, how many planes do you intend to add in FY '25 and ‘26? I understand you gave us a number for FY '24. Any color for the other 2 years?

Pieter Elbers: The short answer to that would be no. And the somewhat longer answer to that would be, we have, as we said earlier, an order book of 500 aircraft. These will be coming in towards the end of the decade. And we see all the supply chain issues. We work closely to make sure that we have a steady flow of aircraft coming in.

This backlog of aircraft or this outstanding order of aircraft will enable us to double towards the end of the decade. And again, we coordinate closely to have that flow of aircraft coming in. Our focus now is to make sure that we deliver in '24 our network and our promises to the customers. And thereafter, it will be '25 and '26.

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

Aditya Mongia: Both of my questions were on the international side of things. The first one was your good network of 33 destinations in Europe that you've been able to form now. My question was, is it yielding enough volumes for you through the codeshare at this point in time? Or is this more, let's say, a case of distribution being enhanced, and once A321XLRs happen, you want to just accelerate the benefits that are coming from Europe to IndiGo?

Pieter Elbers: Well, again, I think for us, this is a new territory. We're having today 7 codeshare partners. All these codeshare partners were having their codes on IndiGo's domestic network. So, these 7 codeshare partners, Turkish Airlines, Qatar, American Airlines, Air France, KLM and Qantas and Virgin Atlantic, were having their codes on IndiGo's domestic network. We were not having any codes on other airlines outside India or outside their hub, actually. It's a very important step for us. Again, it's giving us some market presence. It's giving us a lot of visibility in these markets. In fact, it helps us to indeed prepare for the future.

So, it really serves multiple purposes. And as I mentioned to one of the earlier questions, actually, the first results and first impressions are very encouraging. And we see there's a lot of international demand, and people are looking for affordable fares and are actually looking for an alternative to some of the higher-priced fares. And there, I think the network of IndiGo comes in, and we are in a great position to serve these markets.

Aditya Mongia: And the second question that I had was the recent news flow of Air France, KLM showing interest to use India as a stopover for journey from Europe to Sri Lanka. Now in this broad domain of I2I, do you see interest from your side to kind of go for these kinds of journeys? Or does it kind of drag down or stored on the network and you're better off focusing on the Indian volumes only?

Pieter Elbers: Yes, I've read the article as well. I think what is important, again, we're having these codeshare cooperations on our domestic network in India. We are now expanding international. I think it's important for us that we build up some good and solid partnerships. And as time will progress, we'll evaluate some of these possible new opportunities.

And again, the further international network and the fact that we're having some connectivity ourselves even on the international to domestic and even some international, international may provide new opportunities going forward. think it's a bit too premature today to comment whether that will take place or that will not take place. There's still some homework to be done on that.

Moderator: Next question is from the line of Deepak Krishnan from Macquarie Group. Please go ahead.

Deepak Krishnan: I just wanted to understand on the yield front. I think Gaurav indicated that yield is at a positive territory on a Q-o-Q** basis. In terms of, say, organically, how do you look at the market? Is supplies disrupted maybe in terms of your outlook in forward bookings? How many quarters do you kind of see that it would take for supply to come back if the disruption continues? Maybe just an outlook on yields far ahead as well?

Pieter Elbers: Well, I think globally, we see a very strong recovery of the aviation. I mean, if we take a step back, I guess, at COVID, there were some prediction that aviation would be down for the years to come. Clearly, domestic markets have recovered rapidly, and the domestic market in India is no exception to that. And I guess, for the last couple of months, we see new records of Indians flying the Indian skies. So, we see that recovery continuing.

Again, hand-in-hand with the economic growth and the economic development of India itself. We see that further growing. On the international side, the recovery has been somewhat slower and somewhat later. Clearly, parts of Asia, surely China, but even Southeast Asia took a bit longer, but the fact that we are now back in such a strong manner, for example, in Singapore, just demonstrate that the international markets are also quickly coming back.

Again, going forward, there's a lot of variables and elements coming into play for international development. But if you take some of the industry reports or some of the industry projections, obviously, India is seen as a place where both domestic and international for the years to come it's going to be a very vibrant market. And as I mentioned in my introduction words, looking at the percentage of Indian consumers flying, it's still very low. If we look at the percentage of Indians flying international, it's even lower. So, all that opportunity going forward is really very significant when it comes to market development.

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

Achal Kumar: So, 2 things actually I want to understand. So, at the moment, if we look at the international traffic going out of India and coming back to India, so it looks like the Indians traveling outside India, going on international trip, seems to be very strong. So, how that plays out in terms of profitability? I mean, do you think you're carrying the similar load factor while going and coming back? Or do you think while coming back, there is a challenge and the profitability is low or the load factor is low? So, that is my first question.

Secondly, a simple plain question. How many planes are grounded at the moment? And what is the status? I mean, are you hearing back in terms of how many engines are you going to get? And when do you think these planes could revive or could fly back?

Pieter Elbers: Well, you had a very plain question, let me give a very plain answer, which is a repetition of what I said earlier. The number of planes is in the high 30s. That's the number of planes we said earlier, and that's the plain answer to your plain question. I'm not sure if I understood fully your first question when you said about coming back. Do you mean the directionality of traffic or what exactly do you mean?

Achal Kumar: Yes, exactly. I mean so when you see the directionality in terms of international demand, it looks like there is a very strong demand for the Indians going out on the international trip. But while on the way around, I think the demand is not that strong. And so that's my question. I mean how does it play out for you guys?

Pieter Elbers: No, I would say there's a strong demand, both to and from India coming back. Of course, there's a huge Indian diaspora as well which is flying back and forth. So, yes, there are some different dynamics and different seasonalities and kids studying abroad and coming back and business patterns. So, they're not all the same patterns. But in general, I would say, the demand both to and from India is recovering in a similar fashion and developing in a similar fashion.

And look at the new foreign investments in India being done, that is all driving inbound traffic. Look at the number of Indian students going abroad, that's outbound traffic. So, again, both dynamics are really growing and expected to continue to grow in a similar fashion.

Achal Kumar: Sorry, Pieter, I was actually referring to the data. The data suggests that while the traffic going out of India is very strong, while coming back the numbers didn't say so. That's why this question was. But anyway, I think you fairly mentioned.

Pieter Elbers: I don't know which data you're referring to. But again, we should make a difference between loads on flights where there's a certain seasonality and what is the point of sale, and I was referring mostly to the point of sale and point-of-sale India versus point-of-sale outside India. And then yes, we see sometimes of the year when the flights out are fuller than the flights in, but that's not necessarily the same as the point of sale, but maybe that becomes a rather technical elucidation.

Moderator: Thank you very much. Ladies and gentlemen, we'll take that as the last question. I now hand the conference over to Mr. Pieter for closing comments.

Pieter Elbers: Yes. Thank you so much. Thanks everyone for joining this Press Conference and all the questions and the great questions you've addressed to us. Maybe in a closing remark, let me refer back to what we have mentioned in the press release.

I think very important for us is that with the combination of a robust market demand and a very focused execution of our strategy, this was the second consecutive quarter where we produced a very strong operational financial results as we reported our highest ever fourth quarter net profit of INR 9,192 million. I think that's actually the key message. A very strong performance, a very solid profit and the highest ever Q4 profit which we have done. And that was driven by the combination of strong markets and an execution of our strategy. So, I would like to close on that note and wish you all a wonderful evening.

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

Note: This transcript has been edited for readability and is not a verbatim record of the call
**Inadvertently called out as profit during the call.*
*** Inadvertently called out as Y-o-Y during the call.*