January 30, 2025 IGAL/SECT/1-25/14

To
National Stock Exchange of India Limited
Exchange Plaza, C - 1, Block G
Bandra Kurla Complex
Bandra - (E), Mumbai - 400 051

Symbol: INDIGO

To
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai - 400 001

Scrip Code: 539448

Subject: Transcript of earnings call

Dear Sir / Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of earnings call held on January 24, 2025, on financial results for the quarter and nine months ended December 31, 2024.

The above is for your information.

Thanking you,
For **InterGlobe Aviation Limited**

NEERJA SHARMA
Digitally signed by NEERJA SHARMA
Date: 2025.01.30 16:58:23 +05'30'

Neerja Sharma
Company Secretary and Chief Compliance Officer

Encl:a/a

"IndiGo Q3 FY25 Financial Results Conference Call"

January 24, 2025

MANAGEMENT: MR. PIETER ELBERS – CHIEF EXECUTIVE OFFICER
MR. GAURAV NEGI – CHIEF FINANCIAL OFFICER
MS. RICHA CHHABRA – HEAD OF INVESTOR RELATIONS

Operator: Good evening, ladies and gentlemen and welcome to IndiGo's Conference Call to discuss the third quarter of fiscal year 2025 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 third quarter of fiscal year 2025 earnings call.

We have with us our Chief Executive Officer - Pieter Elbers and our Chief Financial Officer – Gaurav Negi 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: Thank you Richa. Good evening, ladies and gentlemen. And since this is the first time that we are interacting in 2025, kindly allow me to wish you all a very happy new year 2025 and thank you for joining the call. Earlier this afternoon, we announced our financial results for the third quarter of the financial year 2025. It's a pleasure to share that we have delivered an exceptional third quarter results. And there were several driving forces that led to this remarkable performance.

- We witnessed a substantial growth in demand for air travel,
- We continued our strategic expansion across markets, and
- Thirdly, we enhanced our operational performance

Fuelled by the festive period, year-end holidays, and general rise in consumer spending across industries, we witnessed a significant surge in demand. This led the industry load factors in domestic markets to remain above 90 percent for the most parts of November and December. We welcomed around 31 million passengers in the December quarter, achieving the highest number of passengers served during any quarter in the history of IndiGo. This reflects a growth of around 13 percent on a year over year basis. Further, in the calendar year 2024 around 113 million passengers chose to fly with us which is around a 10 percent growth as compared to the year before. Our ability to meet this growing demand with improved operational efficiency positions us as the airline of choice.

The surge in demand for air travel led to a strong revenue performance as we reported a total income of 230 billion rupees for the third quarter of the financial year 2025, which is an increase of around 15 percent as compared to the same period last year as against a capacity increase of 12 percent. In terms of profitability, excluding the impact of currency movement we reported a profit after tax of around 38.5 billion rupees or 3,850 crore rupees.

Including the impact of currency movement, we reported a profit after tax of 24.5 billion rupees or 2,450 crore rupees. And Gaurav will talk through the currency movement and our hedging strategy.

As we continued our robust growth path, we achieved yet another milestone by operating a peak of 2,200 daily flights during the quarter. And today, we are placed amongst the top airlines across the world when it comes to the scale, reliability, and efficiency of operations. Operating at such a large scale requires careful planning, teamwork, and flawless execution by all IndiGo employees. From ground operations to flight crews, from maintenance teams to customer service, our employees exemplify excellence at every level.

If you recall, our operational performance was impacted from the start of the winter season last year. We learned valuable lessons and took several steps to improve our performance. Through targeted initiatives such as improved schedules and enhanced operational procedures supported by, of course, lower disruption days, we have reaffirmed our leadership position in terms of on-time performance.

Our industry is dynamic, and the needs of our customers are evolving, and we are committed to staying ahead of the curve. As we move forward, we have a clear strategy in place, which is based on striking a balance on two key focus areas – first, honoring our customer promises – affordable fares, courteous and hassle-free service, on-time performance, and unparalleled network, and second, catering to the ever-evolving needs of our customers.

In that direction, we launched IndiGo's business class - IndiGo Stretch on the Delhi-Mumbai route, mid-November. And to build on the momentum, we have launched Stretch on the second route Delhi-Bengaluru more recently and we are gearing up to launch the Delhi-Chennai very soon. In the year 2025, we will launch Stretch on 10 more metro-to-metro routes across the country with a total of 45 aircraft.

The initial feedback, on this new product, is promising, highlighting IndiGo's alignment with the evolving travel needs in India and the revenue potential of these business class seats.

We also continued to further densify our unparalleled network. In the last few months, we have announced 2 more domestic destinations – Puducherry and Bikaner. With these announcements, we have a network of 90 domestic destinations. On the international side, we have announced 4 new destinations – Mauritius, Langkawi, Penang and Medinah. And with the addition of these new destinations, we now have 38 international destinations. We are aiming to end this financial year with at least 40 international destinations.

However, our network expansion is not just about adding more destinations but also adding more routes and frequencies. During the third quarter, we added 50 new routes and provided our customers with more options to travel in the shortest time possible and with minimal hassle.

As the Indian economy maintains its position as the fastest growing major economy in the world and is projected to become world's third largest in the coming years, Indian businesses are expanding internationally, our citizens are exploring more destinations than ever before, and our diaspora continues to grow. Given these factors, air travel demand is poised to continue to grow, and we are privileged to be able to contribute to this growth. However, there are still certain key markets which are underserved, and this represents a vast reservoir of untapped potential. As the most preferred airline of the country, we are uniquely positioned to bridge these gaps and unlock the full potential of our country's global connectivity. For this purpose, subject to regulatory approvals we are exploring interim solutions for earlier induction of long-range aircraft to our fleet through wet leases. Route and network opportunities are being explored at present and we will communicate as and when it is finalized. And if you look back, in the last two years amidst supply-chain disrupted environment, we have developed a capability of leveraging secondary market capacity to cater to the robust demand in the market and we are hopeful that soon we will be able to cater to the demand in the long-haul markets too.

Recently, IndiGo was recognized as the "Airline of the Year" by CAPA for our role in growing and transforming commercial aviation in India. To receive this award amidst some of the world's biggest and brightest airlines is very encouraging and a source of pride. We feel privileged by the fact that all the hard work of IndiGo's employees in running a world-class airline is being recognized.

In addition, with our investments toward the modern fuel-efficient fleet and other initiatives, we are focusing on sustainability to ensure that our growth is not just profitable but also responsible. Our efforts and investments in this direction have been recognized as our Dow Jones Sustainability Index (DJSI) score has improved by around 80% in the last 2 years. We have recently launched a Zero Waste Airport Project at Indore which aims to minimize the environmental impact of airport operations and set a new standard for sustainable waste management in Indian Aviation.

All these initiatives are building blocks of our clear and well-defined strategy and reflect our commitment to continue this growth momentum. As we mentioned during the last earnings call, we have turned the corner on the grounding situation, and it is on a downward trajectory now. During this quarter, we were able to adapt our capacity to meet the growing demand. These results during the quarter highlight our agility and adaptability in tuning our capacity to the demand environment.

Looking forward, we see tremendous opportunities on the horizon. And with the robust long-term demand, fundamentals of the Indian aviation industry, we are confident in our ability to serve the growing demand while navigating external challenges effectively.

With this, ladies and gentlemen, let me now hand over the call to Gaurav to discuss the financial performance in more detail.

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

For the quarter ended December 2024, we reported a net profit of 24.5 billion rupees with a profit margin of 11% compared to a net profit of 30 billion rupees for the quarter ended December 2023.

Excluding the impact of foreign exchange movement, we reported a profit of around 38.5 billion rupees with a margin of 17.4% compared to 30.5 billion rupees with a margin of 15.7% last year. This reflects a growth of around 26% on a year-over-year basis.

We reported an EBITDAR of 61 billion rupees compared to an EBITDAR of 55 billion rupees during the same period last year. Our strong financial performance was primarily driven by strong demand in domestic markets, our continued investment in capacity to cater to this demand and benign fuel prices.

In terms of the revenue performance, we have performed better than our guidance as the demand came in stronger than anticipated in the months of November and December. During the quarter, Indian aviation industry reached new heights and achieved the historic milestone of serving more than 5 lakh domestic passengers in a day. We also had the privilege of serving more than 3 lakh daily domestic passengers. This is a strong rebound that we have seen after a moderate growth in the first half of the year which was driven by various factors including elections, heat wave and a general slowdown across industries.

The passenger unit revenue came in at 4.72 rupees which is flattish on a year-over-year basis. The yields came in at 5.43 rupees, which is around 1 percent lower as compared to the same period last year and a load factor of around 87 percent, which is 1 point higher as compared to same period last year.

Our overall ancillary revenue also continues to grow as we expanded our cargo operations, leveraged technology integration, and tailored our other ancillary offerings.

Our overall unit revenue, which is RASK, came in at 5.44 rupees, which is around 2 percent higher compared to the quarter ended December 2023. As Pieter mentioned, while our top-line performance exceeded our expectations, the profitability was adversely impacted by rupee depreciation during the quarter.

Third quarter saw continued weakness in rupee primarily due to strengthening of the US economy and at the end of the quarter it depreciated around 2 percent as compared to the September quarter end resulting in mark-to-market foreign exchanges losses of around 14 billion rupees

Our exposure to foreign exchange risk is largely due to a significant portion of our lease liabilities and maintenance obligations, that are denominated in the US dollars. If we look at the net exposure – forex denominated liabilities less the assets which is primarily our dollar deposits, for every rupee movement leads to a mark to market loss of around 7.9 billion rupees at the end of December, this impact is recorded in the foreign exchange line item. These liabilities are payable over a long-term period but as per the accounting norms we accrue the currency impact at the quarter end.

While the currency remains volatile and has further depreciated in January, we have been actively taking steps to reduce this volatility in the financial statements by hedging part of our foreign currency outflows. In the current quarter we have recorded a gain of 591 million rupees on our hedging contracts. Going forward, we will further enhance our hedging positions and as we add more international capacity, we expect the natural hedge to also improve.

On the cost side, as the global fuel prices went down by more than 20 percent on a year over year basis, our fuel CASK has also reduced by 16 percent. Forex depreciation, VAT increases, higher number of CEOs in operations and congestion at some key airports continue to put pressure on the fuel costs.

While sequentially, the CASK ex fuel ex forex remained stable at INR 2.90. On a year over year basis it has increased by around 10 percent, compared to the same period last year primarily driven by:

- Grounding related costs
- And contractual escalations across expense line items and annual increments

Also, sequentially while on a per unit basis the aircraft and engine rentals has reduced, the absolute cost has remained stable due to increase in the number of damp-leased aircraft as offset by lower winter rates on certain leases.

Moving to the AOG situation, as we mentioned in the last earnings call, we are past the peak of groundings and the groundings are on a downward trajectory in the sixties currently. Based on the latest guidance from OEMs, we will begin the next financial year with the groundings in the range of 40s and expect the number to further go down as the year progresses.

In terms of fleet, during the quarter, we inducted 33 aircraft of which 23 are from original order book. This includes 15 aircraft which have been inducted through our entity in GIFT city. We also inducted 8 aircraft in the form of damp leases and 2 aircraft in the form of secondary leases, to cater to the robust demand in the market. We also redelivered 6 aircraft during the quarter resulting in a total fleet of 437 aircraft.

On the balance sheet side, we ended the December quarter with a capitalized operating lease liability of 496 billion rupees and a total debt, including the capitalized operating lease liability of around 651 billion rupees. Our right to use assets at quarter end were around 468 billion rupees.

With the strong financial performance during the quarter, our liquidity has further improved as we ended the December quarter with a free cash of 289 billion rupees and a restricted cash of 149 billion rupees. We have also purchased 3 ATR aircraft and acquired 10 aircraft on finance leases, as part of cash utilization initiatives. Going forward, we will continue to invest in aircraft, infrastructure and technology.

Now, if you recall last year in January, we had faced sudden groundings that had led to a lower capacity. Therefore, for the fourth quarter of this financial year we are expecting to add capacity of around 20 percent as compared to the same period last year and we remain firm on our full year guidance of early double digits capacity addition. Further, on the revenue side basis the trends that we see in January, we are estimating an early single digit moderation in unit passenger revenue as compared to the higher base of last year where the industry had faced a significant supply-chain constraint.

The performance during the quarter reflects the strength of our clear and well-defined strategy, trust of our customers and the resilience of our operations. As we move forward, we remain focused on our competitive strength of being one of the lowest cost airlines in the world and we are confident in our ability to drive long-term value by balancing growth and with financial discipline.

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: Thank you. We will now begin the question and answer session. The first question is from the line of Pramod Kumar from UBS. Please go ahead.

Pramod Kumar: Hi, thanks and congratulations to the team IndiGo for the very solid performance. Before I ask the question, just a clarification on the yield bit what Gaurav was talking about, the line was a bit distorted, did I hear that quarter-on-quarter the yields will moderate by mid single digit or thereabout?

Gaurav Negi: Early single digit.

Pramod Kumar: Early single digit, ok that's good to hear. And Gaurav, Pieter, to both of you, on the ASK side, if I work with the numbers what you said for 4Q and even extrapolate those for the next year and then taking AOG situation getting better and the planned capacity of fleet addition, are we kind of looking at ASK growth kind of stepping up meaningfully higher than FY25 levels, is that understanding right? And then thereby kind of the operating metrics, if you can just comment a bit on that, please?

Pieter Elbers: I think we have been very consistent for the last 2-3 years in delivering up to our capacity guidance and what Gaurav was alluding to and you see that in the results. So, far, we are living up to our capacity guidance for this year. This quarter, which we published today, has an ASK growth of 12%, which is very much in the early double-digit numbers as we announced. The fourth quarter as Gaurav alluded to, we will have a very significant increase mostly because last year had a significant decline and with that increase of the 20% which we have published or just shared with you for Q4, we confirm basically our guidance for FY25. For FY26, that is part of the discussion we have actually right now. Again, as we have seen in the recovery of the demands, and Gaurav shared that with you the first half of the year was somewhat muted for probably a whole host of external reasons. If you see this last quarter, it has been very solid and we have seen that in load factors, we have 2 consecutive months with a load factor higher than 90% is very telling. We touched the record of 10 million customers in a single month in the month of November and I think we were 20,000 short of touching 11 million customers in the month of December. So, that brought us to 31 million customers in this very last quarter. So, clearly we are very much encouraged by these numbers, and we are right now in the process of setting up our plans for next year.

Pramod Kumar: And Pieter, just a follow up on the domestic bit, because it is happening in a context where there is concerns about the moderation, the economy, some of the other discretionary categories have started seeing deceleration and commentary is not that great and also does not open store also, just if you help us understand some of the finer aspects of the nuances of the domestic growth, which are the pockets where you are seeing better demand, metro, non-metro, any color which you can share and related to that, just some comments on the international operation because we have clearly seen domestic has been very very robust. Thank you.

Pieter Elbers: I am not an economist leave alone specialist on the Indian consumer trends. So, let me put those two disclaimers upfront. But what we see, even in some other industries, actually quite positive rebounds in towards the latter half of the year. So, what we do see that the under penetration of air travel in India provides just an incredible reservoir of opportunities to be tapped. So, there may be some variations in yields quarter-over-quarter, there may be some variations of pricing quarter-over-quarter, but the fact that the percentage of Indians using air travel compared to the rest of the world is still relatively low, gives us a lot of confidence on these growth numbers and in the Q2, thanks to the heat wave, thanks to the election, so we had seen some sort of external effects which we haven't seen in this quarter. So, we are sort of back to the growth levels and year-over-year, the month of December was 8%, I think November was 12%, so we see actually very strong quarter. To your further detailing, we have seen it all across the board and the strength of IndiGo really is, we have a network very strong in the metros and clearly very strong metro to metro position. But we have also very much a broad based network which some 450 routes domestic and soon 90 destinations domestic. We serve first time flyers quite a lot of them, but we also serve the corporate markets. So, all these segments, actually we have seen a very healthy demand on that side. On the international side, we have done a lot of the expansions. They have basically welcomed very much and very good by our customers. We have now touched 28% of all our ASKs are now on the international side. You remember we had that discussed a couple of times and that is going to be sort of a leading part of our growth and also that is there. So, the Indian traveler wants to explore, I think IndiGo provides a fantastic opportunity to have those new flights, new routes and I think some of the new ones which we have introduced Langkawi, Penang have been welcomed very positive in the market itself.

Moderator: Thank you. Next question is from the line of Amyn Pirani from JP Morgan. Please go ahead.

Amyn Pirani: Yes, Hi and thanks for the opportunity. I just had some clarifications on the forex loss. So, A, can you quantify how much of the forex loss amount in the P&L is due to unrealized mark-to-market? And related question is that the realized forex hit that you would have taken for expenses incurred in the quarter, are they also in this line item or are they distributed on the various revenue and cost line items?

Gaurav Negi: Amyn, a large part of the mark-to-market is unrealized. The realized portion is a very small portion, somewhere in probably double digits only compared to the large part of the unrealized, which is close to Rs. 1,400 crores that we have called out in this quarter.

Amyn Pirani: Ok, that is helpful. And secondly, you know, if I remember in the Fiscal '24 Annual Report, the 1% movement and USD INR was something like Rs. 500 crores, that number has increased to something like Rs. 700 crores if I got it right in the initial remark?

Gaurav Negi: You are right, because if you look at the balance sheet, the balance sheet is also growing with both the lease assets that we have as well as the maintenance obligations. So, as we continue to grow our business, the fleet size has increased, commensurate to that, the liability side also increases, so the 500 crores that you are referencing is now closer to $8 billion of net obligations in USD that we carry. So, that number also correspondingly has increased for every moment of the quarter.

Amyn Pirani: And just lastly, your international revenues, is it fair to assume that most of them are in foreign currency and as it increases, that should create a natural hedge?

Gaurav Negi: Yes, that is the goal and that is what I kind of called out in my earlier part of the script that I shared with everyone. So, 10% of our revenue comes from international (point of sales). Again, there could be some elements which are point of sales happening in India, but the intent is to keep growing international and as our point of sale also increases in the international arena that is going to play an element of natural hedge for all our obligations, which we have to pay in dollar terms also.

Moderator: Next question is from line of Prateek Kumar from Jefferies India. Please go ahead.

Prateek Kumar: Good evening, everyone and congrats for great results. I have one question on yields, our expansion into international routes, it seems to be like taking priority versus domestic growth in terms of ASK allocation. So, is this coming at a lower yield versus total average and has a depressing impact on overall yield performance? That is my first question, and my other question is on your ancillary revenues of 22% growth, is there a hotel segment side to contribute meaningfully to that performance for the company?

Pieter Elbers: Let me start with your first question on the international side. You know, yields go up and down in general, the longer you fly, the lower the yield per ASK is, so that is sort of generic, but also the lower the cost per ASK is, so it is not per se the yield I think we should look at, we should look at the margin. But I think more strategically, Indian Airlines, have a lower share than foreign airlines, one. Two, the penetration of air travel for international travel is even lower than for domestic travel, so we just believe that these two factors would drive for a surge of growth on international travel, and we have identified that strategy 2-3 years back and basically we are just now executing that strategy going forward. So, we look at the spread between domestic and international. Again, these go up and down. I think it is also a good way and we see that in other parts of the world to have a healthy mix between domestic and international. It was just mentioned earlier, it serves to some extent as some natural hedging in terms of forex, so that that is helping and for now, we continue that path. Probably, I would not like to call it correct you, but supplement probably on what you just said, you said international ASK has taken priority over domestic. That is not really the case. The basis for domestic is so large that the absolute addition of ASKs on domestic is still larger than what we do on the international. So, what we do see is a gradual sort of rebalancing today. It is 28%, a few years back it used to be 20%, so we see a gradual rebalancing within absolute number of ASKs and growth is still more on the domestic side than on the international. So, our strategy really here is to solidify our foundation in the Indian market. And again, there have been examples in other parts of the world where airlines were lacking a strong domestic basis and just having a lot of international operations and that didn't turn out to be the most effective way. So, I think what IndiGo was doing, we are solidifying our domestic position, and we are building on that international and the results and that is partly the forex for a minute. If we look at the result, the profits excluding forex, which had a jump as Gaurav mentioned earlier of 26% from Rs. 3,000 crores last year to Rs. 3,850 crores this year. I think that is just underpins the growth of our strategy. The forex is beyond our control, and we take, of course all this what you call mark-to-market going forward. But if we just look at the operational performance of the company, beside the on-time performance, but just running the business side, basically the strategy is really paying off and we see that jump from Rs. 3,000 crores last year to Rs. 3,850 crores this year.

Prateek Kumar: Thank your Sir, and the other question was on, ancillary revenues and contribution from New Digital that include hotel segment?

Pieter Elbers: That is still at the very early stages, I would say. We have launched it, we start to explore it. Maybe probably good to highlight at this point in time the introduction of our loyalty program. Basically, which started also to run in this quarter, it was announced in August, it, started to register in October. We actually see a very positive response. So, these are all parts of, I would, say the pieces of the very same puzzle and so we have the infrastructure for the hotels in place, yet numbers today are still at the startup phase. But we are confident that the moment it will start to get together, hotels, our loyalty program, our stretch product, further internationalization, all these things will start to help each other. But we will take a bit of time on the hotel to see real increase in the numbers.

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

Binay Singh: Hi team, thanks for the opportunity and congratulations for a good set of numbers. Just a few follow up questions. First is the forex gain that we talked about, where exactly is it sitting in the P&L, the 591 million or so?

Gaurav Negi: Binay, that is in the other income category.

Binay Singh: And secondly, what percentage, like we said 10% of revenues are from international (point of sale), what percentage will be dollar denominator?

Gaurav Negi: Large part is what we are saying is going to be dollar or any foreign currency denominator.

Binay Singh: And what exactly is our hedging strategy now, so that when we look into the future, what should we assume for forex losses versus gains? So, if you could talk a little bit about hedging strategy?

Gaurav Negi: What we rolled out as a policy, Binay, is we are looking at least of what our cash outflows are going to be in the next 12 months. So, our hedging strategy currently looks out for the next 12 months, while our obligations given what we have on our balance sheet goes for a much extended period. We started to kind of hedge positions which are kind of there for the next 12 months. Towards that obviously we have a certain amount of inflows, like I said, a natural hedge that comes through. So, whatever is the natural hedge is taken out, which is the 10% that I have talked about in terms of revenues that are coming from international point of sales. We have some inflows that come from incentives that we receive on deliveries. Outside of that, we have got a policy that we are going to hedge up to 20% of the remainder. So, in aggregate, we are hedging for the next 12 months up to 60%-70% of our positions. Going forward, we will also keep testing whether we want to extend this out from a 12-month window, can we extend this out to a longer window given our obligations go longer, but for now at least, we are hedging all our positions for the next 12 months between a natural hedge and the forward instruments that we are taking up to 60%-70%.

Binay Singh: Ok, that is good to know. So, the number that you gave about 1 rupee movement having the loss on the P&L that is after this hedging number? So that is post the hedging number?

Gaurav Negi: So, this number is on the balance sheet and then because that goes all the way for the extended period of leases and the maintenance obligations, they could be up to 8-10 years. So, that is on the balance sheet number. So, I am giving a reference point so that when you look at the balance sheet, you will get a gauge that how much is the net exposure on the balance sheet in terms of my liabilities that I carry. On that any movement for the rupee is going to be translating into a number that comes like, earlier question was, our exposure was up to $5 billion because we had 300 aircraft on balance sheet. Today, we have got more than 400. That number has gone up to $8 billion. So, you got gauge on that, but the hedge is going to be a subset of that, like I am saying. Anything which is 12-month payout that I have or a cash outflow I have, I am going to hedge that position.

Binay Singh: So, in a depreciating rupee environment, every quarter we will probably have a little bit of a forex gain that you will report in your other income?

Gaurav Negi: Subject to which direction the forex is going to move in that particular window.

Binay Singh: Yes, and also versus the rate at which you would have hedged, like the 12-month exposure, any guidance you are sharing on that, at what rate would you have hedged that?

Gaurav Negi: No, we are not giving any guidance right now. It is a rollover mechanism. You have got many rates that keep playing out because you keep doing it on a monthly basis. It is the rollover mechanism we have, so it will be very difficult for us to give you any type of guidance on that.

Binay Singh: That is very helpful. Just one last question, we have talked about the AOG situation, how it is hitting us on the CASK side and there is also some compensation on the topline side. Any number you would like to share on the spread level? Then once the AOG situation passes by, any benefit at the overall spread level that you will see?

Gaurav Negi: It is going to be better. So, we are not giving any kind of a number out related to that. All I can say the situation is improving, if I were to give you some kind of a gauge, it is going to be in the single digits in terms of spreads, so that is where I will leave it at.

Binay Singh: RASK minus CASK spread, right?

Pieter Elbers: Well, the impact of it, yes. You asked for the impact, again, I think what is important we discussed last time. Last time, we said we have turned the corner for the AOG addition, and it had started to decline. Then, what is the pace of decline and at what point in time, time will tell but it is important that we have started to improve the situation, and our mitigating measures have been extremely effective. You know we have delivered the growth in this quarter despite AOG situation, but slowly, we will see that effect go down and hence we will see it coming back in the bottomline and of course, yes that is going to be better. What precise number is open for debate, but surely, it will have a positive impact on the spread there.

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

Pulkit Patni: Thanks for taking up my question. First is a clarification, the yield guidance that you have given, is it Q-o-Q or is it Y-o-Y?

Gaurav Negi: Y-o-Y, Pulkit.

Pulkit Patni: Ok right, so similar guidance to what it was in the last quarter, low single digit moderation in yields Y-o-Y, right?

Gaurav Negi: That is right, Pulkit. Last quarter was a little bit towards the midpoint also, low to mid. This one is towards the low end of the single digits.

Pulkit Patni: Ok, so this is clear. My second question is on the cost of damp leases, I remember last quarter you had highlighted that the Qatar Airways planes etc., had come towards the end, so only partial costs have been booked, but your lease costs has actually not come that high? So, any other adjustments we have done, have we been able to send some of those planes high-cost wet lease planes back just a flavor on our cost control in general has been better in the quarter, so wanted to get a flavor on what really drove that?

Gaurav Negi: I think I had shared the last time also, we were experiencing a higher rate for those damp leases because of the summer rates. Those leases had come from Europe. They had a summer rate that was higher. Those rates moderate down during the winter, and that is the moderation that has happened in this quarter, but having said that, that reduction got offset with more damp leases that we have taken. So, on an absolute basis, what you will see is that the costs have remained neutral despite an increased damp leases, but a moderation in the rates, which kind of set each other off, so there is no increase in absolute terms, but the number of damp leases have gone up and the rates have reduced from summer rates that were being applied on certain leases that we had taken from Europe now have shifted to a winter rate.

Pieter Elbers: Which has a positive effect on the results because in fact, we have more ASKs for the same lease cost.

Pulkit Patni: Great, this is something I learned. And my last question is other non-operating income given that large part of this was contributed by AOG. As AOGs come down we were expecting this number also to be lower, but look like sequentially that number has jumped up, anything other than that which is driving it?

Gaurav Negi: Should be largely the same, Pulkit if there is not too much variation except for the number of days that would be there. So, on an average basis, it will largely be the same, so no major variations.

Pulkit Patni: But from the next fiscal start, where AOGs come down, this number should logically come down in the same sequence, right?

Gaurav Negi: Yes, absolutely. So, the claims are directly proportional to the number of AOGs.

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

Joseph George: Hi, thank you, just one question, trying to get my hands around the mark-to-market loss. So, out of the total cash balance that you have of about Rs. 40,000 crores approximately, how much is dollar denominated?

Gaurav Negi: Roughly around Rs. 14,000 crores.

Joseph George: So, when I look at the total liabilities, total debt including the lease liabilities, that is about Rs. 65,000 crores and if I were to deduct say Rs. 14,000 crores of dollar denominated cash works out to slightly more than Rs. 50,000 crores. So, I am trying to figure out how does the 2% change in the currency from 2Q end to 3Q end result in Rs. 1,400 crore of forex?

Gaurav Negi: So, you have got what you have seen is lease liability, there is maintenance obligations also which you need to add to that because the combination of the two, the lease liability that you have on the rental side and the maintenance obligation in aggregate, if you were to consider those, net of this restricted cash that I am talking about is going to give you a net exposure of somewhere around $8 billion. So, every dollar movement that will happen will translate into Rs. 800 crores for you. And given it is a two points of shift that has happened and average of that is coming to Rs. 1,400 crores of mark-to-market. So, what you are missing out in your calculation is the maintenance obligations also.

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

Sabri Hazarika: Good evening. So first to clarify, you mentioned your current AOG that is Q3, end AOG in the 60s you have said, so is it like mid 60s or low 60s?

Gaurav Negi: You are not getting specifics on the numbers, it is in the 60s. We leave it at that right now, Sabri.

Sabri Hazarika: Fair enough, and secondly, in terms of, what we have seen is that there is a significant like fleet addition which has happened, almost like 70 aircraft have been added in the last 9 months, and you have also up the guidance of ASK significantly for Q4. So, like you said, I think December was like somewhat not that strong around 8% passenger growth, but are you expecting, like you have mentioned also that the demand is back. So, are you expecting double digit sustainable growth of the Indian market for the upcoming period?

Pieter Elbers: Yes, maybe to clarify a few points, the number I was referring to was the total market for the month of December, which was just published yesterday. So, the total market for December had gone up 8%, IndiGo had gone up with almost 13% in the month of December. So, we have recorded very strong month and actually very strong quarter with that 31 million. So, that is just reconfirming the fact that after the first half of the year we see really a strong growth of the demand in the second half of the year. We expect that to continue in the quarter to come. We will have a 20% capacity growth in this quarter, year-over-year. That is not because we are adding that number of planes, but that is mostly becoming we had a significant drop last year because last year you may recall, we had the powder metal issue and groundlings were increasing and so there was a lot of issues last year. So, basically with the growth now, we have totally recovered from whatever happened in the timeframe. So, if you just take a step back and look what happened, we had a very difficult year last year with the number of groundlings increasing. We have recovered from that. Thanks to the fact that we got the new plane coming in pretty much every week, we have been able to address that capacity situation and with that growth, we are very confident that we will deliver up our capacity guidance again for the year FY25, which is in the early double digit.

Sabri Hazarika: And second question is regarding your fuel cost. So, despite higher damp leases, I think there has been some efficiency which has been seen in the fuel CASK, so any specific reason behind that?

Pieter Elbers: I don't think that any specific efficiency, there has been some drop in the prices of fuel year-over-year. We have seen that and there has been no specific efficiency. Of course, we have a whole range of programs looking at fuel efficiency, but if you look the numbers which are here, there has been no specific efficiency included in this.

Moderator: Thank you. Next question is from line of Jinesh Joshi from PL Capital. Please go ahead.

Jinesh Joshi: My question is on fuel CASK. So, if I look at this quarter, the fuel CASK has mirrored the price trend, which is down on a Y-o-Y basis, however, if I look at them last quarter the trend was inwards, the fuel prices were down, but the fuel CASK was up. However, in this quarter, the trend is slightly different, but the reasons that you highlighted and the congestion issue part you spoke of or for example the VAT rate increase that you had highlighted, the reasons are more or less the same, but the trend is different. So, can you highlight what are the specific reasons for the trends to be reversing 2-3 quarters?

Gaurav Negi: I don't think of the trends are different. The trends are quite alike. We had experienced the same kind of reduction last quarter, but some of these reductions that we have seen both in terms of MOPAG and Singjet are getting offset by what we have mentioned the last time also was because of increased VAT that we had already started to see, some increases because of all marketing companies charges that they kind of adjusted as well, also a lot of congestion that we had started to experience, which was leading to a higher fuel burn. So, similar to this quarter that we have kind of called out, the fuel CASK adjusted by over 20 points year-over-year. However, what is getting reflected for us is around 16 points. So, there is some erosion that happens while it should have been higher, but because of these headwinds that we have seen both in terms of increased VAT, increased congestions that we have experienced, some forex related and all marketing company charges, the moderation has happened on that particular fuel CASK number and it is quite similar to what had happened in Q2 also.

Jinesh Joshi: Sir, my second question is on the AOG count, you mentioned that it is in high 60s and from the start of the next fiscal it should be in 40, so ideally, if the environment on AOG is expected to improve, the wet lease count, ideally on sequential basis should have declined, but that has increased from 25 to 33, so does this mean that the AOG issue will take a bit longer to resolve than what we have been guiding?

Pieter Elbers: No, a flat clear answer to that. I think we adjust the situation with the leases as per our desire to match the market demand and accommodate the growth which is there. And if you look at the third quarter and you see that we recorded for the longest period in the history of IndiGo, a load factor of 90% everyday and again two consecutive months more than 90% load factor that just underlines that we have taken the right call by making sure that we have adequate capacity in place. Let me correct you when you said high 60s, I think that is not what Gaurav and I have mentioned. He said 60s without any further definition, where we were in the 70s, we are now in the 60s and we expect that to continue to decline going forward. So, we keep some flexibility of these leases going forward. There are some seasonal effects which are clearly helpful in having this and basically we have the flexibility on the quarter basis to further attune, to further align and as we basically have demonstrated for this strong quarter.

Moderator: Thank you very much. Next question is from the line of Kushagra from Chanakya Wealth Creation. Please go ahead.

Kushagra: Just two questions, one on the gross spread side, which is your RASK minus fuel cost, the third quarter number was probably one of the best. So, is this sort of an indication that the overall your numbers on the gross split side are shifting to higher base for longer? And if do you believe so do you see it playing out both on the domestic and the international side, so maybe some color there and also some color on the third quarter domestic and international yields? That is my first question. The second question is really just a small one qualitatively, again on the new aviation bill, so do you see this bringing any benefit to you on the cost side, on the leasing side or operationally or these are still early days on the new aviation bill

Gaurav Negi: First, on the last question on the aviation bill, it is a positive thing like that has been at least approved by the cabinet. Let us wait for it to get ratified in Parliament. It is long overdue. Given the growth that we are seeing in aviation, obviously all airlines need a lot of capital and such kind of an acknowledgement that will come from the government, related to a convention which is a global convention will obviously boost a lot of confidence for the global lessors to start participating as far as financing aviation is concerned, so it is a positive move. And we are eagerly awaiting for it to get at least ratified in the Parliament. It is long overdue in that regard. Related to yields, the question that you had, obviously we have seen yields slightly moderated down versus last year, like I mentioned, one point down on the domestic side, but the load factors came in stronger. But as far as international is concerned, obviously the loads came in stronger, but there was a higher degree of moderation given the intensity of capacity addition as well as more interest by foreign airlines to participate in India. So, what we have seen is domestic is doing good. There is at least the yield is holding up as well as the load factors have held up, but on the international side, the intensity of competition went a little higher. So, there was a higher degree of moderation that happened on that front, but nonetheless the demand is very strong. So, it is getting offset by the demand side. We will continue to keep monitoring again as we have given the guidance for Q4, there is a 20% increase in capacity that we are seeing. It will again be spread between domestic and international, more so international given we had a strong Q3. You refer to Q3 in terms of the spread, domestic wise Q3 is always the strongest. So, that has played out well. It has played out even better than what we had guided during our Q2 call. And now, like I said, in Q4, we will see some bit of a moderation on the passenger unit revenue side. So, we are expecting at least the yield to be lower because last year, year-over-year, the yields were very strong given the capacity was less. We had taken down a lot of aircraft because of AOG, so as a result industry wise, there was less number of aircraft. This time around we are adding capacity, but overall, we expect the quarter to be strong given what we have seen from a demand standpoint, November, December and the early parts of January have been very strong for us.

Moderator: Thank you. Next question is the line of Siddhartha Negandhi from Alitus Advisory. Please go ahead.

Siddhartha Negandhi: I want to understand your fleet addition has been 22% higher versus December last year whereas your available seat kilometers are 12% higher, you are adding a shorter routes or are these due to an increase in any other factor? That is one. The second question that I wanted to understand is again in relation to this, it is available seat kilometers are higher by 12%, then why the rental costs going up by 22%, what is the impact of these wet leases and when do we expect the wet lease number to come down significantly, thereby reducing the rental cost?

Pieter Elbers: Let me address the first question. We are comparing quarter end to year end and in one year there are a lot of deliveries, at the beginning of the quarter in another year, there are a lot of deliveries, at the end of the quarter, it sort of distorts the percentages, so you cannot make the calculation as you just did. It is just sort of point in time where we compare one point in time to the other point in time. So, that it doesn't suggest a different utilization on another utilization. In fact, the IndiGo utilization remains at the very high level and at the very stable level really when it comes to aircraft utilization itself, so that you cannot translate that to the 12% growth. I think what is important and an incredible asset IndiGo has, the fact that IndiGo has the largest order book in the world and we still have a little over 900 planes to be delivered in the decade to come is providing IndiGo a very solid strategic position because if you take a little bit step back from the sort of quarterly results up down ASKs 12% to 11% every week, there is a new plane coming in for the next decade. That in itself will provide us with such a steady flow of capacity to address the growing demand in India. So, you will see more of these sort of percentages going up and down depending on the delivery of the planes, but there is no relation to that exact number you were calling out.

Siddharth Negandhi: And on the rental costs, which have gone up by 23% versus the capacity addition which is at 12%, given that, when do we expect this wet lease situation and is that entirely due to wet lease? If so when do we expect the wet lease situation to improve and for us to continue to operate on operating leases bringing this cost down?

Pieter Elbers: Again, I am sorry to say these numbers are not comparable. First, the increase of 12% is the entire fleet, it is wet leases, it is base fleet, it is the fleet which is coming in is everything. So, the whole lot year-over-year is 12%. Then there is a certain set of external sort of lease in damp lease in capacity, and there we see some increased rental cost that is again year-over-year, an increase of that. To your point, when can we expect it to disappear, we are doing a lot of that at the moment to address the capacity situation. I think going forward and probably not the next 2 quarters, but thereafter we would need to start to make a differentiation between what all are we doing to deal with seasonal capacity fluctuations and what all are we doing to deal with the aircraft on the ground and supply chain challenges. For the time being, the key driver is to deal with the supply chain challenges. It has served IndiGo extremely well in terms of serving the demand, keeping our market position, building our network, creating a customer basis. So, we will continue to do that going forward and at one point in time, there is going to be sort of focus on seasonal fluctuations over the AOG situation.

Siddharth Negandhi: So, you mentioned one aircraft delivery per week at 12 weeks, if I had to assume 12 aircraft there 8 aircraft increased on the wet lease side, is that therefore fair to say that the total capacity addition quarter-on-quarter is 27 and therefore 7 is the AOG reversal?

Pieter Elbers: No, you cannot say it exactly like that, but perhaps there is a lot of detail, may I suggest you get in touch with the IR team directly and they will be able to help you further.

Moderator: Thank you very much. Ladies and gentlemen will now take the last question from the line of Ansuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb: Thanks for the opportunity. My question was regarding the business class that we have launched. Globally, we have seen very good results on premium classes and multiple airlines have a kind of indicated that surely we would also reach some of these benefits going ahead. If you can give some color on the initial experience and expected help in the overall spread that we can see, maybe in FY26 and FY27, any ballpark thing that we have done our outlook you can share?

Pieter Elbers: Thank you for bringing up the question. Indeed, globally and in some other markets, we see a surge of the premium demand and airlines who have that are able to benefit from that. I think what IndiGo actually is doing today is making sure that we are ahead of the curve. So, we are introducing something new which is exactly matching the evolving needs of the Indian consumers. And we have started it only in the middle of November. So, it is still in the nascent stage. We started with 6 flights and by the end of the year all our 40 sectors, we fly 40 sectors a day, 20 each direction between Delhi and Mumbai were operated with this new product. The reactions from the market have been very positive, people appreciate the product, people are sort of welcoming it and to say, hey, that is a great opportunity in doing it. We have launched it on Jan 10th on Delhi - Bangalore, so at that point in time, all the flights between Delhi and Mumbai were done and we are now on Delhi - Bangalore, same story, very positive reception of that in the market. Of course, the Christmas time is not for business travelers, not the busiest time of the year, but the weeks prior and the week after, we really see very positive momentum in the market, and the fact that we offer this product to our customers is really received very well. And again, I just like to reiterate what I said earlier, it is exactly the combination of all these elements, loyalty program, this new product in the market, we will have 40-45 planes in operation by the end of calendar year 25, and all the metro to metro routes which have been selected are there. You asked for the impact, I don't think we have a precise number out here for you. The very core of the operation will be still what we have today, but this is actually a very tailor made solution and we keep all options open going forward if we should expand it to other regions or other parts of the network. But again, having 40-45 planes in this configuration on a total of 400 planes gives you a bit of an indication on the magnitude of it. It is a substantial part of it and again our confidence in it is growing, seeing the reactions from our customers.

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

Pieter Elbers: Thank you so much. Ladies and gentlemen, thank you so much for joining us in this call and actually, we are proud to have delivered a strong third quarter results as excluding the impact of currency fluctuations, we reported the profit after tax of around Rs. 38.5 billion, or Rs. 3,850 crores. This reflects a growth of around 26% on a year-over-year basis. Our remarkable performance was driven by robust demand and growing demand in the market and our ability to serve that demand. As the fundamentals of the Indian aviation industry remain strong, we are confident in our ability to cater to the evolving customer demands along with delivering on our key customer promises. Ladies and gentlemen, with that once again, thank you for joining and looking forward to talking to you in the next quarter and for now, thank you so much.

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

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