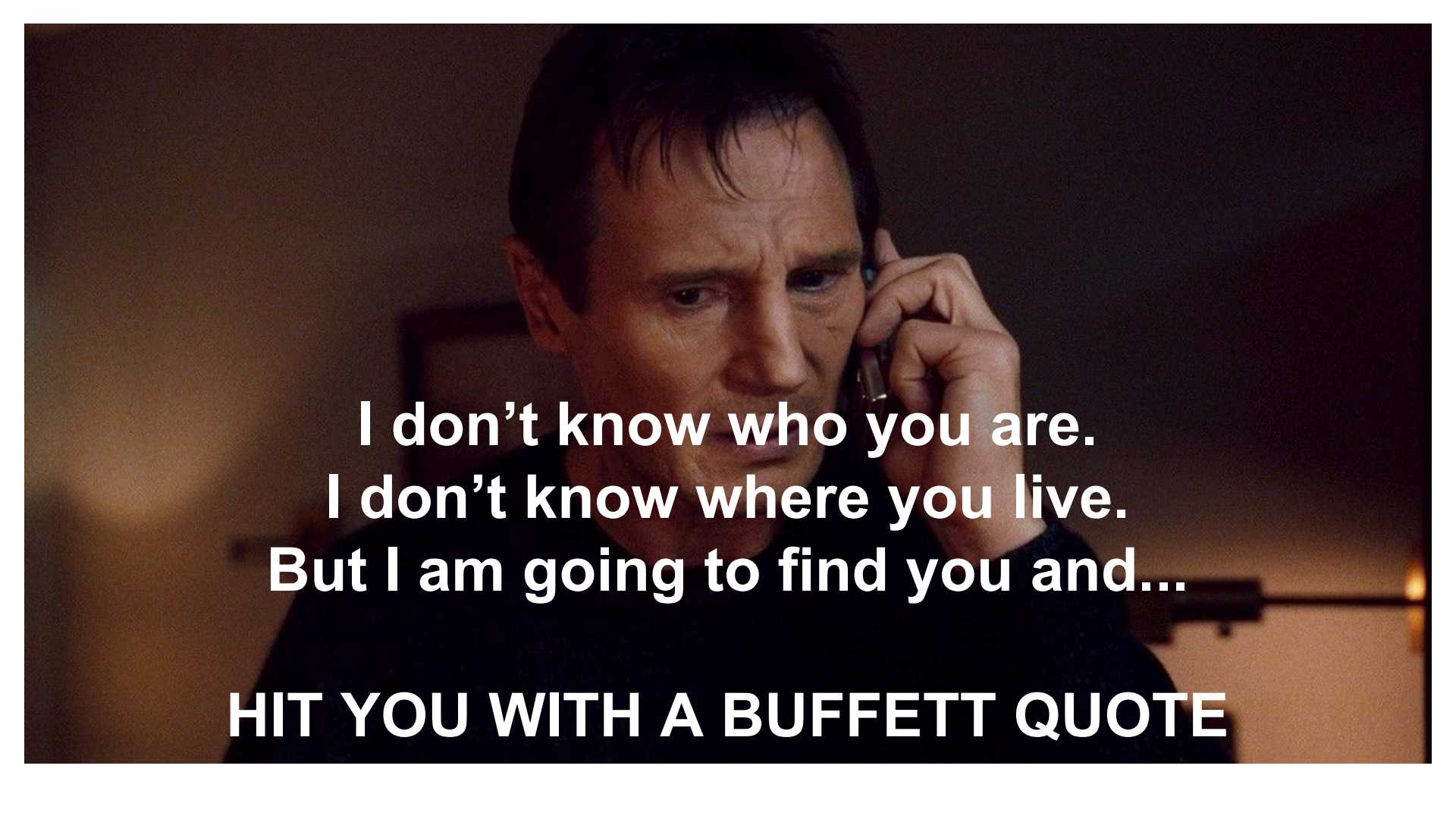


# A presentation

By  
Vikas Kasturi

A close-up shot of a man with dark hair, looking slightly to the right while holding a mobile phone to his ear. He has a serious, intense expression. The background is dark and out of focus, suggesting an indoor setting at night.

**I don't know who you are.  
I don't know where you live.  
But I am going to find you and...**

**HIT YOU WITH A BUFFETT QUOTE**

# Introduction

- Largest and fastest growing player in the fastest growing market (India)
  - 40% by share of market
  - 26% by share of industry revenues
  - 67% by share of industry's profits
  - China 4x, USA 7x of India's market
- Caters to a basic need
  - India needs it
  - Indians need it
- Enjoying massive tailwinds
  - India-consumption story
  - Structural shifts in consumption patterns

**Largest, fastest growing and most profitable BUT...**

# ...sells a perishable commodity

Buffett Says	This Industry/ This Company
Buy commodities, Sell brands	Buys brands, sells commodities
<p>“The single most important decision in evaluating a business is pricing power. If you’ve got the power to raise prices without losing business to a competitor, you’ve got a very good business. <u>And if you have to have a prayer session before raising the price by 10 percent, then you’ve got a terrible business.</u>”</p>	<p>... I think the market typically waits to see how permanent the price increase is and then it takes a little time for it to actually get passed-through. <u>And it does not usually get passed-through 100%.</u></p>



**So, are Airlines terrible investment ideas?**



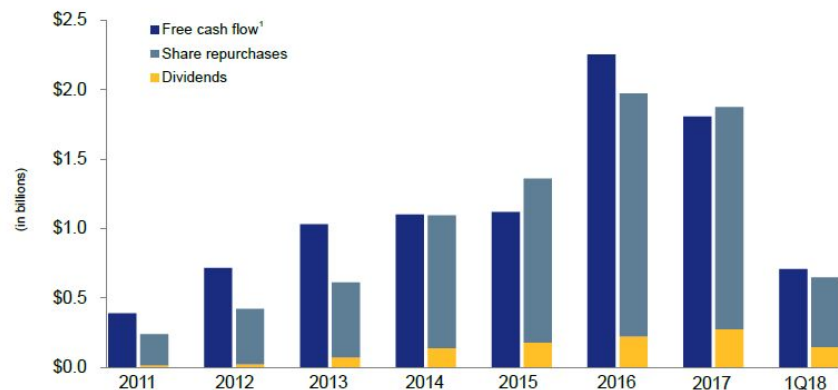
Buffett  
& Munger  
On  
Airlines

# Southwest vs Berkshire





## Creating value for Shareholders

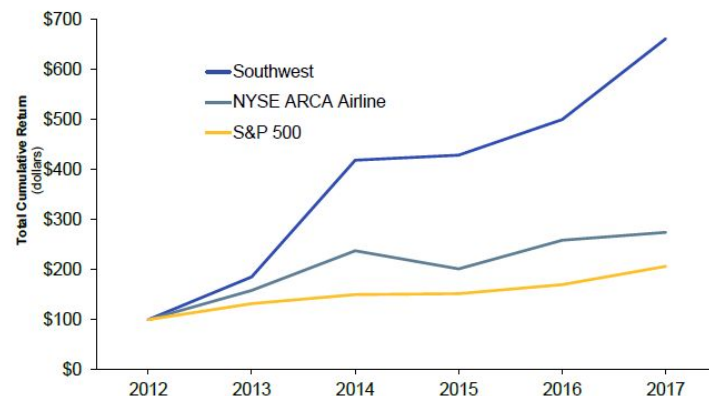


From 2011 through first quarter 2018, we returned more than \$8.2 billion to Shareholders through share repurchases and dividends, and completed a \$500 million ASR in first quarter 2018.

<sup>1</sup>Free cash flow is calculated as operating cash flow less capital expenditures less assets constructed for others, net.  
Note: See reconciliation of reported amounts to non-GAAP financial measures.

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## LUV market outperformance

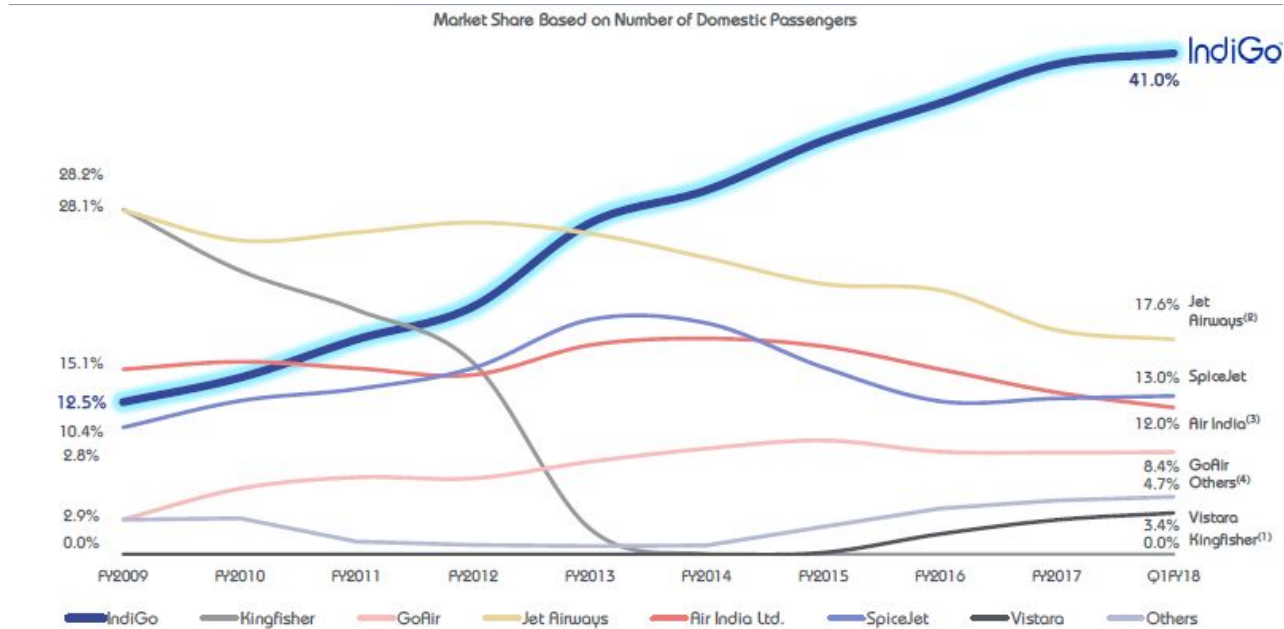


Note: This graph compares the cumulative total shareholder return on the Company's common stock over the five-year period ended December 31, 2017, with the cumulative total return during such period of the Standard and Poors 500 Stock Index and the NYSE ARCA Airline Index. The comparison assumes \$100 was invested on December 31, 2012, in the Company's common stock and in each of the foregoing indices and assumes reinvestment of dividends. The stock performance shown on this graph represents historical stock performance and is not necessarily indicative of future stock price performance.

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**Let's talk about Indigo**

# Largest and fastest growing airline



Source: CAPA India Research

(1) Kingfisher's FY09 numbers include Air Deccan. Kingfisher ceased operations in Q3 FY2013

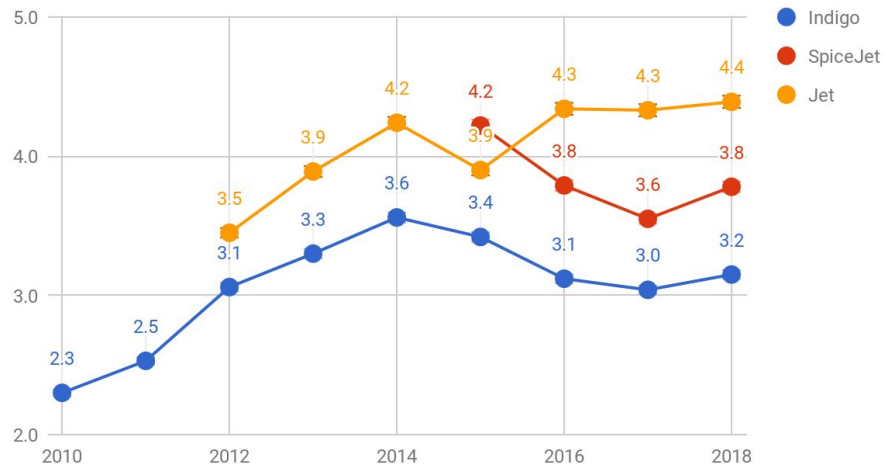
(2) Jet Airways' numbers include JetLite

(3) Air India's numbers include Air India Express and Indian Airlines

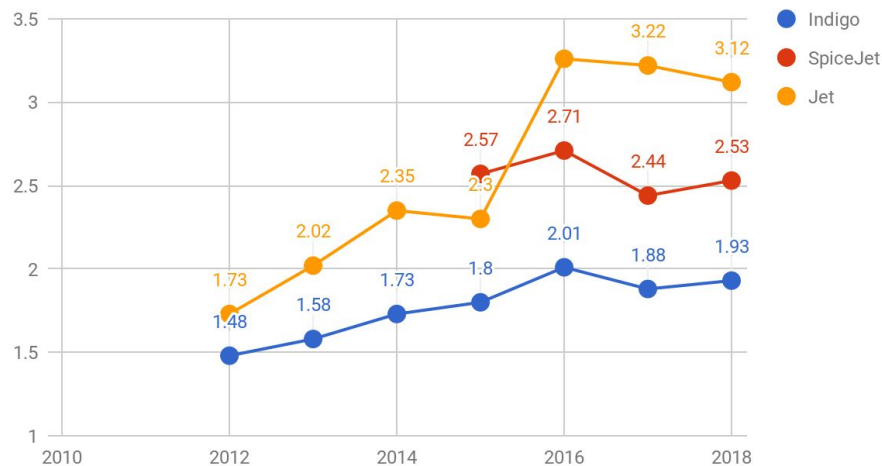
(4) Others include Trujet, Air Pegasus, Air Costa, AirAsia India, Air Carnival, Alliance Air, MDLR, Paramount and Zoom Air

# Lowest cost operator

CASK incl fuel (in Rs)



CASK ex fuel (in Rs)



- Lowest cost structure in India.
- Among the lowest cost structures in the world.

# Almost consistently profitable

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
IndiGo	✓	✓	✓	✓	✓	✓	✓	✓	✓
SpiceJet	✗	✓	✓	✗	✗	✗	✗	✓	✓
Jet Airways	✗	✗	✗	✗	✗	✗	✗	✓	✓
GoAir	✗	✗	✓	✗	✓	✓	✓	✓	N/A
Air India <sup>(1)</sup>	✗	✗	✗	✗	✗	✗	✗	✗	✗
Kingfisher	✗	✗	✗	✗	✗	Ceased Operations			

Source: CAPA India Research

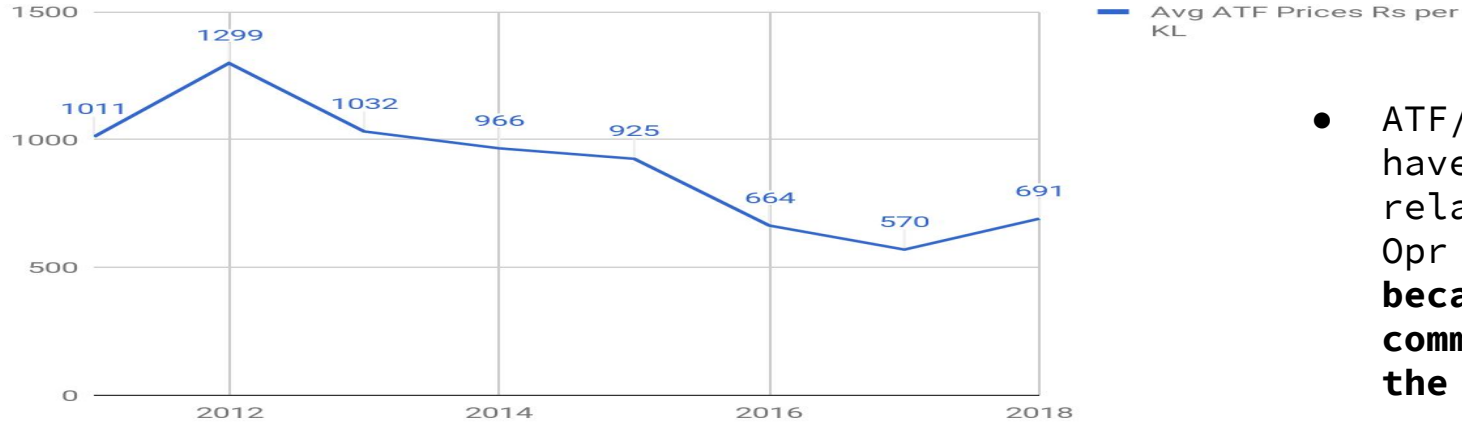
IndiGo™

Profitable through industry cycles

(1) Based on provisional results for FY2017  
Year ended Mar 31st of respective year

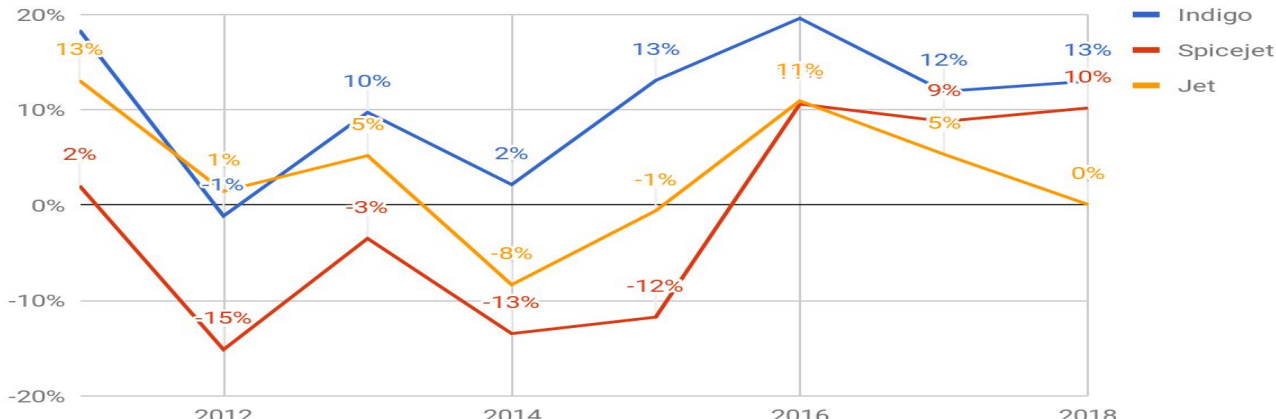


# Robustness w.r.t ATF prices



- ATF/ Oil prices have an inverse relationship with Opr Profits - **because of the commodity nature of the business**

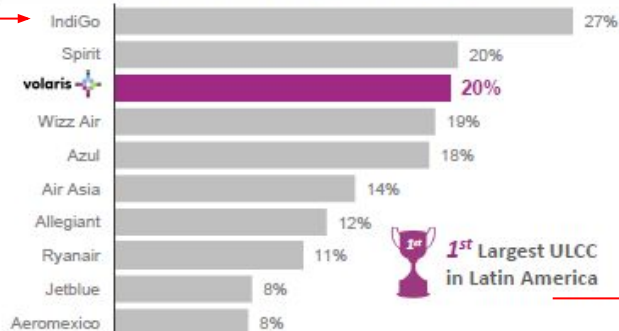
## Opr. Profits



- Whenever ATF prices rise, it affects others more than it affects Indigo- so Indigo gets relatively better off due to price rises

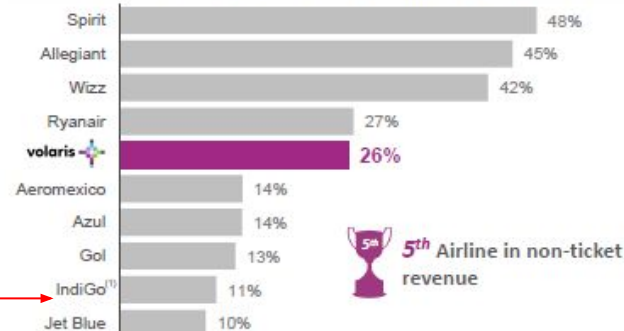
# Volaris among the best-of-breed

On board passengers CAGR (2012 to 2016)



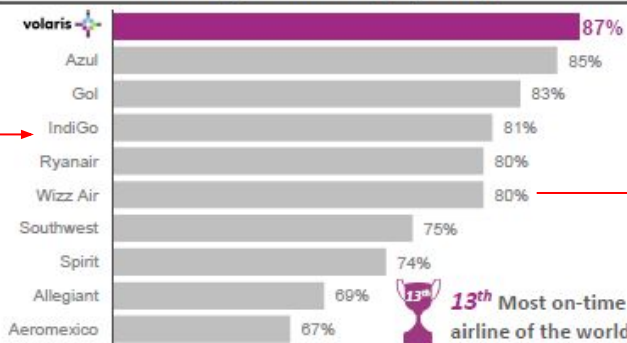
**1<sup>st</sup> Largest ULCC in Latin America**

Non-ticket as % of total revenue (LTM June 2017)



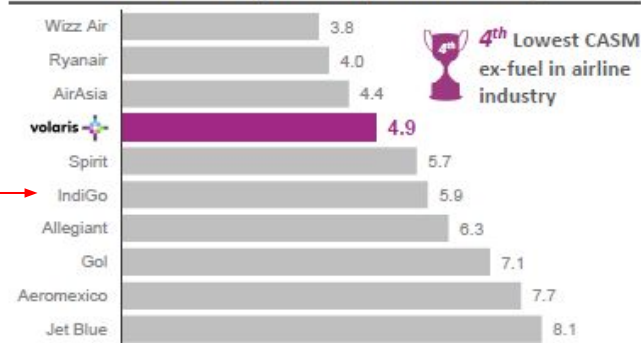
**5<sup>th</sup> Airline in non-ticket revenue**

On-time performance (July 2017)



**13<sup>th</sup> Most on-time airline of the world**

CASM ex-fuel, US cents (LTM June 2017)



**4<sup>th</sup> Lowest CASM ex-fuel in airline industry**

(1) As of 2016 FY

Note: non-USD data converted to USD using an average of period exchange rate

Source: Airlines public information and OAG

# So what is Indigo's secret sauce?

- Focus on being the lowest cost operator
  - Low capex
    - Bulk orders
    - Sales and lease back
  - Low opex
    - Simple operations
    - Asset utilization
    - Lower fuel burn
    - Long term maintenance contracts
- Simple value proposition
- Focused player
- Weaker competition
- Operating in a fast growing market

**AND/OR LUCK**



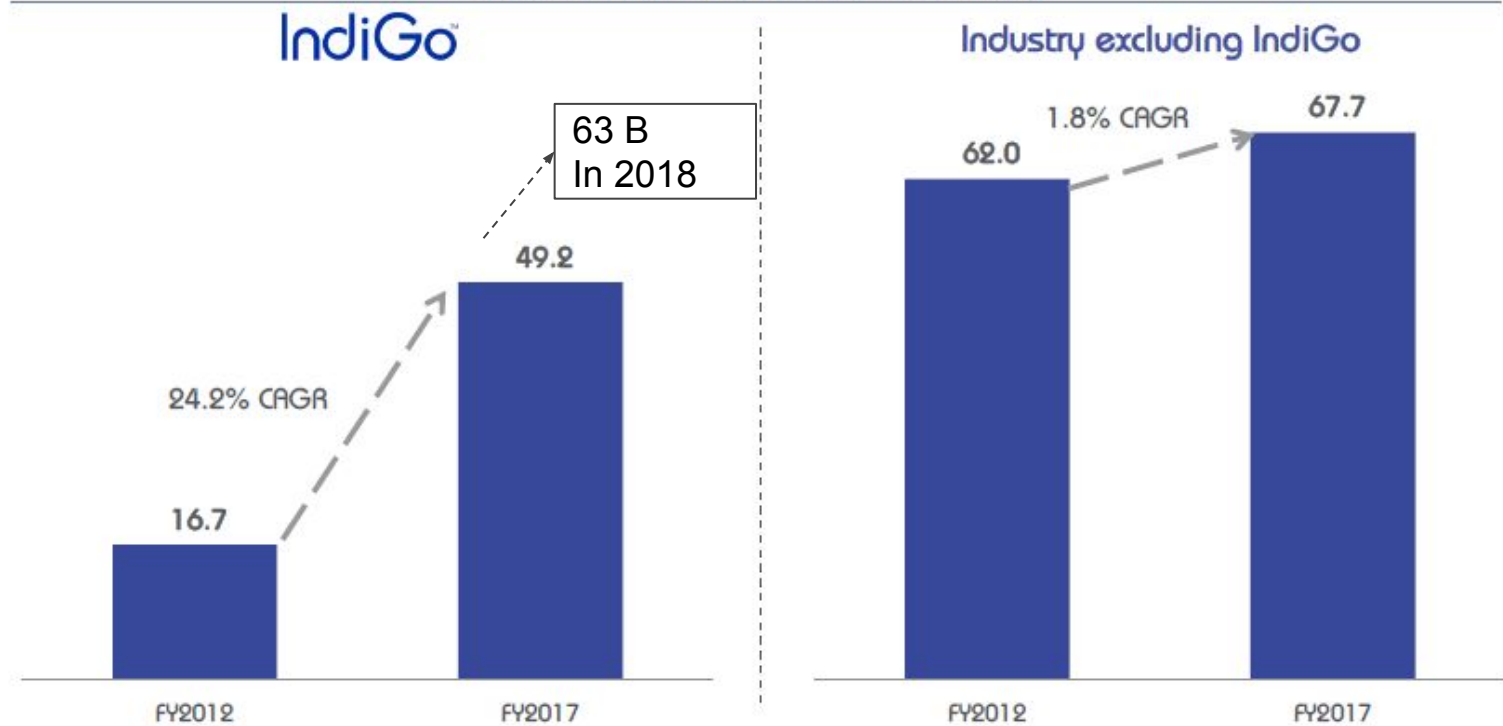


# Quality

- Serves a basic human need; unlikely to go away
- High compounder (ROEs of 41%, 40%, 87%, 117%, 115% in last 5 years) with opportunities for reinvestment
- Lowest cost operator in a commodity business
- Focused management
- Liquidity in the balance sheet
  - Debt to Equity of 0.31
  - Treasury of 13,000 Cr vr 2200 Cr of debt
- Free cash flow positive in 6 of the last 8 years (CFO-PPE)

# Growth

Capacity (Available Seat Kms in Billions)



Source: CAPA India Research, based on domestic operations  
Year ended Mar 31st of respective year

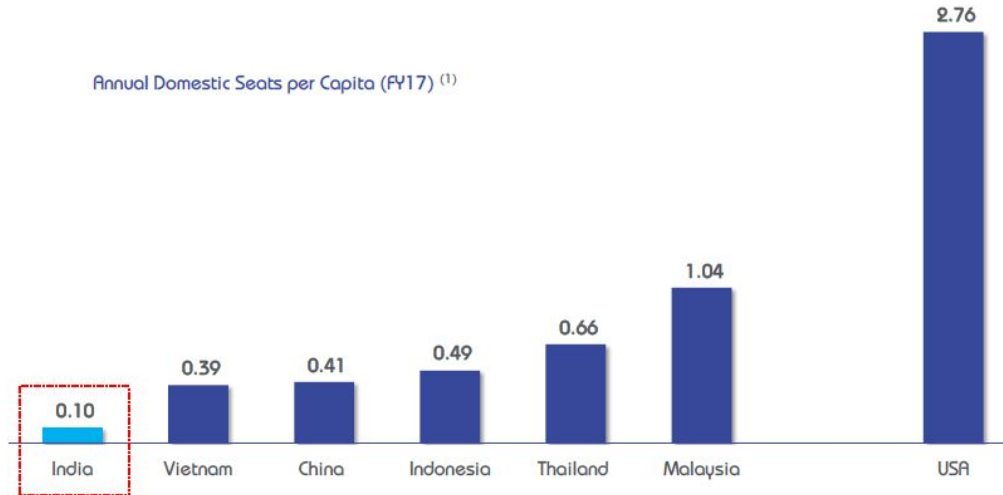
# Longevity/ Runway

## 1 And Yet, India is Significantly Underpenetrated



Penetration Low even in comparison with other Asian countries

Annual Domestic Seats per Capita (FY17) <sup>(1)</sup>



Source: CAPA India Research

(1) Based on population data for FY16 and seats data for FY17



● Cities where IndiGo is present

● 36 cities not served by IndiGo but capable of landing A320 or B737 family of aircraft

Source: CAPA India Research

(1) Based on existing delivery schedule

# Longevity/ Runway

- Expansion into Tier 2 and Tier 3 cities through A320 and ATRs
- Long haul international
- A321 neo can help overcome airport congestion (+50 extra pax per flight)
- ATF coming under GST (lower fuel cost => lower ticket prices => more demand)
- Room to grow ancillary revenues

# What can go wrong

- Past perfect. Present tense. Future uncertain.
- Long haul low cost is unlike short haul low cost
  - Landing slots in International airports
  - Inelasticity of demand
  - Connecting flights
- Growth dependent on India-consumption story
- Airport congestion
- ABC- Arrogance, Bureaucracy and Complacency

**Thanks!**