



Jet Airways (India) Ltd

3QFY13 EARNINGS CONFERENCE CALL

MANAGEMENT:

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MODERATOR:

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Moderator:

Ladies and gentlemen, good day and welcome to the Jet Airways Q3FY13 Earnings Conference Call hosted by Tata Securities. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Pratik Bavishi from Tata Securities. Thank you and over to you sir.

Pratik Bavishi:

Thank you. Good afternoon, everyone. On behalf of Tata Securities let me welcome you all to Q3FY13 earnings call of Jet Airways (India) Limited. Today, we have with us, the Senior Management Team of Jet Airways represented by Sudheer Raghavan – Chief Commercial Officer; Ravishankar – CFO; and Mr. Vishwanath – Senior VP, Commercial Finance & Investor Relations.

Without any further ado let me hand over the call to Mr. Vishwanath, post which we can commence with Q&A session, Thank you and over to you sir.

K.G. Vishwanath:

Thank you, Pratik. Ladies and gentlemen, good day to you. We will first go through the highlights of the results for Jet Airways and JetLite and then get to Q&A thereafter. Let me take you through the key highlights and the industry scenario, after which I will take you through the detailed performance.

The Indian domestic passenger traffic went down by 6% in 9M FY13 as compared to 9M FY12. As against this, our passenger traffic went down by 6% (Jet + JetLite) for 9M FY13 vs 9M FY12. Jet Group achieved market share of 25.1% for quarter ended December 2012. Our international operations continue to achieve high seat factors and healthy operating margins. For the quarter, Jet Airways as a whole achieved a seat factor of 76.1% and 75.6% for JetLite. For Jet Airways, yields YoY improved by 18.6% and Jet Lite yields YoY improved by 17.1%, this along with decrease in cost per askm (ex-fuel) helped the group post an EBITDAR of 9,483 million (US \$ 172.4 million), versus INR 2,755 million (US \$ 51.9 million) in Q3 FY12, up by 244%. Our overall EBITDAR Margins were 20.6% and 16.0% respectively for Jet Airways and JetLite in Q3 FY13 versus 5.8% and 9.1% respectively in Q3 FY12. This is despite an increase of around 11% fuel rates over O3 FY12.

Moving to the operational highlights for Jet Airways:

We achieved a system wide seat factor of 76.1% versus 77.8% in the same period a year ago. Overall yields, as measured by revenue passenger kilometer, were Rs. 4.94 as compared to Rs. 4.06 in the same period a year ago (or an increase of 22%). During the quarter, our domestic capacity as measured by ASKMs decreased by 11% and International capacity decreased by 8.1% as compared to Q3 last year.

As a whole, Jet Airways showed Profit before tax of Rs. 918 million (US\$ 16.7 million) and a Profit after tax of Rs. 850 million (US\$ 15.5 million). This compares to a Loss before tax of Rs. 1,012 million (US \$ 19.1 million) and Loss after tax of Rs. 1,012 million (US \$ 19.1 million) respectively for the same period last year.

The breakdown of Profit before tax shows a Profit of Rs. 105 million (US\$ 1.9 million) for the domestic business and a Profit of Rs. 813 million (US\$ 14.8 million) on the International operations for Q3 FY13.

As against this, we had a Loss before tax of Rs. 405 million (US\$ 7.6 million) for the domestic business and a Loss before tax of Rs. 607 million (US\$ 11.4 million) for International operations for O3 FY12.

For JetLite Profit after tax for the guarter was Rs. 81 million (US\$ 1.5 million) as compared to a Loss after tax of Rs. 216 million (US\$ 4.1 million) for O3 FY13.

Let me now hand it over to Mr. Sudheer Raghavan.

Sudheer Raghavan: Thanks Vishi. Good afternoon to everybody. Improvement in yields, decrease in Cost per ASKM (ex- fuel) has helped to improve operating margins for the quarter. This is despite slowdown in traffic growth, higher fuel prices and impact of a weak rupee as against US dollar. The unrealised exchange loss for the quarter was approximately Rs.480 million for Jet Airways.

> The Company has over the last few months pulled out of loss making routes, redeployed aircraft to other profitable routes. Key routes discontinued over the last few months include BOM - JNB, BRU - JFK, MAA - BRU, which helped in improving overall international performance. This also resulted in instances of aircraft on ground in the short term, the impact of which for the quarter was approximately Rs.550 million. These aircraft will be redeployed in the months to come.

To explain in detail, let me begin with Domestic Operations:

The share of our Domestic revenues to total revenues is 44% for the quarter. The total domestic revenues are Rs. 18,659 million (US \$ 339.3 million); up by 4.2% YoY.

Domestic operations in Jet Airways achieved a load factor of 72.7% for the quarter while JetLite achieved a load factor of 75.6%. Revenue per RPKM (yields) was up by 22.9% versus Q3 FY12. Gross Revenue per passenger went up by 19.6% YoY. The average fuel rate in Q3 FY13 for our domestic operations went up by around 11% over Q3 FY12. The domestic capacity of Jet Airways (as measured by ASKMs) for Q3 FY13 went down by 11.0% as compared to the same period a year ago. The domestic EBITDAR margins were 18.3% in Q3 FY13 as against 2.8% in Q3 FY12. Our Domestic operations as a whole showed a pre-tax profit of Rs. 105 million (US\$ 1.9 million) versus a pre tax loss of Rs. 405 million US\$ 7.6 million for the same period last year.

Moving to international:

We continue to achieve high levels of seat factors on the International operations. The share of International total revenues to total revenues is 56% for the quarter. The total International revenues are Rs. 23,853 million (US \$ 433.7 million). Revenue per RPKM (yield) went up by 22.0% YoY and Gross Revenue per passenger went up by 13.5% YoY.

The average seat factors for key International routes for Q3 were as under: USA routes were 81.2%, UK routes were 82.7%, ASEAN routes were 77.1%, Gulf routes were 74.5%, SAARC routes were 76.4%, Italy route was 65.8%, The EBITDAR margin on the international operations was 22.4% for Q3 FY13 versus 8.1% for Q3 FY12.

Our international operations as a whole showed a pre-tax Profit of Rs. 813 million (US\$ 14.8 million) versus a pre tax loss of Rs. 607 million US\$ 11.4 million for the same period last year.

Let me now spend a moment to update you on the JetLite operations:

The operating results of Jet Lite for the guarter are as under:

Achieved seat factor of 75.6% (vs. 78.6% for Q3 FY12). Revenues of Rs. 5,187 million (US\$ 94.3 million) vs. Rs. 5,329 million (US\$ 100.4 million) in Q3 FY12. Jet Lite Revenue per RPKM (yield) was up by 30.6% and Gross revenue per passenger was up by 17.1% YoY. EBITDAR of Rs. 825 million (US\$ 15.0) million in Q3 FY13 versus Rs. 483 Million (US\$ 9.1 million) in Q3 FY12. EBITDAR margin was at 16.0% in Q3 FY13 versus EBITDAR margin of 9.1% in Q3 FY12. Profit after tax of Rs. 81 million (US\$ 1.5 million) in Q3 FY13 vs. Loss of Rs. 216 million (US\$ 4.1 million) in Q3 FY12.

Turning to the current quarter and outlook:

The capacity induction in the market has slowed down over the last few months, thereby helping the airlines to maintain higher yields.

This along with the weak economic scenario has affected the traffic growth in the industry YOY. However, higher yields will help the industry to improve breakevens in short to medium term.

ATF Prices and rupee depreciation vis-a-vis US dollar continues to be a cause of concern in the short term. Q4 passenger bookings show encouraging trends, however it will reflect some seasonality. Our International operations continue to achieve seat factor of around 80%. Sale and Lease back transactions and debt reduction program continues to be on track.

Let me know take you through the details of our funds position for Jet Airways: Our cash position as at December 2012 was at Rs.7.4 billion. (US\$ 133.9 Million). On the balance sheet date, our debt was Rs. 119 billion (US\$ 2.16 billion). This number was US\$ 2.6 billion in March 2012 and US\$ 2.3 billion in September 2012. We have been steadily paying down debt – both aircraft related as well as Working Capital. Shareholder's funds as of December 2012 were Rs. 11 billion (US\$ 200.7 million.). The average cost of Debt for Jet airways is around 6%.

Ladies and gentlemen, let me now open the call to questions.

K.G. Vishwanath:

Just to close, in terms of our funds position, our cash position as at December 2012 was roughly Rs.7.4 billion or USD equivalent of 134 million. As on balance sheet date, our debt position was Rs.119 billion or \$2.16 billion. This debt number as of March 2012 was \$2.6 billion and as at September 2012 was \$2.3 billion which is now down to \$2.16 billion. We have steadily been paying down debt, both aircraft-related as well as other working capital debt. Our shareholders fund as at December 2012 was Rs.11 billion or US dollar equivalent of \$200.7 million. The average cost of debt for Jet Airways is around 6% at this point in time.

Ladies and gentlemen, let me now open the call to questions.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. First

question is from the line of Rajani Khetan from HSBC. Please go ahead.

Rajani Khetan: First one is on the fuel cost. For Jet standalone, I was just wondering ASKs were flat

quarter-on-quarter but the average fuel prices went up 4%, yet the fuel cost was flat

quarter-on-quarter. Just trying to understand what is going on there?

K.G. Vishwanath: It got to do with two things; one is of course the sector mix given that we have pulled out

of certain International markets and redeployed the airplanes or even got the aircraft on ground. Secondly, we managed to negotiate higher volume discounts with some of the

fuel companies and some impact of that is basically sitting in Q3 numbers.

Rajani Khetan: So what kind of discounts you get at the moment?

K.G. Vishwanath: We get roughly Rs.3.5 to 4 per litre discount from the Indian oil companies.

Rajani Khetan: Moving on to the other one, on the non-fuel cost and clearly we could see significant

controls this quarter. I just wanted to understand the reduction in the staff cost better. What kind of staff have been let go off as your average staff numbers have been

continuing to come down this financial year?

K.G. Vishwanath: Large part of the reduction in employee cost has largely come through because of the

composition of our pilot base, in terms of expatriates versus Indians. If you remember in the earlier calls we had mentioned that as at March 2012 the count of expatriate pilots

was around 230 and that number has been steadily going down, because we have not

renewed expatriate contract terms, in return we have actually trained more Indians and release them on to the system. This is one of the major reasons on account of which staff

costs have gone down. In terms of headcount reduction that number is only around 1100

on a year-on-year basis. Large component of this will be in the cabin crew as well as in

the ground staff and that is largely because those employee groups have got a higher

attrition rate, a large part of which we have not replaced.

Rajani Khetan: When our bonuses or rewards generally expensed during the year and what level are you

factoring in for this year?

K.G. Vishwanath: As you are aware in the last year we have not given any increments to the staff given

how tight our situation is. We have started negotiations with most of our employee groups

and we expect that to get completed in a month or two.

Rajani Khetan: Just very quickly on the yields per RPK. Sir quarter-on-quarter your International yields

declined whereas I would have expected them to rise given a very strong calendar fourth

quarter as compared to the third quarter. Do you want to just touch upon what is sort of preventing raising yields in the International segment?

K.G. Vishwanath: It is basically because of the sector mix more importantly.

Rajani Khetan: Just very quickly on the outlook then. Sir, are you seeing any kinds of positive signs in

terms of traffic growth so far into 2013?

Sudheer Raghavan: As far as the International sector is concerned we are seeing fairly robust forward

bookings. We are quite comfortable with where we are today as you know we have pulled out some of the heavy loss making routes. I think we are in a good position as far as the International route is concerned. On the Domestic route, as you know, probably that we are tracking into what is traditionally a weaker quarter relative to the one that just passed. However, I note that yield seem to be fairly resilient and numbers as far as forward bookings are concerned, we are not seeing much room for concern at this point in time, even though we are expecting a seasonally downward trend. So this could be a

result of more capacity induction right now relative to the previous years.

Rajani Khetan: Just very quickly on the fleet development, what level of your total capacity at the

moment is operating and what are the addition plans in the medium term?

K.G. Vishwanath: We are basically looking at a net adding of 5-6 narrow-body aircraft in the next financial

year; additionally, we are also getting back all of the 777s which we have leased out to Thai Airways and these airplanes will come in starting Q2 and Q3 of this financial year. We have two options, either to give it on lease to some other airline and there are discussions which are happening or even operate them on our own. We still haven't finalized in terms

of where we are going to deploy these airplanes.

Rajani Khetan: Just a last question from me now. How does JetLite have an FX gain in this quarter?

K.G. Vishwanath: Firstly, JetLite doesn't have any foreign currency loans on account of which there is no

loss that we have to book. On the other hand there are certain receivables which come in

dollars, and once you revalue them they basically give you a dollar gain.

Moderator: Thank you. The next question is from the line of Arjun Khanna from Principal Mutual

Fund. Please go ahead.

Arjun Khanna: My first question is in terms of debt repayment schedule. If you could just tell us, are

there any major milestones coming up?

K.G. Vishwanath: \$400 million repayment on a yearly basis.

Arjun Khanna: Given that there is a talk of the deal currently on, are we expecting to repay part of it

from the proceeds we expect to gain from this?

K.G. Vishwanath: It is too premature and too early to talk about anything happening in terms of the deal at

this point in time.

Arjun Khanna: So the repayment of this amount will be largely through sale lease back or how do we pay

the first milestone coming up?

K.G. Vishwanath: Given that nine months has already passed for FY13, a large part of this debt has been

serviced both in terms of aircraft payments as well as working capital loans. We have been in discussion with the Indian banks to expand or enhance our working capital facilities and thirdly of course, the sale-and-leaseback route. So till date, we have already done sale/sale and leaseback of around 11 of our 737 airplanes and as we speak we are

still in discussions with some other lessors in terms of more sale and lease back.

Arjun Khanna: Just to understand the structure of the company because I understand by June we have

to come down to 75% in terms of the promoter holding. Is it possible for the stake sale to happen to say a third-party, for example, Etihad directly without coming to the market to

let go from 77% to 75%.

K.G. Vishwanath: That is something which we have to see clarity on.

Arjun Khanna: What is the current status on that, what is our thought process?

K.G. Vishwanath: The original intent was to bring down the shareholding from 80 to down to 75 through an

OFS.

Arjun Khanna: Lastly, just to understand say the deal does happen with Etihad, what is the current

situation on bilaterals with Abu Dhabi and how many slots are currently open?

K.G. Vishwanath: As I mentioned it is too premature and too early to talk about anything on the deal

because the discussions are still ongoing, we haven't finalized anything.

Arjun Khanna: Aside from the deal we also had a code share with them, I understand for Paris, if I am

not mistaken, are there incrementally any flights going to Abu Dhabi?

K.G. Vishwanath: Not more than what is already in the system.

Arjun Khanna: My next question is in terms of the Served from India scheme which we had earlier, we

have not seen reflection of that on this quarter's results? Any reason why not or would

there be any roll back of earlier number which we took in?

K.G. Vishwanath: No. We are putting in place processes by which we are able to utilize these scripts in

association with the oil companies, and in the next couple of weeks we will actually start doing this process by which we are able to first consume all the 139 crores that we have

taken credit for in the month of September, post which we will draw down more credits.

Arjun Khanna: We hear in the paper about the DGCA actually or the ministry not very keen on allowing

incremental capacity in the system. We understand they did speak to a flight operator asking them to justify the import of new planes. So for our planes the incremental 5-6,

have we got approvals?

K.G. Vishwanath: Yes we have. For FY13 we have actually cut down on our capacity by around 10-12% in

the Domestic business. If anything we will only go back to the 2012 capacity and we are

not going to add significant capacity.

Moderator: Thank you. The next question is from the line of Jamshed Dadabhoy from Citi Group.

Please go ahead.

Jamshed Dadabhoy A couple of questions. First, on the International side, I notice that the load factors have

dropped quite sharply over the last three to four quarters. Now how much of this is just due to reduction in traffic and how much do you think is on account of market share losses, especially in markets like the Gulf routes, are we seeing any impact from Spice and

Indigo?

Sudheer Raghavan: Yes, I can overnight give you a very high market share but it will be at the cost of

profitability and that is certainly not something which we want to do. I would like to believe that we are not in a business of just carrying people from one place to another. So

our strategic change in focus has been to drive yields up, so that we can have a sustained

profitable position on these routes. I am very happy to report that almost all our

International routes have turned around. In fact, after our initiative of introducing

reconfigured 777s, we have seen that few of the routes that were pretty tough to turn

around have shown a very positive response. Profits are by and large come to a

sustainable level.

Jamshed Dadabhoy: So this last 5-10% sort of load which you are seeing was basically the low end which you

all have eliminated. So this current status quo continues, right?

K.G. Vishwanath:

It is not only about the last 5-6%; it is about how you are able to stratify your goal yield structure in the flight. So we have actually managed to bring down our break-even load factor in the International business to below 75% and that is largely because of a much healthier yield mix than what we were getting in the past. So for us what is more important is to look at the gap between achieved load factor and the actual break even rather than operating at 85% breakeven load factor and achieving 80% load factor. we rather bring down the overall breakeven requirement and achieve it more easily.

Jamshed Dadabhoy What catalyzes this change in focus over the last one year and what could lead to a change in this plan again, if at all?

Sudheer Raghavan

I don't think there is any sudden or significant change. We have been watching the market for a while, especially where we have had the wide body aircraft we realised some time ago that our configuration could be improved. So we took a strategic decision to go from 9 abreast in the economy cabin of the 777s to 10 abreast. This had helped in increase of ASKMs thereby bringing down the cost per available seat kilometers, which translated to lower breakeven seat factors. Now, on the A330 fleet we have already inducted A330 300, which has more seats thereby increasing the capacity with the marginal increase in cost. So that too has helped. As far as the 737 aircraft are concerned, particularly to the gulf, we took a conscious decision to improve the market mix such that we reduce the break even seat factors and get more profitable on the route.

Jamshed Dadabhoy: On the Domestic side I wanted your thoughts on how you see your market share panning out and what sort of market share you all are comfortable with. The reason why I ask about market share and I know you all are on a strategy in terms of profitability but at some point in time, you can't just focus on only the extremely profitable routes you have to have some feeder routes which don't make much money and you need that overall networks. So what are you all thinking in terms of market share on the Domestic side?

Sudheer Raghavan: Let us prioritize our thought process. First and foremost the Domestic market network is critical to us. There is no question of us thinning it down and deploying the aircraft on to so-called profitable International route. It doesn't make sense because our International wide-body aircraft and even the narrow-body aircraft are fed from various corners of India by the Domestic network. So if we thin down one network, it would cause a negative impact on the other network. The comfortable zone is the market share in which I am profitable, but as you rightly pointed out, it would not make sense to trim out all the lossmaking routes because then we will start impacting the broader network. So there is no real number. We are at a comfortable position where we are today. As Vishi was explaining, we would probably induct about 5 aircrafts more and as long as market share paces up along with that capacity induction, we will be fairly comfortable so long as we

are profitable, and this is the market that has demonstrated that the premium between capacity share and market share is usually ± 1 to 1.5% and that is very typical of a pricesensitive market. So we are not alarmed at where we are today.

Jamshed Dadabhoy So in terms of your market share, I quess, what you are saying is that your current market share is okay. At what point would you all sort of say, okay, now we have ceded too much to the LCCs because they also have networks which they are building to feed their International operations which at some point will be competitive with yours on Gulf and the ASEAN routes. Is there some thought process on how that is panning out?

Sudheer Raghavan

Let me first make a few comments. Somewhere around 2008-2009 when the economy went south, we saw a fairly precipitous drop in our market share because at that point in time we only had the full service offering. When we introduced Jet Konnect our market share went soaring up. So as long as our market share continues to pace the rate at which we induct capacity we are fairly comfortable with it. On the question of the low cost carriers going International, etc. frankly, I have been asked this question ad nauseam and the usual challenge put to me is "aren't you worried that you have so many Indian carriers getting on to the International business?". Now the honest truth is at the end of the day you cannot stop your competitors from growing that is number one. Number two, a fact which is often missed is, today if we look at the number of passengers being flown into India from outside and vice versa, Indian carriers only carry about 35% of the total share. Now, in any other matured Aviation market, the ratio would be the reverse. So my belief is that more Indian carriers go out into the International arena and impress upon the International travelling public that we give good, reliable and safe service I think our pie only grows larger and I think we collectively have a responsibility to do that. So I am not terribly perturbed at other Indian carriers going International. Frankly, I think it is a good thing for the country.

Jamshed Dadabhoy and this 35% share do you think it is on account of the fact that India is not a critical hub?

Sudheer Raghavan: India is a huge travel generating market. So given that it is huge travel generating market, it has everything that is required to be a good hub as well. So what today we are doing today as a country, is improving our airports and ensuring that we utilize the traffic rights that government has secured for us collectively as a community of Indian carriers. I think these are all in the right direction to make India a good hub and not just a market that generates high volume of traffic.

Moderator:

Thank you. The next question is from the line of Praveen Sahay from B&K Securities. Please go ahead.

Praveen Sahay:

The first question is related with the International business. On the US and UK we have seen a decrease in the load factor quite significantly like 82%. So would you please give some light like why exactly the international, US and UK load factor has gone down quite significantly?

K.G. Vishwanath:

As we mentioned earlier in the call, we basically traded yields for passenger numbers. On UK, more specifically, it is largely because of the fact that we have reconfigured our airplane and we have put 36 seats more. So on a larger base of seats, the seat factor obviously is slightly lower than what we had. On the US route, largely because we announced pull out of our Brussels-JFK route the seat factor went down. Once you announce a pull out of a particular route, the booking start to taper off. Over the last 2 or 3 weeks of operating that flight, posts the announcement, these flights basically operate at a very very low load factor which brought down the overall average.

Praveen Sahay

Now, my next question is related to ancillary revenue. What percentage that contributing to our overall on a consolidated level?

Sudheer Raghavan

As you rightly identified, one of our key tracks this year has been improving our ancillary revenue base. We started the financial year with ancillary revenue per passenger boarded somewhere in the region of about \$4.5 to \$4.7. As we speak, we are close to \$7.9 per passenger boarded. So that is a fairly healthy increase. As you know, we have changed our co-brand relationship last year. We had a very mature relationship with Citi Bank until May 2012, which we replaced with a non-exclusive relationship with HDFC, ICICI and American Express. We will also be adding a couple more. When we had a mature 10 year–12 year relationship with Citi Bank, we had a certain level of contribution. While the new relationship has not matured to the same level, overall ancillary revenue has been significantly higher than in the past. This only tells me that we are developing newer and newer sources of driving ancillary revenue. So I am very comfortable and I am happy we are on the right track there.

Praveen Sahay:

The next question is related to as you had already mentioned that a few of the aircrafts been grounded due to some route rationalization process and you had accounted some 550 million impact of this. How many aircraft grounded for how long and where we had accounted this 550 million?

K.G. Vishwanath:

So we are talking about roughly 3-4 A330-200 which has been grounded. The cost of which is sitting under interest, depreciation and lease rentals, and this year was slightly unusual for us even in terms of the 737-800 fleets because we had a lot of redeliveries. So to be able to accommodate the redeliveries we had on an average anywhere between

2-3 airplanes on the ground. Again, the cost of which is sitting as part of the ownership cost, which is interest, depreciation and lease rental.

Moderator: Thank you. The next question is from the line of Jasdeep Walia from Kotak. Please go

ahead.

Jasdeep Walia: First of all, in your International business, your other operating expenses dropped sharply

quarter-on-quarter from around 643 crores and second quarter to 557 crores. What are

the reasons for the same?

K.G. Vishwanath: It is largely because of pullout from long-haul operating routes.

Jasdeep Walia: Your Domestic business did not make money even in the peak quarter which could seem

to suggest that possibly in a normalized scenario also Domestic business could possible find it difficult to make money. Are there certain costs apart from interest and depreciation which can be further rationalized in the Domestic business or did the

Domestic business results contain certain one-off items which possibly won't come in the

future?

K.G. Vishwanath: The Domestic business obviously the profit before tax is Rs.105 million, that after a

charge of around Rs.240 million on account of exchange fluctuation loss as well as the

impact of certain aircrafts on ground which we mentioned at one point in time.

Jasdeep Walia: Could you break up your debt again for me in terms of aircraft debt and working capital

debt?

K.G. Vishwanath: Out of the 2.16 billion, roughly \$800 million is non-aircraft debt and the rest is aircraft

debt.

Jasdeep Walia: And have you got incremental working capital limits from Domestic banks or still under

negotiation?

K.G. Vishwanath: We have received certain limits from banks in the last one month or so.

Moderator: Thank you. The next question is from the line of Vijay Nara from Fortune Financial

Services. Please go ahead.

Mahantesh: This is Mahantesh here. Have just a couple of questions. One, if you leave aside your

wide-body aircrafts, what is your average age of your fleet today, is it younger than a

year before?

K.G. Vishwanath: No, it is not because they haven't replaced. So it will be around 7-8 years on an average.

Mahantesh: That means it calls for a massive redelivery of all these aircrafts?

K.G. Vishwanath: That is what is happening in the current year. We have close to 20 aircrafts being

redelivered.

Mahantesh: But then I understood that a large chunk of that were your ATR aircrafts?

K.G. Vishwanath: No, there were only five ATR aircrafts.

Mahantesh: And the redeliveries continue even into the next year. So can we say that by the end of

FY14 your fleet will be much younger around 3-4 years that you would typically want to

have?

K.G. Vishwanath: It won't fall down to 3-4 years, it will probably go down by a couple of years because next

year they are going to take deliveries of roughly 12 737s. Five or six of which will be lease replacement and these are the leases which actually went out as a fleet in the current financial year and the rest will be addition. So net-net we will have five adds but overall

new airplanes will be 12 in number.

Mahantesh: So does that mean more lease rental to be paid today because the aircraft prices are

higher?

K.G. Vishwanath: Not really, it depends on the timing at which we have basically contracted the lease.

Mahantesh: That brings me to the next question, because you seem to be consuming your old orders

now with the deliveries being taken. So what are your pending orders right now?

K.G. Vishwanath: We overall have 46 737s on order. 15 of it we have done sale-and-lease back for. Those

are the airplanes which we are currently starting to take deliveries off. Over and above that we have firm orders for 10 787s and 10 further auctions. And at this point in time we have no further orders per se, but we have lease in slots which we have finalized with

certain lessors.

Mahantesh: Secondly, you have spun off your Jet Privilege Cards business. Can you explain that

actually I am very unclear on what you have done in terms of a spin off, number one?

And number two, how does that enhance value for shareholders?

K.G. Vishwanath: If you look around 2-3 major airlines who had very strong Frequent Flyer Programs which

include Air Canada, who used to have Aero plane, then you have TAM in Brazil which has

got a program called Multiplus and Quantas which has got a Quantas Frequent Flyer. Over time, given the strength of their local market they have been able to basically build a huge business around this frequent flyer program, bring it outside of the airline scope and give it more of a coalition loyalty spin to it than being only purely an airline play. So overtime we believe and this is the first step that we have taken in terms of firstly expanding the credit card relationship from just being partnering with one credit card company to being a multiple banking partnership where we have HDFC, ICICI and AMEX being part of the credit card co-brand. Over time their number of miles getting approved on the program will mean more of non-airline miles. Today, that ratio is more like 85-15 in favor of airline miles. Over time, the accruals on account of non-flying activities will start going up, which eventually will lead to redemption in terms of the miles being redeemed on the airline, given that the currency of this program is "Jet Privilege Miles" this will be a lot beneficial on the airline. This will also have better stickiness in terms of customers who will now be willing to pay that much more yield to be able to stick on to the program given the loyalty scope for it.

Mahantesh:

And when you decide to spin of partly to some other third-party in this business, what will be primarily on your mind in terms of what value to capture?

K.G. Vishwanath:

At this point in time we are still working on the numbers; we still don't have a firm number in terms of what needs to be, but having said that we believe there is significant value on this business.

Mahantesh:

That brings me to my last question which is a little housekeeping and part repeat of what you have talked off. Focus on your other expenses which have come down very sharply not just for this quarter; the way I look at it, it is something like 6-year or 7-year low for you in terms of percentage of your revenues. How have you been able to manage that or is it sustainable going ahead?

K.G. Vishwanath:

Are you talking about unit cost or are you talking about absolute cost?

Mahantesh:

As percentage to absolute cost is a function of your overall network presence and deployment. So I am not talking on absolute numbers. Absolute number is a case for this particular quarter. I am talking about overall as a percentage which seems to be come down all the way down to what it used to be 6-7 years ago.

K.G. Vishwanath:

I think that is largely because of the fact that the yields continue to increase very strongly, we have seen over 20% improvements in yields. While on the other hand, on the other operating cost there have been cost initiatives which have started showing some

benefits which is occurring to the airline. But it is largely because the top-line has grown

significantly faster as compared to the cost.

Mahantesh: So that means if the market conditions becomes tougher and the yield fall will be back

again in terms of your other expenses as a percentage to revenues on a higher basis?

K.G. Vishwanath: Relatively speaking, yes, correct and that is why we need to look at cost per ASKM more

importantly.

Moderator: Thank you. As there are no further questions, I would now like to hand over the floor

back to Pratik Bavishi.

Pratik Bavishi: Thank you. On behalf of Tata Securities I would like to thank the senior management

team of Jet Airways and also all the participants for taking time out and understand more

about the Airline Industry and Jet Airways in particular. Thank you.

K.G. Vishwanath: Thank you so much.

Moderator: Thank you. On behalf of Tata Securities that concludes this conference. Thank you for

joining us and you may now disconnect your lines.