

Post result 3QF14 Conference Call Transcript



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Presentation Session

Participants: Mr. Ravishankar Gopalakrishnan, Chief Financial Officer, Mr. Abdul

Rahman Al Busaidy, Chief Strategy and Planning, Mr. Raj Sivakumar, Senior Vice President Planning and Alliances and Mr. Abhijit DasGupta,

Vice President Network Planning - Jet Airways India Limited

Mahantesh Sabarad -SBICAP SECURITIES LTD.

Moderator: Good afternoon, ladies and gentlemen. I am Buela, moderator for this conference.

Welcome to the Jet Airways Q3 FY14 post result conference call. We have with us today Mr. Ravishankar Gopalakrishnan, Chief Financial Officer, Mr. Abdul Rahman Al Busaidy, Chief Strategy and Planning, Mr. Raj Sivakumar, Senior Vice President

Planning and Alliances and Mr. Abhijit DasGupta, Vice President Network Planning, Jet Airways India Limited. At this moment, all participants are in listenonly mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone keypad. Please note

this conference is recorded. I would now like to hand over the floor to Mr.

Mahantesh Sabarad. Please go ahead sir.

Mahantesh Sabarad: Good afternoon everyone. This gives us great pleasure that SBI Cap has

been allowed to host this conference call of Jet Airways. May I now request the management to take us through the results after which we can have the

Q&A session. Over to you, Mr. Ravishankar.

Ravishankar Gopalakrishnan:

Thank you, Mahantesh. Good afternoon, ladies and gentlemen. Welcome to Jet Airways third quarter result call. First I would like to walk you through the highlights of the results of Jet Airways and JetLite and then we will take the questions after that. I hope you all would've seen both the presentations of our result as well as the press release that we issued on our numbers. Before we talk about that I would like to walk you through the key highlights and the industry's scenario and thereafter I will talk about the detailed performance for this quarter.

If you remember in quarter two, we mentioned that in the month of July and August, the fares dropped and we reported a loss of INR 998 crores in that quarter or about US \$155 million. The middle of quarter two, the rupee also depreciated against the dollar significantly, the fuel prices went up. As a result, the quarter two results were very poor and the loss of 155 million was also as a result of some of the maintenance expenses that we had to take as a one-time expense. As compared to quarter two, now in quarter three, the domestic market share of Jet Airways has significantly increased. It has increased from 23.7% in October to 24.6% in the month of December. The increase in domestic passenger number for Q3 was about 4% versus Q2



FY14. The increase in average domestic fares on a quarter-on-quarter was 20% for the domestic operations.

JetLite, our 100% subsidiary, achieved the highest seat factor in the domestic aviation market with a seat factor percentage of about 78.5 % in the month of December 2013. The passenger traffic also went up by 1% in the current quarter versus the same period in 2013. As a group, we achieved a market share of 24.2% for the quarter ended in December 2013.

Our international operations continue to achieve high seat factors. For quarter three, we achieved a seat factor of about 81.6% versus 78% in quarter three of the previous year. The revenue per average seat kilometer for international operations improved by about 4.3% over the previous year.

Moving on to the operational highlights for Jet Airways, both domestic and international, we achieved a system-wide seat factor of 77.3% versus 76.1% in the same period a year ago. Overall yield as measured by revenue per revenue passenger kilometer were 4.89 as compared to 4.94 in the same period a year ago, a marginal decrease of 1.1%. During the quarter our domestic capacity, as measured by ASKM increased by 9.6% and international capacity increased by 6.1% as compared to quarter three last year. As a whole, Jet Airways showed a loss after tax of INR 2679 million rupees or US \$43.3 million. This compares to the profit after tax of INR 850 million rupees or US \$15.5 million that we reported for the same period in the previous year.

If you just breakdown the loss before tax, the loss of INR 2,597 million or US \$ 42 million is for the domestic business and a loss of INR 82 million or US \$1.3 million is on the international operations for the quarter ended December. As against this we had a profit before tax of INR 105 million or US \$1.9 million for the domestic business and profit before tax of INR 813 million or US \$14.8 million for the international operations in Q3. We will talk more in detail about the decrease in the profits in international operations in this quarter.

For JetLite, the loss after tax for quarter was about INR 160 million rupees or US \$2.6 million as compared to the profit after tax of INR 81 million or US \$1.5 million for Q3 in FY13. The economic slowdown continues to impact the industry performance; however, due to the various initiatives that we adopted, we were able to increase our market share to 24.6% in the quarter ended December. On the cost front, we continue to face headwinds due to the depreciating currency, the high fuel prices and significant increases in the airport charges in selected Indian airports and this impacted the results adversely. Removing the impact of the exchange rate alone, the result for this quarter would have been better by about INR 1.5 billion or US \$24.4 million as compared to the previous year and if we were to add the impact of the higher fuel rate, fuel went up by 10.6% over the same quarter last year, the landing and navigation charges and increments that we had to pay some of our staff members, the results for the quarter would have been better by about INR 2.8 billion or US \$45.5 million as against the previous quarter.

I spoke about the significant drop in the profitability in the international segment. We had instances of wide-body aircraft being on ground. The fixed cost impact of this was about US \$17 million for the quarter. If we consider all the above impacts, the results would have been a profit of about INR 2.5 billion or US \$41.1 million for Q3 FY14.

Now, in terms of improving our performance; the first focus for us is on ensuring that the wide-body aircrafts are removed from the system and therefore our ability to use the assets that we have is significantly improved. Two of the A330-200s, which were part of the fleet, which were on ground in



the previous quarter, that is quarter ended December 2014, were sold in the last week of December. Now, we are in discussion with a potential lessor for leasing out the remaining three A330-200s, which will be leased on a long-term basis. These discussions are at advanced stage and we expect to close this by the end of February. Just by getting rid of these aircrafts, which are on ground, we would be able to save about US \$17 million.

Now, moving to the domestic operations, the share of our domestic revenues to total revenue is around 43% for the quarter. The total revenues from the domestic operation is about INR 19 billion or US \$320 million, which was higher by about 6.1% on an year-on-year basis. The domestic operations in Jet Airways achieved a load factor of 69.4% for the quarter while JetLite achieved a load factor of 73.8%. The total domestic seat factor was at 70.4%. Our domestic operations as a whole showed a pretax loss of INR 2.597 billion or US \$42 million versus pretax profit of INR 105 million or US \$1.9 million for the same period of the last year.

In the international operations, we continue to achieve high levels of seat factors. The share of international revenues to total revenue is around 57% for the quarter. The total international revenues are INR 26 billion or US \$426 million. The revenue per ASKM went up by 4.3% year over year. The average seat factors for some of the international routes in Q3 were as follows: USA routes at 83%, UK routes at 80.3%, ASEAN at 77.6%, Gulf routes achieved 85% and SAARC routes at 77.3%. Our international operations showed a marginal pretax loss of INR 82 million or US \$1.3 million versus a pretax profit of INR 813 million or US \$14.8 million for the same period in the previous year.

In terms of the operations of JetLite, the operating results for the quarter were as under:

A seat factor of 73.8% versus 75.6% for Q3 FY13. The revenues were at INR 4.6 billion or US \$74.7 million versus INR 5.1 billion or US \$94.3 million in Q3 of FY13, which is down by about 11% year-over-year. The JetLite revenue per Rpkm was up by 5% and gross revenue per passenger was up by 1.4%. Loss after tax at INR 160 million or US \$2.6 million versus profit of INR 81 million or US \$ 1.5 million in the quarter of the previous year.

Now, I would like to talk about the deal with Etihad, the equity infusion by Etihad of about US \$380 million got completed in the previous quarter, the quarter ended in December 2013. We received INR 2,057 crores which was used up to retire some high cost debt, repay some of the overdue creditors and so on and so forth. The other parts of the transaction like FFP sale and the ECB money are in pipeline. In terms of FFP sale, you would have read in the newspaper that we have received all approvals, including the Competition Commission of India about a week back. Now, we will be approaching our shareholders so as to approve hiving off the business of Jet Privilege Program into the 100% owned subsidiary JPPL and then the equity sale of 50.1% to Etihad will get completed. This would result in Jet receiving about US \$150 million as sales proceeds and in terms of the ECB transaction we have got the necessary approvals from the Reserve Bank of India. We are currently going through the documentation process and we expect to complete the ECB transaction in this quarter.

We are also working on another ECB transaction of US \$150 million for which we have applied to Reserve Bank of India for necessary approvals and on completion of that and the necessary documentation, we will be able to add another US \$150 million of borrowing to our requirement. So what does this do to our funds? Our cash and cash equivalents at the end of December were about INR 9.3 billion or US \$150 million. As I mentioned earlier, we were able to reduce our debts to the extent of INR 1,600 crores or about US \$240 million through the equity that we raised from Etihad and other sources of funds.



Now, with the change in the landscape, debt landscape over the next couple of months, like replacing the Indian rupee working capital of US \$300 million with US \$300 million ECB and raising some low-cost debt, I think we should be in a significantly better position as we move along. At the end of March, we expect to have a surplus of about US \$200-300 million of cash with us, which will ensure that our operations will be very comfortable as we move into the next year irrespective of what happens to the economy. This also will reduce significantly the interest cost of Jet Airways going forward.

So, in terms of the outlook for Q4, the quarter is expected to be muted, because of both yield and seat factor. The forward booking trends for the quarter are encouraging because of network expansion plan and because of the additional flight that we have planned to Gulf and Europe. The rupee depreciation versus dollar continues to be a cause of concern for us, as it is for most of the domestic airlines. The significant aspect in this quarter will be replacing our high-cost debts with low-cost debts resulting in lower interest cost as we move into the next financial year. We also would ensure that the surplus aircraft in the system would be either leased out or sold in the quarter.

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

Moderator: Thank you sir.

Question and Answer Session

Moderator:

Ladies and gentleman, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request,

you may do so by pressing * and 1 again.

The first question is from Mr. Aditya Makarya from JP Morgan. Please go

ahead.

Aditya Makarya: Yeah, hello sir I just wanted your thoughts on the recent downgrade of the

DGCA. You know, I believe we had an airline sharing codes, which are no longer...I mean, United I think has canceled the agreement with us, so how do

you read into this and what is the business impact of the same?

Raj Sivakumar: Hi, this is Raj Sivakumar. I will take this question. Yes, the FAA had indeed

downgraded I should say a few days ago and what this means in practical terms is the US carriers will not be permitted to code on the Indian carriers flight, so since we have a codeshare agreement with the United Airlines they were told to suspend their code, meaning codeshare on Jet Airways' flight both into India and within India. However, there is no restriction on Jet Airways placing its code on any US carriers flights, including United so we do

not expect a big reduction in revenues, because of this downgrade.

Ravishankar Gopalakrishnan:

And we can continue to operate our flights with the US as we have been doing

Raj Sivakumar: Yeah, our existing level of operations into the US can continue, so there is no

impact on that as well.

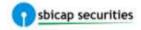
Aditya Makarya: But I believe in terms of the incremental flights, which we want to add on,

those will not now be able to take place.

Raj Sivakumar: Yes, that is our understanding. We will not be able to add services so we are

in the midst of re-planning our strategy towards the United States and that

work is underway.



Aditya Makarya: Sure. And also does the arrangement with Etihad allow us to operate flights

via Abu Dhabi to the US that remains unimpacted, right?

Raj Sivakumar: Sorry, could you repeat the question please?

Aditya Makarya: The flights, which we are anyway routing through Abu Dhabi, you know, for

the US, that plan is on track or that has been impacted as well?

Raj Sivakumar: Yes, the Indian carriers will not be able to add services into the United States,

over and above what already exists because of this downgrade, all right? So we are, like I said, we are in the midst of re-planning our strategy of offering consumers viable options into the United States over the coming days and

weeks.

Aditya Makarya: Okay got it. Thanks.

Moderator: Thank you. Next question is from Mr. Praveen Sahay from B and K

Securities. Please go ahead.

Praveen Sahay: Yeah, hi. Thanks for taking my question. The first question is related to the

income you had accounted of 925 million for a profit of sale so would you please quantify how much from the sale of the aircraft, which you have

mentioned earlier?

Ravishankar Gopalakrishnan

Okay. The gross profit is about US \$15 million, right, from the sale of these two aircrafts, but some parts of the cost, like, break cost for the loan that we have is recorded in the interest or the finance charges that we have reported, so the net profit would be about US \$10 million from the sale of the aircraft.

Praveen Sahay: Okay. Thank you. And next is the income related to leasing of a aircraft, you

had reported 1.65 billion, so, would you please give us details, how many

aircraft to lease and to whom and what type of?

Ravishankar Gopalakrishnan:

Yeah, these are the 777 aircrafts, the three 777 aircrafts essentially, which have been leased to the Turkish Airlines. If you remember, we had five 777 aircrafts which were on lease to Thai, right? So when they came back from Thai Airways, we leased it to Turkish about two quarters back, so its essentially income from that and in addition you would also see that the aircrafts, the 330s that have been leased to Etihad is included in the lease

income.

Praveen Sahay: So, like, two Airbus 330 are leased to Etihad...

Ravishankar Gopalakrishnan:

Yeah, three A330-200 to Etihad.

Praveen Sahay: Okay. Another question related to the commentary you had mentioned in the

press release regarding 1.2 billion maintenance expenses, which are on hold

due to some re-negotiations, so would you give some details about this?



Yeah. It is not on hold, so what happens is, we used to follow the practice of accounting for the expenses whenever the engine hits the shop at the time of they going to the shops or they coming back from the shop, so this is not in line with the international practices. Also, the fact is that when the Indian Companies Act comes in, so we would need to follow the component accounting process. So this also results in blips in our financial statements regularly, so, therefore, what we said was we will enter into a long-term arrangement with some of the MROs to ensure that we pay on a hourly basis for the use of engines, so we have had significant discussions with GE and GE has in principle agreed to cover these engines under this pay by hour program, so this is effective and this includes the two engines which went for the shop in the previous quarter and this will be effective from the month of January 2014, so to that effect we have received an in-principle agreement from GE and now we are in the process of putting in place the formal and final agreement with GE so as these two engines will also be covered and this is going to be a long-term contract with the vendor, so we thought that it should get included in the pay by hour program and, therefore, you know, we will be accounting for it from the month of January.

Praveen Sahay:

Okay. Thanks. And just a question on DGCA has canceled two slots of Jet Airways due to some CAT III non-compliant aircraft, so it is, like, suspended or something...?

Ravishankar Gopalakrishnan:

No, it was revoked the next day itself, so actually what happened was when our flights took off from Indore in Bhopal and were to land in Delhi, suddenly before they were to reach Delhi the weather turned bad and, therefore, they were not able to land, so we represented to DGCA indicating all the facts and based on the facts, DGCA considered and they have removed the suspension.

Praveen Sahay:

Okay fine. And the last question related to A380, which now the Government of India is allowing to operate from the international carrier, so what would be the impact going forward?

Raj Sivakumar:

I will take this question. This is Raj. You know, we do not see any impact. In fact, we do not see any immediate impact. Of course, we need to see what the plans of the other carriers are in terms of bringing the 380. I see varied responses from the various international carriers that do operate the 380. In some cases they are seat restricted so bringing in a 380 would mean something else is taken off. Even when they are not seat restricted, these carriers that do have the 380s already deploy their highest capacity aircraft into India and given the international growth that we're experiencing within the country as well as our own improvement in the network I do not see a major area of concern here for Jet.

Praveen Sahay:

Thank you. Thank you for taking my question. If I have questions I will come in a few.

Raj Sivakumar:

Thank you.

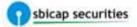
Moderator:

Thank you. Ladies and gentlemen, please press * and 1 for your questions. Next question is from Mr. Sangam lyer from Subhkam. Please go ahead.

Sangam lyer:

Sir, I just wanted to understand, you just mentioned 120 crores of

maintenance cost coming in in Q4.



No, what happened was, and as I said, we had got these engines now covered under the pay by hour so, which means as the engines get utilized we will be charging the pay by hour cost for these engines in our P&L. This agreement will be effective from the 1st of January, so from 1st of January you will see a regular charge hitting our P&L and it is not going to be 120 crores.

Sangam lyer:

Okay. In the initial part of the commentary you did mention that post debt reduction of 1,600 crores and also, once your FFP gets approved, by this financial year end you are looking at some cash surplus of around \$200 million, could you just elaborate on that. I just missed that part because your voice was...

Ravishankar Gopalakrishnan:

Yeah, that's right. I mean, so as I said, we have got the equity, which has already come in through which we also reduced out debt and second, going forward we will be getting the FFP program cash into the organization and third, we are getting ECB one as we had mentioned earlier with the support of Etihad through their banking network and the second one, which directly Jet Airways has got a sanction letter from one of the Middle East bank. The approval for the same has been submitted to RBI. Once the approval is in place, we will be able to borrow these though the second ECB. For the first ECB through the banking circles of Etihad, we've already got the approval; the documentation for the same is in progress, so these two ECBs together will replace the domestic Indian rupee debt to the extent of \$300 million thereby resulting in saving to our interest cost.

See, the additional cash flow that we are going to get partly from the FFP program and partly from some additional funds that we would like to raise from the Indian bank in the form of foreign currency loans, because we would like to dollarize our loans given the fact that we are slowly and clearly moving towards natural hedge position as far as foreign exchange earning and expenses are concerned. It will be in our interest to dollarize the balance sheet or reduce the cost of interest expenses; so all these exercises will result in a surplus cash of about \$200 million by end March or April, that's what our targeted position is.

Sangam lyer:

So, by the end of March or April. How do we see the total debt position in the books?

Ravishankar Gopalakrishnan:

Today, at this point in time, we are at about \$1.6-1.7 billion. We would be around \$1.9 to 2 billion.

Sangam lyer:

Okay. And how do you see the interest run rate going forward for the next financial year?

Ravishankar Gopalakrishnan:

See, just the replacement of Rs. \$300 million of the Indian high cost domestic debt by the ECB will result in about \$30 million of savings and because of the other reduction in the interest cost and various finance charges that we are now working with the banks, we expect the savings to be around \$50-60 million on an annular basis including the reduction because of replacing the domestic debt with the ECB debt.

Sangam lyer:

So we are here talking about interest cost almost getting to, you know, half the current run rate that we are, almost to 1200 crores odd annual run rate so it is going to be half of that in the next financial year if things fall in place as we are planning now.



It will be slightly more if I'm not wrong. Just this year our interest cost is likely to be around US \$160 million or so, so next year that will be around about \$100 million.

Sangam lyer:

Okay, yeah, around 660 odd crores. And sir, finally on the Etihad alliance, on operational front how do you see the improvement coming in, in FY15 or onwards. How do you see the kind of operational improvements?

Ravishankar Gopalakrishnan

Yeah, I'll divide this into two parts. One is the operation of the aircraft and second is the synergies that we expect by working with Etihad. We have identified various programs by which we can go to the market together as part of a large family thereby help reduce the cost that we are incurring today. For example, with the vendors, now once we go with the larger scale the cost that we are incurring will significantly reduce. One aspect of that is the maintenance cost that we spoke about a little while ago where we are getting into PBH arrangement with one of the vendors and this will result in reduction in the cost per engine for us and similarly there are various other initiatives that we are doing, which will ensure that the cost reduces significantly.

Now, in terms of the utilization of aircraft, etc., I would request Raj to throw some light on that.

Raj Sivakumar:

Right. A big area of synergy is on the network side. As you probably know already we are connecting Abu Dhabi with a number of Indian cities. Mumbai and Delhi and Cochin were already connected to Abu Dhabi for the past years and to that list we added Chennai in January and we're adding Bangalore and Hyderabad from March 1st and these flights, besides improving O&D connectivity between India and Abu Dhabi for all our metro flyers it also offers one-stop connectivity on Etihad flights to a number of points in Europe, Africa and United States and besides the Middle East and the Gulf, so this is a development that we are excited about and in the winter schedule, subjective to getting the necessary rights we hope to add a few more points into Abu Dhabi from other Indian cities. So what we're trying to achieve here is essential move traffic from India into Abu Dhabi, offer more relevant time options to our consumers. Indian travelers and also, like I said, offer this onestop connecting opportunity via Abu Dhabi to a number of points in Europe and elsewhere on the Etihad network. That plan has started and we have started implementing that and as we move forward that will get refined and expanded.

Sangam Iyer:

So, in this feeder network that we will be providing for creating Abu Dhabi as a hub, would Etihad be also flying its own aircrafts from India to Dubai or so...in the same parallel route?

Abhijit DasGupta:

Hi, this is Abhijit. I will take that one. Etihad has, of course, its own expansion plans to India. However, they are already quite well established. They fly to nine or 10 points in India themselves. Our plan as Raj was explaining includes our own operations increasing, which are driven by traffic flows that are covering multiple market sites, there is traffic connecting from interior points on our own domestic network into these flights. There is traffic connecting from these Abu Dhabi flights onward into Etihad's network as well as traffic connecting from Abu Dhabi flights onward into some of our own flight extensions beyond Abu Dhabi. So, to give you an example, today we fly onwards from Abu Dhabi, that is Jet Airways itself into Kuwait and Dammam and all of these flights are structured to connect traffic onto our own flights as well and the way that we have designed these schedules is that all Indian points get connectivity onto Jet Airways as well as Etihad's flights going onwards, so I'll just refer to your point saying that these flights are not just



feeders as you call them into the Etihad network, but they perform a very similar role to what our own schedule structure at Brussels performs in terms of cross-feeding each other.

Sangam lyer:

Right. Okay. Sir, in terms of your run rate, if you look at it, assuming that the currency remains at these levels, considering that the rupee is weak, when do we see the breakeven point arriving wherein we start making cash flows because currently if we look at it, you know, at 8 to 10% EBITDA margins we are just about servicing the debt and at the PBT level it is negative, so what are the steps taken or what do we see or when do we see the expansion over there coming in.

Ravishankar Gopalakrishnan:

Right, so, let me not make any forward-looking statements at this point in time. however, to answer your question as we speak we are working on a strategy whereby we can maximize our revenues while we keep the cost at the same level, so you would have seen significantly between the previous guarter and this quarter we were able to reduce our losses, also the cost for us has reduced a bit and going forward in the next year, we will be adding more capacities into the system. Last year we had many aircrafts on ground, this year we are getting new narrow bodies coming in. We will be adding about nine narrow bodies into the system, so the capacity addition without significant change in the cost will result in us improving our operating performance. Also the fact that because of this financial restructuring, which I spoke about. interest cost will be significantly down and also we will get rid of the aircrafts on ground, which cost us about \$50-70 million in the previous year. So if I take all these facts into account next year should be a better year for us as compared to what we went through in this year and just assume that the rupee is going to be around 62 to a dollar and the fact that the Brent will hover around \$105 to a barrel.

Sangam lyer: Right. Okay great, sir, and all the best.

Thank you sir. Next question is from Mr. Vinit Maloo from Birla Sunlife.

Please go ahead.

Vinit Maloo: Hi, good afternoon. Just wanted to know, if you could just comment a little bit

on domestic supplies in terms of what kind of fleet addition you are looking at in the industry and who are the main players who are adding and what it could mean in terms of results in ASKM increases. You yourself said you would be adding net nine aircrafts, so would they all be for domestic and should I presume that we're talking of something like 10% growth in our ASKM next

year?

Ravishankar Gopalakrishnan:

Moderator:

Yeah, I'll take this Raj. Yes, there is going to be a net addition of nine aircrafts, but what you've got to keep in mind is our aircrafts are increasingly getting cross utilized between domestic and international operations. We are going to be actively looking at opportunities wherever they present themselves, whether on the domestic front or on the international front as we look at what their possibilities are. Talking about the competition yes, on one hand we all read news reports about a couple of carriers that could potentially enter the fray and I also expect marginal increase in capacities from the existing players besides ourselves of course. I expect the capacity growth to be temperate. Of course, the unknown with the new players remain, but amongst the existing players, the information that we have is it is going to be a moderate capacity increase from the extent that we can glean the data from the public domain.



Vinit Maloo:

Sure. So taking into account that there will be some moderate capacity addition from existing players as there could be a couple of new players what do you think will be the competitive scenario remains in terms of price increase, because clearly we think that post the peak season or rather, you know, before and after the peak season we see there is significant intensity in terms of discounting, etc., which increases and clearly that is not healthy for the industry, so what is your strategy to mitigate that?

Ravishankar Gopalakrishnan:

None of us can mitigate any fare sales; all we can do is react smartly to these sales, which is exactly what Jet Airways has done. What you see in the marketplace, like you rightly said as the peak season got over is an attempt by a couple of carriers to pick some forward loads during this lean period. What is positive this time that has not happened in the recent past, at least, is the fact that, yes, the sale has happened and but what has happened is, it has been boxed for a couple of days and the scope of the sale has not been expanded by other carriers. So, for example, when one of the competing carriers introduced a sale 30 days out, it stayed as a sale for 30 days out even when the other carriers matched it and as you know Jet Airways was the last one to match it, because we never believed that discounting would result in such a surge in traffic that is going to offset or result in any incremental revenue. However, we matched it in a smart manner and we are quite pleased with the results, so I do see a price discipline that exits in the market even in this lean season that was absent in the seasons past and that is a good sign for the entire industry including Jet Airways.

Abhijit DasGupta:

I also want to add, I think I made this point in the last call also, that at Jet Airways, we are a little more, for lack of a better word, hedged to these extreme seasonality that exists in our domestic market because we have been working very hard over the last few seasons to optimize connectivity with our international network, and what happens is that there is a substantial portion of our domestic carriage that is connecting traffic from our international network and that sort of reduces the amount of capacity exposure to some extent that we have to these kind of...to the seasonality in the market so to speak.

Vinit Maloo:

Am I to understand that given the domestic segment is not so lucrative commercial whatever, this and that, so am I to understand that most of the aircraft, which you will add, etc., virtually none will go in domestic routes.

Raj Sivakumar:

Majority of the ASKMs will be dedicated to the international route. I don't want to use the word most, but the majority of the ASKMs, coming out of the net addition of the aircraft.

Vinit Maloo:

Okay. And the aircrafts, which are going out and this is on net basis, but gross additions are higher, so whatever replacements will have to be done to maintain your ASKMs as it is, is it?

Raj Sivakumar:

That is correct, yes. We will not be going down.

Vinit Maloo:

Right, because you've been going down in JetLite it seems, so that is the strategy out there?



We look at it as a combined entity and as we speak we are also looking at the various strategies that we have. One of the most important thing is the fact that we have Jet Airways, Jet Konnect, etc., right? So we are looking at it. As we speak, we are doing the network studies. We have first-cut results of that, so it will take another month for us to consolidate and have a clear view of what our network is going to be in this year, right? So I would request that we can talk more about that in the next call, as soon as the financial year ends so the board would have also by then approved it. The board has given some corrections, which we are working on at this stage.

Vinit Maloo: Sure. Thank you.

Moderator: Thank you sir. The next question is from Mr. Devesh Agarwal from Bangalore

Aviation. Please go ahead.

Devesh Agarwal: Good afternoon gentlemen. I'm going to focus on a little bit of your operation

and I'm sorry, I got a little turned around when you were talking about your aircraft on ground. Am I to understand there were five A330-200s on ground?

Abhijit DasGupta: Yes. Of which we have sold two and three are going to go on a long-term

lease for which the talks are on at this point in time.

Devesh Agarwal: Very good. Could I also, build a little bit upon I think an earlier question on the

effect of the FAA downgrade on your US plans. You had announced a flight or rather Etihad has announced a flight, which will commence using Jet Airways metal and then you were to take over that flight after two months, so

do we...what is the disposition of that flight now post two months?

Raj Sivakumar: Obviously the effect of the FAA downgrade is that till such time the downgrade

is lifted we will not be able to operate any further flights into the United States, over and above what we already operate today. What this means for an

existing service of Etihad, it is for Etihad to decide.

Devesh Agarwal: Okay. So, the post two-month Jet Airways taking over that flight is not going

to happen.

Raj Sivakumar: Yes, to repeat what I said, we cannot add services into the United States till

such time the downgrade is lifted.

Devesh Agarwal: What are your contingency plans then because if I recall a lot of your 777

capacity was, I think now you're back to getting...you're having seven aircraft

in your fleet or is two still with Thai?

Raj Sivakumar: Yeah, you are right. We have seven aircraft in the fleet.

Devesh Agarwal: So, a lot of the 777 capacity was, I guess, earmarked via Abu Dhabi, that was

explained of your previous quarter concall, so now, what are your contingency

plans to deploy this fleet?

Raj Sivakumar: Well, like I said in my previous segment. As we go through our strategic re-

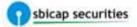
planning for wide body deployment we are looking at alternatives on where and how these 777s are going to get deployed, either in our own network or in

somebody else's network, in the form of a lease.

Devesh Agarwal: Okay. The other question I had was your capacity expansion for the next 12

months. There is a substantial, I mean, you have covered a bit, but could you

elaborate a little bit more on that?



Raj Sivakumar:

All right. I will take a little bit more about our international expansion. Like I said before, just to offer continuity here, we will be adding services, of course, all subject to rights approvals. We will be adding services like a few more services into Abu Dhabi; however, we are going to be focusing some key point-to-point short-haul international flying as well as the traffic conditions permit and as we see an opportunity. As you probably know, we just added a Kochi to Dammam flight that was kicked off really well, so it shows that, you know Jet Airways' increasing strength in the growing gulf market can continue to be leveraged to the benefit of the company and this focus will continue. And then, of course, the other big addition west of India is our Paris operation. Mumbai-Paris will be launched effective the 14th of May and it is already out there in the system selling. Insofar as services in the SAARC region goes, we continue to look for opportunities, be it Colombo, be it Kathmandu, be it Dhaka and as we see both and local and connecting opportunities, we will continue to look for ways to add flight.

Now, coming to Asia, we are actively studying markets such as Jakarta and Ho Chi Minh City. Ho Chi Minh City is particularly interesting in the context of connectivity with Paris so we are examining that and it could get added to our schedule some time during the course of the year. The same goes of Jakarta. So far as Singapore goes, as you probably know, we have a pretty robust network into Singapore with a double daily operation from Mumbai, Chennai and Delhi offering both morning and evening connectivity, evening services both from Singapore and from India, and we're going to build on that. Bangkok will continue to be a focus point and so will Hong Kong.

So, like I said, just to summarize, perhaps a couple of additional points on the Asian side and certainly building on our strength to the gulf market and either to new destinations or addition of frequencies to current destination and addition of Paris are the key highlights for the coming year.

Devesh Agarwal:

Okay. Thanks. With regard to a couple of things, you mentioned Colombo, but then if you recall, you recently withdrew Chennai-Colombo, so how do you see Colombo as an expansion point?

Raj Sivakumar:

Yeah, Chennai-Colombo had to be withdrawn primarily due to irrational pricing that exists in the marketplace. Colombo continues to be an important destination for us and as we look at building up Colombo, what we are settling on is offering a high degree of connectivity along with the local traffic possibly through our hub in Mumbai. So, if you look at any further expansion in Colombo or into Colombo I should say, we would probably be looking at Mumbai in a serious manner.

Devesh Agarwal:

You also mentioned Ho Chi Minh City and Jakarta are you going to be able to operate these routes with your existing narrow body fleet?

Raj Sivakumar:

Yeah, both are accessible on narrow bodies. Yeah, both Jakarta with some payload and Ho Chi Minh City certainly without a payload are accessible.

Devesh Agarwal:

Very good. And you were mentioning Paris, I was just making an observation that you are going to have the only evening departure from the continental Europe in towards India and I was playing back that you had almost a similar schedule with Delhi-Milan which was withdrawn. What lessons did you learn from Delhi-Milan that prompted you to continue the evening departure timing?

Raj Sivakumar:

Okay. I'll answer your first question first. You are almost right; we are the only evening departure from the continental Europe into Mumbai. Lufthansa offers an evening departure from Munich to Delhi. Now, insofar as the lessons learnt from Milan goes, yes, we started the service and where we faltered was our inability to pick up enough connecting traffic and what we



hope to overcome is through Mumbai, which is a much, much stronger hub for us than Delhi. We hope to maximize both the local and the connecting fleet and where Mumbai also helps is when you sort of look at the French market, the Chennai-Paris market is almost as big or even bigger than the Mumbai-Paris market and Bangalore is a pretty large market as well besides Hyderabad and we will, you know, we will certainly exploit those opportunities as we build upon our strong connecting hub in Mumbai. On Delhi, yes, it is unfortunate on Milan that we basically were stuck to a couple of connecting points that did not help our cause.

Devesh Agarwal:

And the last thing, I'm going to make a small pitch. I notice that bulk of your international flights, which you referred to, you recently announced to Abu Dhabi is all on your narrow body 737. Since we're based in Bangalore, an observation as to you and Etihad will continue to be the only flights towards the Gulf, which are narrow body because Qatar operates the 787 and, of course, Emirates offers A323s and Boeing 777. Why have you not considered utilizing your wide-body fleet on, say, prestigious routes like Bangalore, which will help you leverage the pre-clearance at Abu Dhabi into the United States?

Raj Sivakumar:

Sir, this is a step up for us. We want to build our traffic using the narrow body fleet and in the coming seasons certainly conversion of certainly narrow body flights into wide body is definitely in our plan.

Devesh Agarwal:

Thank you so much.

Moderator:

Thank you sir. Next question is from Mr. Praveen Sahay from B & K Securities. Please go ahead.

Praveen Sahay:

Thank you for taking my follow-up question. As you are planning regarding the next 12 months, an addition of 9 aircrafts, so can you just brief on what type of the aircraft and will it be on lease?

Abhijit DasGupta:

All of them are on lease, this will be 737 and, yeah, it will be on operating lease.

Praveen Sahay:

Do you have any aircraft order book for the next two to three years?

Abhijit DasGupta:

Yes, we do have. We do have an order book for the next few years, you know, we can share it separately with you.

Praveen Sahay:

Okay and, sir, last thing. Can you say the average age of the fleet? Currently we have some 100 aircrafts in our fleet, so what's the average age for them?

Abhijit DasGupta:

It's about five and a half.

Praveen Sahay:

Okay. Thank you.

Moderator:

Thank you. Next question is from Mr. Binay Bhaskara from Bangalore Aviation. Please go ahead.

Binay Bhaskara:

Hi sir. Thank you for taking my questions. First, sir, I wanted to open this question on one of your open remarks, just wanted to make sure whether I heard it right. Sir, did you say that the impact of currency devaluation on the result was Rs. 1.5 billion?



It's a combination of the re-evaluation of Indian rupees, the fuel increases as a result of that and some other one-off expenses that we had.

Binay Bhaskara:

Okay thank you. I just wanted to ask a couple of question of about specific items in your financial results. Could you please share what was behind the 31.5% increase in your employee remuneration cost?

Ravishankar Gopalakrishnan: As I said, you know, we had increments, which were paid out to our staff and also we concluded in some sectors the long-term, what you call, agreement with certain section of employees and that resulted in this higher cost.

Binay Bhaskara:

Okay. Sure. And the increase in the other operating expenses was primarily driven by the airport landing and navigation.

Ravishankar Gopalakrishnan:

That's right.

Binay Bhaskara:

Okay. Sure. I want in your forward outlook you talked about various avenues of ancillary revenue and a lot of airlines in the world has turned to profitability in the world especially in the US has really turned to things like check baggage and charging for in-fight meals and things along those...That profile of none of these ancillary projects apparently (audio break) could you really elaborate on how plan to grow these avenues and where do you think the challenge is in these...

Raj Sivakumar:

Yeah, I'll take this one. We continue to see an upward trend in the ancillary revenue production for Jet Airways, although there are restrictions on what we were able to do as well as constraints on how much we can go insofar as ancillary revenue production in India. The key sources for ancillary revenue as you rightly pointed out, one is the excess baggage fees and the other one also is the cancellation, no-show, refund penalties, etc. As you know the industry was able to bring down the free baggage allowance on the domestic flights from 20 kg to 15 kg and that reduction has had a positive impact in terms of our excess baggage fee collection. Also, we are getting smarter and more aggressive, in terms of our penalty collection, we are tightening the process, we are implementing automation across the board and that has had a positive affect as well and this is just not domestic, this is international as well. And the buy on-board meals continue to generate interest. We have implemented not only some new menus, also easier ways of purchasing them on our website, so as opportunities arise we continue to implement ancillary revenue initiatives and as the industry matures and as technology matures I expect this component to be bigger and bigger portion. Yes, it is not as big as what some of the US carriers are facing but it has moved light years ahead since about three or four years ago.

Binay Bhaskara:

Okay. Sure. And so I wanted to ask this question...you mentioned some rather graphic ones for capacity expansion as we see from your operating parameters for the domestic operations in the most recent quarter. You know, your revenue per available seat kilometer was down 4.8% and as I look forward into the rest of the calendar year 2014, we see aircrafts that are launched and is sort of ramping up and on the horizon you have AirAsia India and that's a part of the co-alliance write back, you have a lot of players coming into the domestic market, so might I ask what was the reasoning behind your addressing the domestic growth into an environment were other carriers, new and existing or standing and at the same time, Indian macro economy is not necessarily growing fast enough to power that capacity.



Raj Sivakumar:

Yeah, I would like to differ from what you just said. I would categorize our domestic growth as by no means aggressive. As I tried to explain a few minutes ago, a bulk of the capacity that is going to enter...bulk of the narrow body capacity that's going to enter the system in the coming years is going to be leveraged for our international expansion. Yes, there will be incremental domestic flying, but our ASKM growth will be rather muted and what we hope to do is hope to combine as we have done this more and more and more off late combine international flying with domestic operations, increasing the utilization per aircraft.

Binay Bhaskara:

Sure, by any chance can you give me a ballpark estimate for the ASKM

growth domestically?

Raj Sivakumar:

It is likely to be between 2% and 3%.

Binay Bhaskara:

Okay. Thank you. And just one quick handling question This is on the new terminal 2 that recently was sort of put at Mumbai looking forward, the eventual plan is for equity transition into an integrated domestic terminal. What kind of impact you think will have on your hub?

Abhijit DasGupta:

Yeah, I'll take that. Yes, we are very excited about the potential integrated terminal at our primary hub. Most importantly for a hub carrier such as ourselves, international to domestic connecting times will drop by almost half, which will make us significantly more competitive in terms of market itineraries that we play and with carriers that connect the same type of traffic over international hubs. So yes, it will allow us to compete more effectively to market flows to domestic India as well as improve our aircraft utilization and optimization between domestic and international, especially on the narrow body, the 737 side.

Moderator:

Thank you sir. There are no further questions. Now I hand over the floor to Mr. Mahantesh Sabarad for closing comments.

Mahantesh Sabarad: Hello.

Hello. Thank you very much for all the participants for joining in the conference call and thank you to the management of Jet Airways for patiently answering all the questions. Thank you all.

Ravishankar Gopalakrishnan:

Thank you, Mahantesh, for helping hosting this, thanks.

Moderator:

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

Note:

- 1. This document has been edited to improve readability.
- 2. Blanks in this transcript represent inaudible or incomprehensible words.