Interglobe Aviation

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Operator: Ladies and gentlemen, good evening and welcome to Interglobe Aviation Ltd.'s conference call to discuss the first quarter of fiscal year 2027 financial results. My name is Sagar 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, Head of Investor Relations at Indigo. Over to you.

Management: Good evening everyone and thank you for joining us for the first quarter of fiscal year 2027 earnings call. We have with us our Managing Director, Mr. Rahul Bhatia, and our Chief Financial Officer, Mr. Gaurav Negi, to discuss the financial performance and they 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 would be uploaded subsequently. With this, let me hand over the call to Mr. Rahul Bhatia.

Management: Good evening everyone and thank you for joining us on this call. Today we announce our first quarter of the financial year 2027 results. This quarter we reported a loss of around 2 billion rupees. The aviation industry and in particular the Indian aviation industry continues to operate in an environment that is promising yet demanding. In the near term, what is very clear is that fuel costs remain elevated and we continue to operate in a very volatile environment. This makes disciplined execution even more important, protecting the business in the near term while staying responsive to fast-changing market conditions.

The quarter was marked by a constructive pricing environment and our ability to pass through a part of the elevated fuel and operating cost pressure in a disciplined manner. While the quarter saw a sharp increase in costs, the revenue improvement needs to be assessed together with the movement in fuel and other costs. At the same time, it is equally important that we do not let short-term volatility cloud the long-term opportunity. Indian aviation remains one of the most compelling structural growth stories in the world. India is still a severely underpenetrated aviation market. Rising incomes, greater mobility, a young population, expanding aspirations, and continued investment in aviation infrastructure, all point in the same direction.

As we reflect on this, it is also a moment to reflect on Indigo's journey. We began in 2006 with a simple belief that air travel in India could be more accessible, reliable, and consistent. Over the last 20 years, this belief has translated into meaningful impact, connecting more and more cities, from heartlands to metros, to international markets, serving millions of passengers and making air travel a practical choice for a wider section of India. As we build Indigo for the long term, we have signed an MOU with CFM International for over 1,000 Leap-1A engines for our future aircraft deliveries. This MOU also supports the development of an engine MRO and long-term material services. It is a clear step towards gaining structural strength, investing ahead of growth and building the platform Indigo needs as we scale into a larger and more global airline.

That same long-term thinking also shapes how we view the network and fleet choices. The domestic and short-haul business will remain the heart of Indigo with our single-aisle program, anchored by the Airbus A320 and A321 family aircraft being central to the future of the airline. Alongside this core, international expansion and product evolution would be important parts of Indigo's next phase. This expansion is about building a footprint in a disciplined and fit-for-purpose manner. Kindly now let me hand over the call to Gaurav to discuss the financial performance in detail. Thank you.

Management: Thank you Rahul and good evening everyone. Let me start with sharing the operating context that we experienced during the quarter, which is important to understand the financial performance for Q1 FY27. The quarter was shaped by three broad factors impacting the outcome.

One, measured capacity deployment driven by geopolitical situations in the Middle East and optimization of our schedule as we transition into a seasonally weaker period starting June 15 onwards. Number two, pricing actions as a countermeasure to offset the pressure on economic performance and outcomes. The revenue environment improved meaningfully on a year-over-year basis, supported by pricing actions, healthy loads, and base effect. Point number three, elevated cost environment led by fuel, currency, and inflationary pressures.

Moving on to the financial performance for Q1 FY27, we reported a total income of 256 billion rupees, a growth of around 19% year-over-year with a yield growth of 21.3% and a load factor reduction of 1.3%. Despite a volatile environment, passenger demand held up as we served 31.3 million passengers, a growth of 1% year-over-year. In terms of profitability, EBITDA came in at 38.3 billion rupees at a margin of 15.6% compared to an EBITDA of 57.4 billion rupees and a margin of 28% for the same period last year. For the quarter, we reported a net loss of 2.4 billion rupees compared to a profit of 21.8 billion rupees in the same quarter last year. Excluding the impact of currency movement, we reported a net loss of 56 million rupees compared to a net profit of 23 billion rupees during the same period last year.

The June quarter's capacity growth came in at 3% on a year-over-year basis, broadly in line with our guidance. Capacity deployment during the quarter remained impacted by geopolitical developments, particularly airspace-related constraints and disruptions in certain international corridors. As the quarter progressed, we adjusted capacity with customer demand in mind. We moved capacity to markets where demand was holding up better and took measured actions on routes affected by disruption. This helped us stay responsive to changing travel patterns while keeping the network aligned with customer needs.

Moving to the demand and revenue, the quarter demonstrated the strength of an underlying demand base and the benefit of a more disciplined pricing environment. While demand conditions were not uniform across the market, the month of April, the demand and load factors reflected the combined impact of disruption, constrained customer sentiments in certain markets, and network recalibration. May was a standout month for Indian aviation. It was the best month for the domestic industry reflecting healthy recovery. For Indigo, it was a landmark month as we carried over 10 million domestic passengers, our highest ever, underscoring the strength of our network, our execution, and the trust of the customer which continued to be placed on us. June remained constructive from a revenue environment perspective, with yields holding up well even as part of the international network continued to be managed selectively. International capacities largely recovered during the month, supporting an uptake in revenue.

Driven by the disciplined pricing actions and demand-supply dynamics, the passenger unit revenue came in at 5.03 rupees, which is 19% higher on a year-over-year basis. This is slightly better than our guidance as June sustained the positive revenue momentum. The yields came in at 6.04, which is around 21% higher compared to the same period last year and a load factor of 83%, which is 1.3 points lower as compared to the same period last year.

On the cost side, fuel remained the largest source of pressure during the quarter. Global fuel markets continued to be influenced by developments in the Middle East, resulting in significant volatility. While average Brent prices were up by around 50% year-over-year, elevated crack spreads drove benchmark Singapore Jet Fuel prices higher by nearly 120%. We saw a timely intervention by the government which was followed by our partners from the oil marketing companies to limit and moderate the prices of domestic ATF during the months of April, May, and the first 8 days of June. This support enabled us to continue to operate largely as per our planned schedule and also pass on the benefits to the domestic passengers in the form of a lower fuel charge.

Despite these measures, our fuel costs increased by around 80% year-over-year. We are also thankful to the airport authorities, airport operators, and the partners for their continued support. Further on a year-over-year basis, CASM ex-fuel ex-forex came in at 3.20, around 11% higher year-over-year due to inflated dollar-denominated costs, the depreciation of the Indian rupee by more than 11%, the lower utilization in parts of the quarter leading to a lower ASK base, and annual contractual escalations. In this environment, we have stayed focused on cost efficiency and levers within our controls to reduce the impact on margins. We are prioritizing flying our more fuel-efficient aircraft and not operating our older CEO aircraft wherever commercially appropriate. We have also tightened our discretionary expenses and deferred increments for senior-level employees.

Now moving to the fleet, we inducted a total of 13 aircraft from our original order book which were all inducted through an entity in the GIFT City. We re-delivered 9 aircraft from our original order book and 13 damp-leased aircraft during the quarter, resulting in a total closing fleet of 432 aircraft at the quarter end. Let me now turn to the network and key developments during the quarter.

During Q1 FY27, we commenced flights to Jamnagar, reinforcing our commitments to strengthening domestic connectivity while selectively building our international footprint. We also became the first airline to commence operations from Jewar Airport in Noida, further deepening our presence in the NCR airport system and positioning us well for long-term growth in one of India's most important catchment areas.

On the product and ancillary initiative, there is an important customer dimension to the industry's evolution. As aviation becomes more mainstream in India, customers are looking for more choices, more flexibility, and more seamless travel experiences. As the market evolves, the customer has different needs across different journeys. Our task is to respond to these needs without losing the essence of Indigo. In the same direction, we introduced light fares for customers traveling without check-in baggage with flexibility to purchase add-ons. This supports customer choices and revenue diversification while remaining consistent with our simple, efficient, and operating model.

We continue to strengthen our loyalty program ecosystem through partnerships that deliver greater value beyond the journey itself. Our collaboration with the Accor ALL loyalty platform, which recently went live, extends meaningful earning and redemption opportunities across travel and hospitality, enhancing customer engagement and reinforcing Indigo's blue-chip long-term proposition. Further during the quarter, we also tested SITA's OptiClimb, an AI-powered flight optimization solution aimed at improving fuel efficiency. These initiatives reflect our strategy in action: expanding the network in a disciplined manner, giving customers greater choices, building ancillary revenue streams, and continuing to strengthen the efficiency that sits at the core of the Indigo model.

Turning now to the balance sheet side and liquidity, we ended the quarter with a total cash of 529 billion, of which free cash was 390 billion and restricted cash was 139 billion. The capitalized operating lease liability stood at 538 billion. The total debt including capitalized operating lease liability stood at 815 billion with the Right-of-Use assets at 550 billion. In terms of the cash utilization during the quarter, we made deliberate capital allocation towards assets that strengthen the platform for the long term, including the purchases of four engines through the GIFT City entity and partial payment towards the acquisition of land for our unified campus.

As we enter the seasonally softer demand period and continue to manage fuel and airspace volatility, we are adopting a prudent and measured approach to capacity. We are rationalizing capacity by selective route-level actions and a few temporary international suspensions. As a result, we are expecting a flattish capacity growth in Q2 of FY27 compared to the same period last year. In terms of unit passenger revenue or PRASK for Q2 FY27, with the current balanced demand-supply equation and higher fares holding up, we are expecting growth of more than 25% compared to the same period last year.

In closing, the June quarter reflects the strength of the revenue environment and the depth of the demand base, but also the realities of highly elevated costs. We will continue to manage the business with discipline, balancing growth with economics, capacity with demand, and near-term volatility with long-term strategic priorities. Our focus remains on reliability, cost efficiency, balance sheet strength, and long-term shareholder value. With this, let me hand it back to Richa.

Operator: Thank you, Rahul 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. We will now begin with the question and answer session. Anyone who wishes to ask a question may press star and one on their touch-tone phone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Your first question comes from the line of Krupa Shankar NJ with Avendus. Please go ahead.

Krupa Shankar - Avendus: Good evening and thank you for the opportunity. My first question is on the yields. While you have highlighted that the PRASK yields are expected to be high at 25%, what has been the impact you have seen so far with respect to load factors? Is that one of the key reasons why there is a rationalization with respect to capacity, given that the guidance is flattish on a relatively lower base on a year-over-year basis?

Management: Krupa, the way Q1 panned out for us, we already had at least a 21% increase in the yields. The load factors did not go down significantly; it was just a 1.3% decline in the load factors. As we are looking into Q2, we are seeing that the price discipline is still holding up in the market and as a result, the yields have been tapering upwards, which is why the guidance for Q2 is 25% and north of 25%. We are expecting the loads to be flattish or slightly down, similar to what they were in Q1, but that is largely driven by the fact that a large part of the capacity has also been reduced, which is typical of this quarter. Even last year, we had tapered down or optimized our capacity given that it is an off-season quarter. So, with the decline in the capacity deployment that we have done, we have seen that the pricing discipline is still holding up, we are able to push up prices, and the loads are also sticking. That is how we are looking at Q2.

Krupa Shankar - Avendus: Got it. Second, on the rationalized CASM, since there is cost escalation, is there a number you want to keep as a bottom number or a spread number which you will be comfortable with going ahead, until which there can be increasing hikes with respect to pricing? Is that something which is in consideration when you take these hikes?

Management: The endeavor is always going to be to have economically viable propositions so that we keep having a healthy spread. But as you are well aware, the kind of environment that we are in right now, the fuel and the currency have been the biggest drag. Given how things had shaped up in Q1, we have managed it well. We were hoping that this was behind us because a large part of the conflict was coming to a close, but we have recently started to see some flare-ups. Our endeavor is always going to be to make sure that there is a healthy spread. We will keep working toward that, but the external factors are just too significant. The headwinds are too significant. We keep testing higher levels of yields in order to offset largely the increased levels of costs that we are experiencing. There is no specific target, but we just want it to be a healthy kind of spread.

Krupa Shankar - Avendus: Got it. Thanks for answering. I will get back in the queue.

Operator: Thank you. Your next question comes from the line of Pulkit Patni with Goldman Sachs. Please go ahead.

Pulkit Patni - Goldman Sachs: Thank you for taking my questions. I have a couple. Firstly, is there any change to your full-year guidance, given that your second quarter guidance is a flattish one after the first quarter was also relatively weak? How should I look at your full-year ASK guidance?

Management: Pulkit, we are holding to the guidance that we gave at the analyst meet. It is in single digits. It was already tapered down. Post FY27, we had also given guidance that we will be back to early double digits. Given the external factors, we are still holding to the single-digit guidance that we have given on capacity.

Pulkit Patni - Goldman Sachs: Gaurav, my second question is not typically asked, but would you be able to talk about, on a rupee basis, what the cost of fuel was that you paid in this particular quarter? I am asking because I want to gauge if our fuel consumed per ASK has changed meaningfully between the last few quarters and this quarter.

Management: When you say specific change, there are two elements of change in the fuel: rate and consumption. There is no change on a per ASK basis as far as consumption is concerned. The only driver of the change has been the rate, and the rates have been going up, which has been the biggest part of the mitigation that we have been working on in Q1.

Pulkit Patni – Goldman Sachs: And for the quarter, what was that rate, if you can talk about an effective number?

Management: Again, if you look at the reference point, March was a reference point. From April 1, support came in from both the government and the oil marketing companies where they said that the increase in fuel rates was going to be capped at 25% for the domestic space. That was defined from April 1 and worked out in April, May, and until June 8. That particular methodology worked out, while the international was always at the market rates, which was where the MOPS was trending. After June 9, even for the domestic space, we moved to market rates, the MOPS rates.

It is kind of how the quarter played out: from April 1 until June 8, there was a defined formula supported by the oil marketing companies for all airlines that was referenced to the March pricing with a 25% cap plus taxes, VAT, and excise duties. After June 9, the reference shifted back to market rates, which were already in place for international. All domestic had this cap until then, while international was always at market rates. Additionally, this was for the public sector oil marketing company partners. The private companies had their own rates in place, which were again linked to the market prices that were applicable in March.

Pulkit Patni – Goldman Sachs: I will take this offline because my implied calculation shows the effective rate is close to 150 rupees per liter. I am not sure if that is the right number, so I will check with you offline to get a better understanding.

Management: Sure.

Pulkit Patni – Goldman Sachs: Thank you.

Operator: Your next question comes from the line of Arvind Sharma with Citi. Please go ahead.

Arvind Sharma – Citi: Good evening. Thank you for taking my question. Continuing on the fuel cost part, if you look at the fuel PRASK, it is up almost 60% quarter-on-quarter and 80% year-over-year. I understand there was a cap in the fuel cost increase and there have been multiple releases from the OMCs that fuel prices would not be increased; even after that, there was a 63% quarter-on-quarter fuel PRASK increase. What would be the key drivers? Even after June 9, if it was a free market, for a major part of the quarter, the growth might not have been as much as the numbers reflect. If you could throw some more light on how the fuel PRASK increase ties up with the actual fuel that you have paid for.

Management: Arvind, since you are doing a quarter-over-quarter comparison, if you look at January, February, and March, there were different things going. When the fuel was increasing significantly in March, it was in the early 80s from a SingJet standpoint. It went to around 82 in February and then there was an increase in March. March becomes the baseline when you are doing a quarter-over-quarter comparison because March became the reference point for April, May, and the 8 days of June. You were already at an elevated base level on which then this formula was being applied, which was a 25% cap for domestic plus VAT, taxes, and excise duty. That played out on the domestic front.

International was using the same philosophy of pricing that applied prior to the war. The mix of that was the driver of the fuel cost increase. Additionally, this was only up to June 8. Beyond June 9, it was back to the MOPS-linked methodology. The combination of these factors, plus the fact that international was at market rates—which was 2 times the reference point because international fuel prices had gone up by 120%—drives the cost. Domestic was capped at 25% with the additional impact of VAT and excise, and the private players were pegging their pricing at market prices. A combination of these three effects is what gives you that 63% sequential increase. Your starting base in March was higher compared to January and February.

Arvind Sharma – Citi: Got it. Thanks. Second question is on the fleet. Is it fair to assume that damp-leases will eventually go to zero? Given that the second quarter will be a flattish capacity growth quarter, is there a rethink on the fleet strategy, or does it continue as usual adjusted for the damp-lease aircraft being returned?

Management: The fleet strategy is on plan. The only tapering we have done is parking older technology CEO aircraft given the environment; with fuel levels extremely high, it does not necessitate operating those. Regarding damp-leases, we have returned most of them. We will assess the situation as we come into Q3, looking at the external environment, especially relative to the Middle East, to see if fuel levels have moderated. If the demand situation improves and the cost tapers downward, we will assess if we need surge capacity in the form of damp-leases. Outside of that, our own fleet remains on plan.

Arvind Sharma – Citi: Thanks. Could you comment on where you are in terms of Middle East capacity? Is that normalized?

Management: At the end of June, we were up to close to 90% or 95% levels of the capacity we were operating previously. We were close to 150 daily departures prior to the war. It went down to around 20 or 30 departures at the peak of the crisis. Over the course of June, we started to ramp back up and were close to 130 plus. We are assessing the status today; it is likely in the north of 90% capacity. We continue to monitor the situation, as the crisis has recently flared up again. Our intention is to keep operating in the Middle East as long as it is safe to do so at the maximum capacity possible.

Arvind Sharma – Citi: Thank you so much.

Operator: The next question comes from the line of Sabri with MK Global. Please go ahead.

Sabri – MK Global: Good evening. My question is also on the fuel side. The reported number in June was around 110 or 115 rupees per liter for ATF. Was that also a capped number or did you account for it much higher while taking market rates after June 9?

Management: I will try to address that. Pre-war, fuel was operating somewhere close to 85 to 90 for ATF. When the war broke out, fuel prices went up by 120%. SingJet and MOPS started to touch close to 180 to 200 dollars because of that increase. With that March base, if you put a cap on the domestic side at 25%, plus VAT and excise, while international operated at 180 plus because no relief was available, the blend of these together gives you an average rate. It could be around 140 between international and domestic.

This is the portion that comes from public sector oil marketing companies. You also have private players supplying fuel who did not all moderate their pricing; they continued at the market pricing applicable to international levels. When you blend these, you get the average for Q1 which is closer to 140. At the very end of June, ATF did start to moderate downward at an aggregate level, coming down to 110 at a market level, but it is linked to averages. Today, if you look at ATF, I estimate it is around 140 to 150 dollars at an international MOPS level. The fuel has moved significantly. The combination of support from OMCs, additional VAT and excise, the two different pricing periods in the quarter, and private supply results in that 63% increase from the March base.

Sabri – MK Global: Currently the rate is similar, with Brent at 90 dollars and another 50 to 60 dollars for SingJet margins.

Management: That is right.

Sabri – MK Global: And second, on capacity—this is significantly connected to the Middle East, correct?

Management: Capacity for Q1 was largely Middle East driven because we had a high amount of cancellations. Q2 is a prudent call we typically take where we taper down capacity for off-season markets. We have already communicated that we moderated capacities and suspended operations at six destinations on the east side, such as Langkawi, Ho Chi Minh City, Hong Kong, Shanghai; these will restart in October. Q1 was Middle East driven; Q2 is more about the east due to off-season markets.

Sabri – MK Global: But year-over-year, could there still be a Middle East impact in Q2?

Management: I hope not. We are already at 90% right now and hope the crisis tapers down. Regarding capacity, we will keep operating as long as it is safe.

Sabri – MK Global: Got it. Thank you.

Operator: Your next question comes from the line of Aditya Maulia with Kotak Institutional Equities. Please go ahead.

Aditya Maulia – Kotak Institutional Equities: Thank you for the opportunity. A couple of questions. First, on pricing, I understand the company is not utilizing its entire fleet while price points are being upped to 20% and higher levels in Q2. Is this something that could sustain beyond Q2?

Management: Beyond Q2 is the Q3 period, which is usually the peak season for us. We will be bringing back all the capacity that we have, which was the approach we took even last year. We curtailed some capacity in Q2 because of the off-season and then brought back the entire capacity along with damp-leases. We will again assess the demand-supply situation in the context of increased prices meant to offset higher cost levels. We intend to bring more capacity back into the market because demand is likely to be very high during the peak Q3 period.

Aditya Maulia – Kotak Institutional Equities: The second question was linked to news on the cross-holding between airports and airlines. How does Indigo think about the threat of new airlines or airports competing with airlines with their own setups? Is there a case where Indigo would want to partner with airports, as is happening globally?

Management: This is Rahul. We are reading the news as you are. All I can say is that if the news has any merit, it has no global precedence. It would typically reflect a massive conflict of interest and, over time, would be against the interest of consumers. We should just watch this space and how it develops. The second part of your question is a moot point right now; let's see how this develops before taking a considered view on the future.

Aditya Maulia – Kotak Institutional Equities: Thank you.

Operator: Your next question comes from the line of Prateek Kumar with Jefferies. Please go ahead.

Prateek Kumar – Jefferies: Good evening. My first question is on costs. CASM ex-fuel ex-forex increased 11% during the quarter. Do you still maintain the mid-to-high single-digit guidance for this number? Also, can you quantify the deferred salary increments?

Management: On the CASM ex-fuel ex-forex, it is going to be on the higher side of the single digits, possibly even early double digits, given the cost environment and lower utilization. For the year, we will still be on the higher side of single digits or the lower end of the early double-digit range. Regarding the second part, given the environment, there was a deferment of increments for senior management employees. We will assess in 6 months' time what needs to be looked into.

Prateek Kumar – Jefferies: But employee costs are still higher by 11% year-on-year. Does that exclude the management increment, and will that be part of the cost later in the year?

Management: That is right. It factors all that into account. The year-over-year increase is a combination of increments for a certain portion of the team and increased levels of gratuity provisions. Gratuity now has a higher run rate. We took an exceptional cost for that in both Q3 and Q4, and the run rate has increased.

Prateek Kumar – Jefferies: On capacity growth beyond FY27—during the analyst meet, you gave a capacity number of 300 billion by FY30, which implied mid-teens growth from FY27 onward. You said in the opening remarks it was low double digits. Can you clarify?

Management: We still hold to the mid-teens. From FY27 to FY30, we are holding to early double-digit to mid-teens levels.

Prateek Kumar – Jefferies: Thank you.

Operator: Your next question comes from Achal Kumar with HSBC. Please go ahead.

Achal Kumar – HSBC: Hi. My first question is on the yield versus fuel and other cost pressure. You mentioned that with the high increase in fuel, you were able to cover part of it with the yield. You are guiding for a 20% to 25% yield increase. Until what level of fuel can you cover? With this increase in yield, will you be able to cover 120 dollars per barrel?

Management: If you look at Q1, we had a yield growth of more than 20% or 21%, but the cost increase was north of 30%. That is where the pressure point comes in. When we look at Q2, there has been a moderation in capacity and we are pushing yields north of 25%. We had seen a shift on the fuel side when it tapered down, but now SingJet and MOPS have started to taper upward again. We will need to keep testing higher levels of yields to offset that increased cost. At the end of June, it looked like the war was concluding, but the shift in the Middle East has since resulted in increased fuel costs. We will see where this settles.

Achal Kumar – HSBC: Fair enough. You received some relaxation from the OMCs in April and May. There was news that the government is asking airlines to compensate for that if they don't sign up for the scheme. If that happens, how much extra burden will come to the P&L?

Management: Not really, because when fuel levels were higher on the international side, we paid market rates. On the domestic side, the cap enabled us to define a fuel charge passed on to the consumer. In effect, the 25% increase—which was significantly lower than the market—was passed down to the consumer. Our fuel charge did not go higher than the increased charge passed to us. It was a pass-through that enabled us to keep fare levels low and operate our scheduled operations.

Achal Kumar – HSBC: Is Willy Walsh still joining in August as planned? Have you got the approvals?

Management: Yes, Willy is going to be joining the team in the first week of August. Regarding the earlier question, we have settled the period from April until June 8 based on the bills raised by the oil marketing company partners as per the defined formula and the 25% cap. We settled those bills based on the agreed position at that time.

Achal Kumar – HSBC: So you are not expecting any extra burden from April and May.

Management: Like I said, we did not put any additional burden on the consumer. Had the levels of fuel and charges been at market prices, we would have taken a different call, but given the support, we made sure to pass it on to the consumer.

Achal Kumar – HSBC: Thank you. Good luck.

Operator: The next question comes from Kushagra Bhattar with CWC Advisors. Please go ahead.

Kushagra Bhattar – CWC Advisors: Thanks for the opportunity. Two questions. On the short-term, can you give us a sense of the PRASK minus CASM or net spreads for both international and domestic? How did the net spread evolve for both in this quarter and how do you expect it to play out for the year? Is the gap converging between the two markets?

Management: I can't give you a guidance on the spread right now given how volatile the situation is. In March, before the crisis, we were very optimistic that this year would turn out better than the earlier two years, given the elections and the pandemic previously. The very first quarter has turned on us due to external factors like the Middle East crisis and the currency. It is very difficult to give a spread number right now.

Kushagra Bhattar – CWC Advisors: No problem. Second is on the industry structure. Are you expecting a decent amount of change in the industry structure over the next 12-15 months, perhaps with a weakening of some competition? Is the motive behind the news of airports entering the airline sector related to Indian airports becoming global hubs, or is it more about the current structure?

Management: Anything we say would be speculative. Whatever is beneficial for the consumer is key. There have been certain rules and regulations that kept airports and airlines separate globally. We will monitor the space and see how we need to react whenever there is formal communication. Everything else is speculation right now.

Kushagra Bhattar – CWC Advisors: One small one—given that international is already at 90% and you continue to take fresh planes from the second half onward, do you expect to reach your international ASK share target earlier than 2030?

Management: We are holding to that 40% guidance for 2030. We are on track for deliveries of both the XLRs, which are largely for international markets, and the wide-bodies. The international side is going to grow faster because it has a lower base. We had touched close to 33% of our capacity in international and by 2030, we will likely be around the 40% that we guided.

Kushagra Bhattar – CWC Advisors: Thank you. All the best.

Operator: The next question comes from the line of Jinesh Joshi with Prabhudas Lilladher Capital. Please go ahead.

Jinesh Joshi – Prabhudas Lilladher Capital: The forex loss in this quarter was about 82 crores. Given the extent of rupee depreciation, this number appears lower in the context of earlier guidance regarding unit cost hits from rupee depreciation. Is there any specific reason, like an increased hedge cover?

Management: You are probably referring to the mark-to-market. The shift was only 10 paisa from March-end to June-end. At one time it was trending significantly higher, but that 10 paisa translates into the total currency exposure we have on a US dollar basis, which results in the 80 crore figure. It is largely because of where the currency closed on June 30, which was favorable because it strengthened at that point. This resulted in an 80 crore loss, much lower than in earlier quarters.

Jinesh Joshi – Prabhudas Lilladher Capital: Secondly, on the supplementary rental side, the cost increased to about 0.8 on a per ASK basis. Is there anything specific to call out there, as the cost is up 11%?

Management: On a sequential basis, yes. In Q4, we had some releases because we make provisions for redeliveries as part of supplementary rentals. When you redeliver, you might not spend the full amount, and those releases come through. What you see in Q1 is a more normalized arrangement. The increase in supplementary rentals has been because of currency—as these are dollar-denominated—as well as the annual escalation that kicks in. You will see this normalized setup continue quarter-over-quarter.

Jinesh Joshi – Prabhudas Lilladher Capital: Thank you, sir.

Operator: The next question comes from Jainam Shah with Equirus Securities Private Limited. Please go ahead.

Jainam Shah – Equirus Securities Private Limited: Between FY22 and FY23, our yield increased around 13% to 21% and we have held those yields until now. Yields are currently above 6. Can we expect to hold these levels after fuel prices normalize in a quarter or two, or will it go back to normal as competition plays out?

Management: It is a good observation. From pre-COVID to post-COVID, there was a significant shift in yield levels, with a 40% to 45% increase. Post-crisis, there was revenge travel and lower capacity, which pushed up prices. Subsequent to that, growth has been largely volume-driven while keeping yields relatively at those levels. We are experiencing a similar shift now with elevated fuel and currency depreciation. We are testing new levels of pricing. As things moderate, we will look toward bringing in more volumes, which is why we guide for mid-teens growth post FY27. We look to hold the prices because the underlying cost bases have increased due to inflation and annual currency depreciation. This is an opportunity to push prices to offset those cost bases. Even after the crisis is over and fuel moderates, we hope to drive volume-driven growth so that more consumers can avail of our services.

Jainam Shah – Equirus Securities Private Limited: Got it. Thank you.

Operator: The next question comes from Amen Pirani with JP Morgan. Please go ahead.

Amen Pirani – JP Morgan: One more question on fuel. ATF prices have become distorted due to recent changes. Given whatever fuel price you saw in the June quarter—made up of the cap and then the removal of the cap, plus international at market prices—and assuming you are on market prices entirely in Q2, how should we think about the Q2 number versus Q1?

Management: I wish I could crystal-gaze. The forward curves for fuel keep changing. Q1 was significantly high. If you look at Brent today, it is north of 90 again. In Q1, the crack spreads went up significantly higher; while Brent went up 50%, the cracks were higher. We have to see where the demand-supply equation works for aviation turbine fuel, which defines the crack levels and MOPS pricing. We have seen an uptick in the forwards recently. At the start of Q2, they were moderating downward, which is why no one signed up for the government scheme as levels were below the thresholds. But now we see an uptick. If the war starts or the Strait of Hormuz is blocked, we may see levels similar to Q1. Going in, we had anticipated Q2 would be better than Q1.

Amen Pirani – JP Morgan: You were assuming Q2 to be better than Q1 because forwards were coming down? But in Q1, the domestic business had a cap. Shouldn't Q2 be higher because the cap was removed?

Management: No, because the market levels had come down below the cap levels.

Amen Pirani – JP Morgan: Understood. Thank you.

Operator: That would be our last question for today. Ladies and gentlemen, on behalf of Indigo, that concludes today's conference. Thank you all for joining us and you may now disconnect your lines.