

IndiGo: Cruising in Market but Crashing Within

Asian Journal of Management Cases
1–15

© 2021 Lahore University of
Management Sciences

Reprints and permissions:
in.sagepub.com/journals-permissions-india
DOI: 10.1177/0972820121994959
journals.sagepub.com/home/ajc



Reeti Kulshrestha¹, Arunaditya Sahay¹ and
Subhanjan Sengupta^{1,2}

Abstract

M. Damodaran,¹ chairman IndiGo, has a lot on his plate, and the servings are not over yet. What happened on 26 April 2019, was just a precursor to what was eventually to follow. Aditya Ghosh,² the longstanding director of InterGlobe³ for 10 years, resigned from his position, making way for Greg Taylor⁴ as president and chief executive officer (CEO). Rahul Bhatia⁵ became the interim CEO. This, ironically, happened when the airline had bagged in traffic rights to as many as 15 countries, including France, UK and Germany. The most ill-timed dispute between the two co-founders of IndiGo, Rakesh Gangwal⁶ and Rahul Bhatia, which had been brewing for about a year, came out in the open on 16 July 2019, at the most inopportune moment. Rakesh Gangwal alleged violations of corporate governance rule at IndiGo⁷ and requested the Securities and Exchange Board of India⁸ (SEBI) to intervene. The feud between the founders of InterGlobe Aviation Ltd. opened a can of worms, although Gangwal was not inclined to sell or raise his stakes. Analysts wondered about the timing of the complaints to SEBI: Why now? Will IndiGo be able to come out of this predicament or follow Kingfisher and Jet Airways' footsteps?¹¹ Will it be yet another episode of shallow vested interests? Will this lead to the downfall of IndiGo,¹² or will it survive the turbulence and keep flying like a phoenix?

Keywords

Aviation industry, corporate governance, corporate strategy, IndiGo

Discussion Questions

1. Analyse the board structure of IndiGo and its implications on airline governance.
2. Examine the role of promoter companies in the corporate governance of the company.
3. Evaluate the situation for the fallout between the two promoters.

¹ BIMTECH (Birla Institute of Management Technology), Greater Noida, Uttar Pradesh, India.

² Business School, University of Eastern Finland (UEF), Kuopio, Finland.

Corresponding author:

Reeti Kulshrestha, BIMTECH (Birla Institute of Management Technology), Greater Noida, Uttar Pradesh 201306, India.

E-mail: reeti.kulshrestha_efpm18@bimtech.ac.in

4. How can Damodaran restore the morale of the employees?
5. Advise Damodaran on streamlining the governance processes.

Introduction

The market shares of InterGlobe Aviation fell over 6%, the most in 7 months, on 27 April 2019, just before the airline announced the resignation of the company's president Aditya Ghosh. In the quarter-end of June 2019, IndiGo's net profit stood at \$170 million, a 43-fold jump from the measly profit of \$3.81 million in the previous quarter. There were speculations about the exit of Ghosh and the appointment of many senior expats into the organization. Problems had begun to mount for IndiGo since the failure of the engine of its Airbus¹³ A320. IndiGo's initial inclination to buy out Air India¹⁴ and then its withdrawal remained a jinx. Additionally, while following up on the alleged violations of corporate governance by Bhatia, as flagged by Gangwal, SEBI sensed foul play and directed the stock exchange to furnish information on the company's share price data last 1 month to check for any possible insider trading norms. In the meantime, the controversy around the fallout between the two promoters and its reasons began to feed the gossips.

Aviation Industry

Global Scenario

Globally, the players in the airline industry operated in a highly sensitive market. Over the past three decades, the airline industry had undergone a lot of changes; from an increase in market share of low-cost carriers to a sharp rise in fuel prices, and too many closures of airlines world over such as Alitalia,¹⁵ Air Berlin¹⁶ and Monarch¹⁷ in Europe, and Kingfisher and Jet Airways in India. Despite this, an increase in commercial aircraft production signalled that there was potential for growth in the industry, with India and China dominating the commercial aerospace's growth rate.

Indian Scenario

The aviation industry in India had emerged as one of the most promising and rising industries in the country during the last 5 years. During FY 2019, passenger traffic in India stood at 344.70 million. With the continuous increase in passenger traffic, India planned to increase the number of airports to 190–200¹⁸ from 103 operational airports. As on July 2018, 620 airplanes were in service, which was expected to increase to 1,100 airplanes by 2027. Key investments and developments were being planned, such as the investment of \$2320 million in 2018–2019 to expand and construct new airports, including those in a public-private partnership (PPP) model.¹⁹

The Competitive Scenario

As per the India Brand Equity Foundation (IBEF) Aviation report in June 2019, India had seven major airlines operating in the country:

1. *SpiceJet*²⁰: It was a low-cost airline (the second largest airline in India in terms of the number of passengers) with a market share of 13.6% as on March 2019. The airline operated 312 daily flights to 55 national and international destinations (see Exhibit 2).
2. *GoAir*²¹: It was another Indian low-cost airline, owned by the Wadia Business Group. It started its operations in November 2005, and with a fleet of Airbus A320 aircraft, the airline operated over 230 daily flights to 28 destinations nationally and internationally.
3. *Jet Airways*: It was an Indian airline flying internationally, which suspended all its flight operations on 17 April 2019. It held second position in India with 17.8% of the passenger market share. The company was subject to the insolvency process under the Insolvency and Bankruptcy Code, 2016.
4. *Jetlite*²²: Formerly known as Air Sahara, Jet Airways' subsidiary. But it suspended all of its flights and ceased all operations on 17 April 2019.
5. *Air India*: The government ran India's national airline, owned by Air India Limited. The fleet flew to 94 destinations nationally and internationally.
6. *Vistara*²³: It was a joint venture of Tata Sons Limited and Singapore Airlines Limited, where Tata Sons held 51% in partnership and Singapore Airlines owned 49% stake. The company was registered as TATA SIA Airlines Limited.
7. *AirAsia India*²⁴: AirAsia India was an Indian low-cost carrier headquartered in Bangalore, India. It was a joint venture of Tata Sons, which held 51% stake in the airline and AirAsia Berhad had 49% stake.

About IndiGo: The Market Leader

IndiGo (InterGlobe Aviation Ltd.) was a low-cost airline based in Gurgaon, Haryana, India. It was a leader in terms of passengers carried and fleet size, reaching 48 domestic and international destinations. The airline was founded in 2006, jointly by Bhatia of InterGlobe Enterprises (IGE) and Gangwal, an expatriate from the United States. In 2010, IndiGo became the third largest airline in India, with a passenger market share of 17.3%. In January 2011, the airline secured permission to launch international flights. It went public in November 2015, with over 17,000 employees; it started with 1,100 employees. At that time, InterGlobe had a 51.12% stake in IndiGo, whereas 47.88% was held by Gangwal's company, Caelum Investments.²⁵ The success of IndiGo was accounted to its effective business model that reduced costs. Its quick turn-around time ensured aircrafts flying as many as 12 hours every day.

The Journey to IPO

The IPO issue was a curious mix of Rakesh Gangwal's art of negotiation and Rahul Bhatia's financial muscle and operational efficiency. Because of Bhatia's financial contribution in the shareholders' agreement, he naturally had more power regarding the appointment of directors and senior leadership in IndiGo. Bhatia had a stake of 38.26% in IndiGo, while Gangwal owned 36.69%, with the market capitalization valued at \$8,735 million.²⁶ While Gangwal was the driving force behind the carrier, Bhatia oversaw the financial needs of the airline. The IGE Group had stated that while Gangwal was relatively safe with equity exposure of less than \$2.1 million, Bhatia and his father, Kapil, had borne financial load as a personal loan to the airline as well as personal guarantees to the banks to meet financial needs of the airline.²⁷ IGE Group stated, 'Starting from the financial year 2005–2006 at a level of \$20 million of personal guarantees by the financial year 2009–2010, the aggregate financial exposure of IGE, Kapil and Rahul Bhatia was well over \$155 million'.²⁸ The Bhatias continued to extend their financial support to IndiGo until IndiGo stood on its own feet in 2012. Gangwal, on the other hand, said that he made a mistake in agreeing to the IGE Group's rights and that 'times, circumstances and behaviour of promoters had changed since 2015', when IndiGo went public.²⁹

The Fissure Starts

Gangwal had begun to question the shareholders' agreement and related-party transactions between IndiGo and Bhatia's IGE. He said again and again, 'Rahul (Bhatia) was a great friend who I had known for decades, and I gave him blind trust'.³⁰ In 2018, Gangwal pursued aggressive expansion to penetrate India's aviation market and claimed to increase the Airline's capacity to 250 from 155, while Bhatia retained a balanced and cautious approach.³¹ The proposal did not go down well with IndiGo management. While Bhatia believed wide-bodied aircraft could help achieve international stature for IndiGo, Gangwal felt that narrow-bodied aircraft like Boeing 737 and codeshare agreements with other global carriers could help it gain a global presence.

An engine deal that IndiGo had to conclude was taking time, 'to the point the company was at the risk of breach of its contract', said an executive.³² The deal negotiations were being driven by Gangwal, assisted by Riyaz Peer Mohamed, Chief Aircraft Acquisition and Financing Officer of IndiGo. The reasons remained unknown for the cause of the delay. Speculations were that Gangwal wanted more clarity from Bhatia on the issue of the related-party transaction. He wanted IGE to dilute its rights to nominate three non-independent directors to the IndiGo Board and the senior leadership as Gangwal had the power to nominate only one. In the meantime, two major developments also took place. Bhatia brought in Kiran Rao—who was earlier heading Airbus in India—to negotiate the engine deal. Her appointment coincided with the notice that Gangwal sent to the IndiGo board, raising issues regarding related-party transactions between IndiGo and IGE.

Further, Ronojoy Dutta was brought in as a principal consultant to float a 5-year business plan for IndiGo. Gangwal and Dutta were former colleagues at United Airlines, and shared an uneasy relationship. It was easy to see the manoeuvres. Parallel to this, the hunt was on for a new CEO. Greg Taylor, who was appointed as a senior advisor following the resignation of former president Aditya Ghosh, was chosen to be close to Gangwal. One who had also recently begun questioning the related-party transactions between IndiGo and Bhatia's private firm. Dutta and Taylor had worked together at the American carrier United Airlines—Taylor in a junior position and Dutta was a board member.

But interestingly, Taylor's appointment was not able to see the light of the day as it was suspiciously withheld. Taylor's appointment needed security clearance from the government, and since that was not happening, his appointment had still not been presented to the board for approval. 'It's weird why his security clearance didn't come, especially when there was no problem when Taylor first worked with IndiGo', said an executive.³³ Prince Mathew Thomas, chief of Corporate Bureau, Money Control, stated, 'Even though Taylor was excellent in revenue management, one part of the management wondered if Taylor had enough breadth to handle the operations of an airline'.³⁴ Reportedly, 'Taylor didn't see a future with the company after Dutta was brought in'. This notwithstanding, Taylor quit IndiGo in December 2018, his second stint since 2016–2017, paving the way for Dutta's smooth transition from his advisory role to CEO, which was made official a month later, in January 2019.

The Exit of Aditya Ghosh

As luck would have it, IndiGo, the leading no-frills carrier, announced its president and director Aditya Ghosh's sudden departure on 26 April 2019. 'It is now time for me to step off the treadmill and, sometime in the near future, embark on my next adventure. I wish all my colleagues at IndiGo the very best as they move on to the next phase of growth', he said.³⁵ Ghosh was with Delhi's J. Sagar Associates, a lawyer by training, where he serviced clients that included Rahul Bhatia promoted InterGlobe Enterprise.³⁶ Ghosh had joined IndiGo as general counsel and was made the airline CEO in 2008, in a surprise decision by its founder, Bhatia. Undoubtedly, Ghosh, also the airline's whole-time director and president, made IndiGo

what it had become, capitalizing on his legal acumen and command over the language. He was the voice of IndiGo. Even IndiGo's rivals had good things to say about him. 'I have had the privilege of knowing Aditya for many years and working with him closely on issues concerning Indian aviation. He had a glorious stint. We are all proud of his achievements and those of the Airline he has worked for', said Ajay Singh, chairman of SpiceJet, to ET Magazine.³⁷

Mysteriously enough, shares of IGE fell over 6%, the most in months on 27 April 2019 (see Exhibit 3), before the airline announced the resignation of the company's president Aditya Ghosh. Did Ghosh smell a rat, a foul play, or a deliberate leak? In an interview with CNBC TV18, Ramdeo Agrawal said, 'while Aditya Ghosh had been one of the finest persons and the face of IndiGo, in businesses what matters is the strategy and the whole team; the company will soon be able to find a worthy leader.'³⁸ Bruce Ashby and Gangwal built the Airline, plus Riaz Peer Mohammad (former CFO). Strategy, business model, major long-term contracts, branding, and positioning were all done by them. Aditya's role was to grow the Airline without touching the autopilot settings', says a top executive at another rival airline.³⁹ 'Ghosh was close to Bhatia. On the other hand, Taylor comes from United Airlines, just like Gangwal', said a senior executive from the industry. 'He was Gangwal's choice to be the CEO', said another executive from the industry.⁴⁰ If Ghosh was a close aide to Bhatia, who was more powerful than Gangwal, why did Aditya Ghosh resign?

The Mess Up

On 13 June 2019, IndiGo announced a \$20,000 million order for LEAP-1A engines with US-based CFM International to power its future fleet of 280 narrow-body aircraft. Calling it the 'largest-ever single-engine order in history', the Airline also said that 'delivery of the first LEAP-1A-powered A320neo was scheduled in 2020'.⁴¹ The deal soon became the bone of contention between Gangwal and Bhatia, with their relation reaching a point of no return. The decision to switch from Airbus' to A320neo family aircraft came after reported issues with Pratt & Whitney (P&W) engines since 2017. The Directorate General of Civil Aviation (DGCA) documents reviewed by Money Control said that there were 69 engine failures in IndiGo's A320neo fleet. With the manhandling of an IndiGo passenger in November 2017, the situation spiralled out of control. Eight of its new Airbus A320neo jets grounded in February and March 2018, hit by a string of engine snags, forcing dozens of flights to be cancelled or rescheduled.

Then came Air India's 'Buy-in Buy-out' episode. After the government decided to disinvest Air India, the national carrier IndiGo quickly showed its interest in bidding for the same. However, it made a hasty retreat strangely enough after the government released its Expression of Interest on 28 March 2018. The IndiGo president once said, 'From day one, IndiGo has expressed its interest primarily in the acquisition of Air India's international operations and AI Express. However, that option is not available under the government's current divestiture plans'. 'Also, as we have communicated before, we do not believe that we have the capability to take on the task of acquiring and successfully turning around all of AI's airline operations', he added. Trouble had been brewing from before 2018. In Q42018, the IndiGo share price plummeted to over 17% with a 73% drop in profit after tax (PAT) to \$16 million compared to a PAT of \$62 million a year ago⁴² (see Exhibit 1). IDFC Securities also downgraded the rating to neutral and said that 'The Q4FY18 yields have been weak as airlines have not passed on the impact of higher fuel prices (see Exhibit 4). In the past too, there have been instances when airlines have passed on the impact of higher fuel prices with a lag, giving rise to incremental pressure on margins and earnings'.⁴³ Mr Philip, chief financial officer of IndiGo, said that the revenue per available seat kilometre (RASK) for the quarter was \$0.048 compared to \$0.050 during the same quarter last year, a decline of 3.2%. 'This decline in RASK was primarily driven by lower yields partially offset by higher load factors. While our yields were down by 5.6% to 3.31 rupees, our load factors were up by 2.8 points to 88.9%', he said (see Exhibit 5).⁴⁴

The Washing of Dirty Linen

Gangwal stated that the company deviated from the core principles and values of governance. ‘Beyond just questionable Related Party Transactions (RPT), various fundamental governance norms and laws were not being adhered to, and this would inevitably lead to unfortunate outcomes unless effective measures are taken today’, Gangwal said in a letter.⁴⁵ In response to Gangwal’s allegation relating to RPT and appointments, calling them as governance lapses (including violation of SEBI regulations that makes it mandatory for having a woman director on Board), IGE defended its controlling rights over the airline, stating that Gangwal had limited financial risks in the airlines. In contrast, IGE had been continuously fending for IndiGo, including its negotiations with Airbus for fleet expansion, which was initially a joint undertaking. Later, IGE single-handedly fulfilled all the obligations. ‘Even more significantly, during the turbulent period of the fledgling airline, it was left to the IGE Group, as a responsible founder, to fend for IndiGo. Gangwal was missing in action at that time, and there were stages where he wanted to de-risk and pushed for the business to be sold’,⁴⁶ read a press release statement, adding that the IGE Group had consistently supported ‘without in any way diluting Gangwal’s potential upside’. ‘Do business ethics and morals permit a contracting party to walk away from its obligations at its convenience after it has enjoyed the benefits under an agreement and pretend to be a victim?’ it posed.⁴⁷

On the contrary, according to Gangwal, ‘Bhatia had built an ecosystem of other companies that would enter into dozens of related-party transactions (RPTs) with IndiGo. We are not against RPTs as long as proper checks and balances exist, and such RPTs are in the best interest of the company’. He also pointed out violations of fundamental governance norms and laws. ‘The process of appointing an Independent Chairman at IndiGo is the classic “Hobson’s choice” and a sophisticated way to circumvent SEBI rules’.⁴⁸ Countering the allegation, Bhatia pointed out that an Ernst & Young (EY) report on the RPTs of the past 5 years noted that there were no ‘substantive’ irregularities but only ‘procedural irregularities’. ‘Had EY disclosed that any RPTs were not at arm’s-length or not in the ordinary course of business, that would have been highlighted’, said Bhatia.⁴⁹ He maintained that this requisition was a ‘proxy and subterfuge’ to force a change in the governing structure of the company and an ‘unreasonable demand to dilute the controlling rights’.

No End in Sight

‘The dispute has the potential of lingering on and becoming a significant headwind for the IndiGo stock’, wrote analysts from Credit Suisse Securities (India) Pvt. Ltd in a report on 9 July 2019.⁵⁰ Resonating with the sentiment, Citi Research, on 9 July 2019, said, ‘With the conflict between the two promoters coming out in public in great detail, we do not envisage a settlement anytime soon. We think that the uncertainty regarding the final resolution could cause weakness in the stock price’.⁵¹

What started as a hiccup was threatening to derail one of the world’s most successful airlines; questions loomed. Was this fallout between the two promoters Gangwal and Bhatia, inevitable, given the backdrop? Is it a situation of no return or the dispute between the promoters to reach an amicable solution? Will, the airline, remain the market leader or fall apart with the dispute between the promoters over CG issues, or will Damodaran be able to bridge them?

Declaration of Conflicting Interests

The authors declared no potential conflicts of interest with respect to the research, authorship and/or publication of this article.

Funding

The authors received no financial support for the research, authorship and/or publication of this article.

Appendix

Exhibit 1. Inter-Globe Aviation: Last 8 Quarters

No. of Months Qtr. Ending	Interim Results							
	3 Jun 2017	3 Sep 2017	3 Dec 2017	3 Mar 2018	3 Jun 2018	3 Sep 2018	3 Dec 2018	3 Mar 2019
Net sales (million rupees)	57,529	52,910	61,779	57,991	65,120	61,853	79,162	78,833
Other income (million rupees)	2,026	2,146	2,719	2,577	3,064	3,289	3,131	3,765
Turnover (million rupees)	59,555	55,056	64,498	60,568	68,183	65,142	82,294	82,598
Expenses (million rupees)	46,559	45,528	51,864	56,693	65,230	74,503	76,970	72,919
Gross profit (million rupees)	10,970	7,381	9,915	1,298	-111	-10,050	2,192	5,914
Depreciation (million rupees)	983	1,025	1,074	1,286	1,553	1,820	2,038	2,185
Interest (million rupees)	770	857	844	927	1,087	1,300	1,377	1,326
Profit before tax (million rupees)	11,243	7,645	10,716	1,662	313	-9,881	1,909	6,168
Tax (million rupees)	3,132	2,130	3,096	486	36	-3,359	0	272
Profit after tax (million rupees)	8,111	5,516	7,620	1,176	278	-6,521	1,909	5,896
Gross profit margin (%)	19.1	14.0	16.0	2.2	-0.2	-16.2	2.8	7.5
Effective tax rate (%)	27.9	27.9	28.9	29.2	11.3	34.0	0.0	4.4
Net profit margin (%)	14.1	10.4	12.3	2.0	0.4	-10.5	2.4	7.5
Diluted EPS (rupees)	21.1	14.3	19.8	3.1	0.7	-17.0	5.0	15.3
Diluted EPS (TTM) (rupees)	NA	59.6	66.7	58.3	38.0	6.6	-8.2	4.1

Source: Company Annual Reports, Regulatory Filings. Equitymaster. https://www.equitymaster.com/stock-research/quarterly-result/INDIG/INTERGLOBE-AVIATION-INDIGO-Quarterly-Results?utm_source=latest-company-results&utm_medium=website&utm_campaign=more-info&utm_content=quarterly-result

Note: Results consolidated; interim results exclude extraordinary/exceptional items.



Exhibit 2. Comparative Analysis of IndiGo and Spicejet

Source: <https://www.equitymaster.com/stock-research/compare/INDIG-MOLF/Compare-INTERGLOBE-AVIATION-INDIGO-SPICEJET>

Exhibit 3. IndiGo Press Release June 2019

IndiGo reports Profit after Tax of ₹12,031 million and EBITDAR of ₹27,785 million for the quarter ended June 2019.

Gurgaon, 19 July 2019: InterGlobe Aviation Ltd. ('IndiGo') today reported its first-quarter fiscal year 2020 results

- Revenue from operations of ₹94,201 million for the quarter increased 44.7% against a 30.3% increase in capacity compared to the same period last year.
- EBITDAR of ₹27,785 million with an EBITDAR margin of 29.5% for the quarter, compared to EBITDAR of ₹11,301 million with an EBITDAR margin of 17.4% for the same period last year
- Profit before tax of ₹15,094 million and profit after tax of ₹12,031 million for the quarter
- Basic earnings per share were ₹31.29 for the quarter
- A strong balance sheet with total cash of ₹173,371 million, including free cash of ₹76,968 million

Profitability Metrics

Particulars (million rupees)	Quarter Ended		
	Jun '19	Jun '18	Change
EBITDAR	27,785	11,301	+145.9%
PBT	15,094	313	+4716.3%
PAT	12,031	278	+4229.7%

Operational Metrics

Particulars	Quarter Ended		
	Jun '19	Jun '18	Change
ASK (billion)	23.3	17.8	+30.3%
RPK (billion)	20.7	15.9	+29.8%
Load factor	88.9%	89.3%	-0.4 pt

The company's CEO, Mr Ronojoy Dutta, said,

(Exhibit 3 continued)

(Exhibit 3 continued)

I am pleased to report our highest ever quarterly profit after tax of INR 12 billion. Strong passenger revenues along with a sharp improvement in cargo performance were key drivers to this improved profitability. We are particularly pleased with this quarter because it demonstrated our ability to grow rapidly while simultaneously expanding our margin performance. I am also proud that our company has been awarded Best Low-Cost Airline in Central Asia and India by Skytrax for the tenth time in a row. I wish to thank all our employees for the high levels of performance that we are witnessing across the company.

During the quarter, the management team working with the board has adopted the following mission statement for the company:

IndiGo is on a mission to boost economic growth and social cohesion in India. We will do so by providing air connectivity and affordable airfares across our country and international destinations, promoting trade, tourism, and mobility. We will build the best air transportation system in the world.

Mr Dutta further added, 'We believe that a clear-eyed awareness of our mission will ensure that the goals of the company are in complete synchronization with the goals of our country'.

Revenue and Cost Comparisons

The quarter's total income ended in June 2019 was ₹97,869 million, an increase of 43.5% over the same period last year. For the quarter, our passenger ticket revenues were ₹84,451 million, an increase of 46.4%, and ancillary revenues were ₹9,026 million, an increase of 32.2% compared to the same period last year.

Particulars (billion rupees)	Quarter Ended		
	Jun '19	Jun '18	Change
Revenue from operations	94,201	65,120	+44.7%
Other income	3,669	3,064	+19.8%
Total income	97,869	68,183	+43.5%
RASK ^a (rupees)	4.10	3.70	+10.7%
Yield (₹/km)	4.08	3.62	+12.8%

Note: ^aNet of finance income of ₹2,448 million and ₹2,076 million for the quarter ended June 2019 and June 2018, respectively.

The quarter's total expenses ended in June 2019 were ₹82,775 million, an increase of 22.0% over the same quarter last year. CASK excluding fuel was ₹2.11, a decrease of 2.8% over the same quarter the previous year. Excluding the impact of foreign exchange, our CASK excluding fuel increased by 2.6% for the quarter.

Particulars (million rupees)	Quarter Ended		
	Jun '19	Jun '18	Change
Fuel cost	31,361	27,156	+15.5%
Other costs excluding fuel	51,415	40,714	+26.3%
Total cost	82,775	67,870	+22.0%
CASK ^a (rupees)	3.45	3.69	-6.3%
CASK ex fuel ^a (rupees)	2.11	2.17	-2.8%

Note: ^aNet of finance income of ₹2,448 million and ₹2,076 million for the quarter ended June 2019 and June 2018, respectively.

Cash and Debt

As of 30 June 2019, IndiGo had a total cash balance of ₹173,371 million, comprising ₹76,968 million of free cash and ₹96,402 million of restricted cash.

(Exhibit 3 continued)

(Exhibit 3 continued)

With effect from 1 April 2019, the company has capitalized its operating leases in accordance with Ind AS 116. The capitalized lease liability as of 30 June 2019, was ₹160,701 million. The total debt (including the capitalized lease liability) was ₹184,309 million.

Network and Fleet

As of 30 June 2019:

- A fleet of 235 aircraft including 129 A320neos, 83 A320XLRs, 5 A321neo, and 18 ATRs; a net increase of 18 aircraft during the quarter
- Operated a peak of 1,437 daily flights including international operations during the quarter
- Service to 70 destinations including 17 international cities; added one international and one domestic destination during the quarter

Operational Performance

- For the period April–June 2019, the company had a Technical Dispatch Reliability of 99.87%, on-time performance of 86.8% at four key metros, and a flight cancellation rate of 0.39%

Future Capacity Growth

- Second-quarter fiscal 2020 year over year capacity increase in ASKs is expected to be 28%
- Full-year fiscal 2020 year over year capacity increase in ASKs is expected to be 30%

Awards and Accolades

IndiGo was awarded the 'Best Low-Cost Airline in Central Asia and India' for the tenth consecutive time at the Skytrax World Airline Awards 2019.

Source: <https://www.goIndiGo.in/content/dam/goIndiGo/investor-relations/Financial%20Results/2019-20/q1-apr-to-jun-2019/Unaudited-Financial-Results-Q1-FY20.pdf>

Exhibit 4. IndiGo Monthly Operational Statistics for FY 2018–2019 on Scheduled Consolidated Services

Month	Aircraft Flown				Cargo Carried				Tonne Kilometre Performed				Available Tonne Kilometre (in Thousand)	Weight Load Factor ^b (in %)		
	Departures (in number)	Hours (in number)	Kilometre (in thousand)	Passengers Carried (in number)	Passenger km Performed (in thousand)	Available Seat Kilometre (in thousand)	Pax. Load Factor ^a (in %)	Freight (in tonne)	Mail (in tonne)	Total (in tonne)	Passenger (in thousand)	Freight (in thousand)			Mail (in thousand)	Total (in thousand)
Apr	41,206	79,181	42,985	59,86,999	66,61,290	76,20,362	87.4	21,490	1,558	23,047	5,99,173	28,110	1,552	6,28,835	8,40,686	74.8
May	43,080	82,427	44,352	64,62,539	70,93,473	78,77,318	90.0	23,146	1,610	24,757	6,38,411	30,653	1,610	6,70,674	8,69,239	77.2
Total	84,286	1,61,608	87,337	1,24,49,538	1,37,54,763	1,54,97,680	88.8	44,636	3,168	47,804	12,37,584	58,763	3,162	12,99,509	17,09,925	76.0

Source: https://www.goindigo.in/information/investor-relations.html?linkNav=investor-relations_footer

Notes: ^aPax load factor = (passenger km performed/available seat km) × 100.

^bWeight load factor = (tonne km performed/available tonne km) × 100.



Exhibit 5. Interglobe Aviation (Indigo) Share Price Chart (Rs) – 1 Year

Source: https://www.equitymaster.com/share-price/INDIG/INDIGO-539448/INTERGLOBE-AVIATION-INDIGO-Share-Price?utm_source=latest-company-esults&utm_medium=website&utm_campaign=more-info&utm_content=graph

Exhibit 6. The Event Timeline at IndiGo

Chronology of Major Events	
Time Period	Event
Birth of Indigo	2006
IndiGo secures third position in India	2010
International flights operations	2011
Issue of IPO	2015
Starting of promoter rift	Early 2018
Appointment of Kiran Rao	Mid-2018
Appointment of Ronojoy Dutta	Mid-2018
Taylor quits IndiGo	Dec 2018
The exit of Aditya Ghosh	Apr 2019

Source: The authors.

Exhibit 7. The Spat Timeline Between Two Promoters

S. No.	Time Period	Event
1	Early 2018	Rakesh Gangwal asks Rahul Bhatia to add more members to the board. Bhatia agrees as long as his representation is maintained as per shareholders' agreement. Gangwal withdraws from aircraft- and acquisition-related activities.
2	15 October 2018	Gangwal writes to the board for amendments to policy on RPT with Bhati's IGE Group.
3	30 October 2018	Bhatia addresses the board, suggests an independent review of all RPT with the IGE Group.
4	30 January 2019	Bhatia writes to the board rejecting Gangwal's demand for an EGM and accuses him of hijacking the airline and grabbing rights.
5	5 June 2019	IndiGo chairman calls for the board meeting to discuss the EGM requisition by Gangwal. IGE nominees Rahul Bhatia, Rohini Bhatia and Anil Parashar decide it to be a no-show.
6	8 July 2019	Gangwal writes to SEBI on RPT between IndiGo and IGE and pleads non-compliance of CG norms at the airline.
7	24 July 2019	IndiGo chairman Damodaran brokers truce between the two promoters. IndiGo approves a new policy on RPT and agrees to expand board members strength to 10.

Source: <https://www.businesstoday.in/magazine/the-hub/mid-flight-turbulence/story/370713.html>

Notes

1. M. Damodaran, Chairman IndiGo. <https://www.linkedin.com/in/m-damodaran-7ab36a194/>
2. Aditya Ghosh, CEO, South Asia, OYO | LinkedIn. <https://in.linkedin.com/in/aditya-ghosh-145569170>
3. Home | InterGlobe. <https://www.interglobe.com/>
4. Gregory Taylor Wiki, IndiGo CEO Email Id & Net Worth. <https://listofceo.com/aviation/gregory-taylor-IndiGo-ceo/>
5. Rahul Bhatia. Wikipedia. https://en.wikipedia.org/wiki/Rahul_Bhatia
6. Rakesh Gangwal. Wikipedia, https://en.wikipedia.org/wiki/Rakesh_Gangwal
7. IndiGo co-founder turns to SEBI over alleged corporate governance violation. <https://www.hindustantimes.com/business-news/indigo-co-founder-turns-to-sebi-over-alleged-corporate-governance-violation/story-yyco-j5qz31CmI0KqSX94fl.html>
8. Securities and Exchange Board of India. <https://www.sebi.gov.in/>
9. IndiGo shareholder pact to be checked by government for violations. <https://www.livemint.com/companies/news/indigo-shareholder-pact-to-be-checked-by-govt-for-violations-1562784033850.html>
10. IndiGo crisis: My independence never questioned before, says M. Damodaran, https://www.business-standard.com/article/companies/indigo-crisis-my-independence-never-questioned-before-says-m-damodaran-119083100057_1.html
11. Jet Airways. <https://www.jetairways.com/>
12. IndiGo. Wikipedia. <https://en.wikipedia.org/wiki/IndiGo>
13. Airbus, Home, Aerospace pioneer. <https://www.airbus.com/>
14. Welcome to Air India. www.airindia.in/
15. Alitalia | Homepage. https://www.alitalia.com/en_il
16. Airberlin. <https://www.airberlin.com/>
17. Monarch Airlines. Wikipedia. https://en.wikipedia.org/wiki/Monarch_Airlines
18. Indian Aviation Industry, Aviation Sector in India, About, Analysis—IBEF. <https://www.ibef.org> > Industry
19. India airports Public Private Partnership model is transformational. <https://centreforaviation.com/.../india-airports-public-private-partnership>
20. SpiceJet—Flight booking for domestic and international. <https://m.spicejet.com/>
21. GoAir: Book cheap flight tickets online for domestic & international. <https://www.goair.in/>

22. JetLite. Wikipedia. <https://en.wikipedia.org/wiki/JetLite>
23. Vistara. <https://www.airvistara.com/trip/>
24. Air Asia India. <https://www.airasia.com/flights/india>
25. The High Flier—BW Businessworld. www.businessworld.in/article/The-High-Flier/06-02-2018-139719
26. <https://www.businesstoday.in/sectors/aviation/crisis-in-IndiGo-promoters-rahul-bhatia-rakesh-gangwal-differ-over-airline-control-expansion-hire-law-firms/story/347080.html>
27. <https://www.pressreader.com/india/business-standard/20190715/281496457859593>
28. <https://www.livemint.com/companies/news/IndiGo-promoter-spat-bhatia-group-says-gangwal-limited-his-financial-risks-1563104971331.html>
29. <https://www.livemint.com/companies/news/gangwal-invested-less-than-15-cr-in-IndiGo-claims-bhatia-s-ige-1563132299309.html>
30. IndiGo promoter dispute: Co-founder Rakesh Gangwal seeks Prime Minister Modi's intervention, says he doesn't want control and is not looking to sell. <https://www.cnbc18.com/aviation/exclusive-indigo-promoter-dispute-co-founder-gangwal-seeks-prime-minister-modis-intervention-says-he-doesnt-want-control-and-is-not-looking-to-sell-3981141.htm>
31. <https://www.businesstoday.in/sectors/aviation/crisis-in-IndiGo-promoters-rahul-bhatia-rakesh-gangwal-differ-over-airline-control-expansion-hire-law-firms/story/347080.html>
32. <https://www.moneycontrol.com/news/business/companies/the-taylor-story-how-differences-between-IndiGos-rahul-bhatia-rakesh-gangwal-boiled-over-a-ceo-appointment-4264881.html>
33. <https://www.moneycontrol.com/news/business/companies/the-taylor-story-how-differences-between-IndiGos-rahul-bhatia-rakesh-gangwal-boiled-over-a-ceo-appointment-4264881.html>
34. <https://www.moneycontrol.com/news/business/companies/the-taylor-story-how-differences-between-IndiGos-rahul-bhatia-rakesh-gangwal-boiled-over-a-ceo-appointment-4264881.html>
35. <https://www.dailypioneer.com/2018/top-stories/aditya-ghosh-to-step-down-as-IndiGo-prez-gregory-taylor-likely-to-replace-him.html>
36. <https://m.economictimes.com/industry/transportation/airlines/-aviation/aditya-ghoshs-exit-from-IndiGo-well-timed-or-damp-squib/articleshow/63954926.cms>
37. <https://m.economictimes.com/industry/transportation/airlines/-aviation/aditya-ghoshs-exit-from-IndiGo-well-timed-or-damp-squib/articleshow/63954926.cms>
38. <https://www.financialexpress.com/market/aditya-ghoshs-exit-why-you-may-buy-IndiGo-shares-raamdeo-agrawal-explains/1150337/>
39. <https://m.economictimes.com/industry/transportation/airlines/-aviation/aditya-ghoshs-exit-from-IndiGo-well-timed-or-damp-squib/articleshow/63954926.cms>
40. <https://www.moneycontrol.com/news/business/companies/exclusive-pilot-missing-founder-vs-founder-head-wind-stalls-IndiGo-ceo-on-boarding-3285441.html>
41. <https://www.financialexpress.com/industry/IndiGo-places-usd-20-bn-order-for-leap-1-a-engines-with-us-based-cfm-international/1610382/>
42. <https://www.facebook.com/zeebusinessonline/posts/IndiGo-share-price-down-by-17-after-the-airline-reported-73-drop-in-profit-after/1935246373153857/>
43. <https://m.economictimes.com/markets/stocks/news/IndiGo-crashes-18-on-poor-q4-show-heres-what-brokerages-say/articleshow/64010600.cms>
44. <https://www.thehindu.com/business/IndiGo-net-dives-733-on-expenses/article23752808.ece>
45. Spat between IndiGo's Gangwal and Bhatia reaches SEBI's door. <https://qz.com/india/1662742/spat-between-indigos-gangwal-and-bhatia-reaches-sebis-door/>
46. <https://www.livemint.com/companies/news/IndiGo-promoter-spat-bhatia-group-says-gangwal-limited-his-financial-risks-1563104971331.html>
47. <https://www.businesstoday.in/sectors/aviation/IndiGo-row-rahul-bhatia-claims-he-bore-most-of-the-financial-risks-rakesh-gangwal-put-less-than-rs-15-crore/story/364365.html>
48. <https://www.businesstoday.in/current/corporate/crisis-in-IndiGo-over-feud-between-promoters-rahul-bhatia-rakesh-gangwal-full-text-letter-sebi/story/363122.html>
49. <https://www.thehindubusinessline.com/markets/sebi-seeks-details-from-IndiGo-on-promoter-complaints/article28332750.ece>

50. <https://www.livemint.com/market/mark-to-market/IndiGo-s-profits-may-soar-but-what-investors-want-is-peace-1563549287291.html>
51. <https://www.livemint.com/market/stock-market-news/as-turbulence-at-IndiGo-escalates-analysts-worry-about-the-stock-1562736226168.html>

Reference

- Agarwal, D. (2017, July 7). *Unconvinced by IndiGo's bid for Air India*. Bangalore Aviation. Retrieved from <https://www.bangaloreaviation.com/2017/07/unconvinced-IndiGos-bid-air-india.html>
- Bloomberg. (2019, July 16). *Rakesh Gangwal won't sell IndiGo stake in feud with Rahul Bhatia*. *Economic Times*. Retrieved from <https://economictimes.indiatimes.com/industry/transportation/airlines/-aviation/rakesh-gangwal-wont-sell-indigo-stake-in-feud-with-rahul-bhatia/articleshow/70245378.cms>
- Business Today. (2019, May 16). *Crisis in IndiGo as promoters Rahul Bhatia, Rakesh Gangwal differ over airline control, expansion*. Hire Law Firms. Retrieved from <https://www.businesstoday.in/sectors/aviation/crisis-in-indigo-promoters-rahul-bhatia-rakesh-gangwal-differ-over-airline-control-expansion-hire-law-firms/story/347080.html>
- Business Today. (2019, July 21). *IndiGo to seek shareholder nod for board expansion to induct a woman director*. Retrieved from <https://www.businesstoday.in/sectors/aviation/indigo-to-see-shareholder-nod-board-expansion-induct-woman-director/story/366270.html>
- Business Today. (2019, July 15). *IndiGo row: Rahul Bhatia claims he bore most financial risks, Rakesh Gangwal put under Rs 15 crore*. Retrieved from <https://www.businesstoday.in/sectors/aviation/indigo-row-rahul-bhatia-claims-he-bore-most-of-the-financial-risks-rakesh-gangwal-put-less-than-rs-15-crore/story/364365.html>
- Business Today. (2019, July 11). *IndiGo row: \$20 billion pact with CFM may have sparked the Bhatia-Gangwal feud*. Retrieved from <https://www.businesstoday.in/sectors/aviation/indigo-row-cfm-agreement-pact-bhatia-gangwal-fued-interglobe-aviation-ltd-airbus-a320neo-aircraft/story/363388.html>
- Corporates Press Trust of India. (2018, April 9). *Still waiting to see if IndiGo bids for Air India, says Government*. Retrieved from <https://www.ndtv.com/business/still-waiting-to-see-if-indigo-bids-for-air-india-says-government-1834917>
- ET Now. (2019, July 10). *IndiGo promoter conflict has taken a very ugly and messy turn: HP Ranina*. <https://economictimes.indiatimes.com/markets/expert-view/indigo-promoter-conflict-has-taken-a-very-ugly-and-messy-turn-hp-ranina/articleshow/70154154.cms>
- ET Now. (2019, July 10). *IndiGo: We need to gauge Gangwal's motivation for going to Sebi now, says Sameer Narayan*. *Economic Times*. Retrieved from <https://economictimes.indiatimes.com/markets/expert-view/indigo-we-need-to-gauge-gangwals-motivation-for-going-to-sebi-says-sameer-narayan/articleshow/70156086.cms>
- GoAir. (n.d.). Retrieved from <https://www.goair.in/about-us/>
- IATA. (n.d.). *Future of the airline industry 2035*. Retrieved from <https://www.iata.org/en/policy/future-of-airlines-2035/>
- IBEF. (n.d.). *Indian aviation industry*. Retrieved from <https://www.ibef.org/industry/indian-aviation.aspx>
- JetLite. (n.d.). *Ch-aviation*. Retrieved from <https://www.ch-aviation.com/portal/airline/JLT>
- Jet Airways. (n.d.). *Ch-aviation*. Retrieved from <https://www.ch-aviation.com/portal/airline/9W>
- PTI. (2019, July 18). *Government seeks explanation from IndiGo on Gangwal's complaint*. *Economic Times*. Retrieved from <https://economictimes.indiatimes.com/industry/transportation/airlines/-aviation/government-seeks-explanation-from-indigo-on-gangwals-complaint/articleshow/70281565.cms?from=mdr>
- PTI. (2019, July 18). *InterGlobe Aviation board meet on Friday amid promoter spat*. *Economic Times*. Retrieved from <https://economictimes.indiatimes.com/markets/stocks/news/interglobe-aviation-board-meet-on-friday-amid-promoter-spat/articleshow/70280077.cms>
- Press Trust of India. (2019, July 9). *Sebi seeks details from IndiGo on co-promoter complaints about deviations*. *Business Standard*. Retrieved from https://www.business-standard.com/article/companies/sebi-seeks-details-from-indigo-on-co-promoter-complaints-about-deviations-119070901112_1.html
- Reuters. (2019, July 11). *SEBI to probe If IndiGo CEO downplayed promoters' Tiff*. Retrieved from <http://www.businessworld.in/article/SEBI-To-Probe-If-Indigo-CEO-Downplayed-Promoters-Tiff/11-07-2019-173165/>
- SpiceJet. (n.d.). Retrieved from <https://web.archive.org/web/20130423230855/http://www.spicejet.com/ContactUs.aspx>