

## "Jet Airways Limited Q3 FY15 Earnings Conference Call"

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**Moderator**:

Ladies and gentlemen, good day and welcome to the Jet Airways Q3 FY'15 Earning Conference Call hosted by SBICAP Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "\*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mahantesh Sabarad from SBICAP Securities. Thank you and over to you, Sir!

Mahantesh Sabarad:

Good afternoon. On behalf of SBICAP Securities, I welcome you all to the Jet Airways Q3 FY'15 Post Results Conference Call. We have the Senior Management Team with us from Jet Airways for the call led by CEO Mr. Cramer Ball. I now handover the floor to Mr. Ball for his opening remarks. Over to you, Sir!

**Cramer Ball:** 

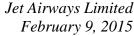
Thank you, Mahantesh. Good afternoon everyone, my name is Cramer Ball - Chief Executive Officer of Jet Airways. I along with the management team welcome you to this earnings call of Q3 FY15. Thank you again for the time you are sharing with us today and the interest in tracking our performance. I am joined here today by Mr. Raj Sivakumar -Chief Commercial Officer, Mr. N. Ravichandran - VP Finance, Mr. Abhijit DasGupta - VP Planning and Alliances, and Mr. Gautam Acharya - VP Aeropolitical and Government and International Affairs. I am sure all of you would have seen our Q3 financial results. At the beginning of the financial year, we outlined a three-year turnaround plan to get Jet Airways back to profitability. Today our business performance provides clear evidence that is the case and the business is turning around. Importantly, what we are seeing is strong sequential growth and you should remember going back in the previous quarter, we had an 80% odd growth in EBT. This quarter, we generated 101% growth in EBT to a positive of three crores, which is very important. As I mentioned in the last call, this is a very important quarter for us, as we rolled out the single brand initiative, we announced it in September and we only rolled it out in December. We are seeing clear take up from the customer in response to this. This clearly demonstrates our commitment to service, commitment to quality, and we are also seeing our cargo business increase. We are seeing quality of our business and the volume from the cargo market improve to have a doubledigit figure, and that is important. That is a reflection of what we are doing. Our revenue growth has continued despite downward pressure on domestic fares, particularly in September and October as a result of the prior sales from other airlines. We benefit from strong focus on building loads early, improved revenue management, and therefore, you see an improved passenger load factor by five points and that in our business is significant, five points to 82.1% compared to last year. Importantly, what you see is a reflection of all the



efforts in total revenue and you see revenue improvement for the quarter of almost 12% and that is reflected as well in passenger revenue. What is also pleasing on top of the passenger load factor improvement, is the revenue per ASK and that is the revenue quality per available seat and that we have seen improvement on the quarter by almost 3% and here today of over 5.5% and that is very, very important. What we also see in the quarter is the cash generated from operations for the nine months, we have seen a swing of \$130 million resulting in a positive of over \$31 million, and that is compared to a cash burn in the previous year. What is important to appreciate within those numbers is that we have seen a creditor wind back. Dues owed to creditors have now reduced to what I believe a very acceptable level. We have implemented revised route profitability and reporting metrics that enables us to improve the decision making within the business. With the global and local operating conditions improving, we can only expect to see the real impact of low fuel prices by the final quarter and what is the key amongst that is that you see that the fuel price has fallen over 50% internationally, what is being passed on has been surely lower than that and as a component we are really only seeing the benefit of fuel starting to come in January and February, so we have more and more benefits to translate to our bottom line in the first two months of the calendar year. Having said that, there is still an intense focus within the company on sustaining efficiency. Network rationalization, productivity improvement along with quality improvement, and intense focus on customer service. Having said that, we still have a lot of work to do, not resting, focus on the customer, focus on the cost, focus on the top line, and we believe that moving forward, on an operational basis, we are in a very strong position. What I would like to do now is hand you over to Mr. Ravichandran, our VP Finance, to take us through the financial results.

## N. Ravichandran:

Thank you, Cramer. Good afternoon, everyone. This is Ravichandran. As has been followed in the previous quarters, I will first take you through the financial highlights followed by a walk through the detailed performance. Talking about Jet Group's performance, Jet Airways plus JetLite, we are pleased to announce the net profit of INR 29 million for this quarter compared to a net loss of INR 2839 million for the same quarter last year. Total gross revenue stood at INR 54,361 million versus INR 49,901 million last year same quarter, up by 8.9%. Passenger revenues improved by 8.8% while the cargo revenues were up by 5.3%. EBITDA of INR 1713 million versus INR 102 million last year same quarter or EBITDA margins of 3.2% in Q3 of FY'15 versus 0.2% in Q3 of FY'14. The seat factors were up by 5.2% points. We have achieved a total load factor of 82.1% versus 76.9% in the previous year. This improvement has been a result of optimizing the network to have tighter domestic and international network integration, synergies with our partner carriers, maintaining our market competitive position, implementing a consistent field





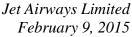
service, single brand strategy across the entire domestic airline operation, and increased focus in premier and premium traffic. The cash generated from operations during the nine months ended December 2014 was INR 1962 million equivalent to USD 31.1 million versus a cash burn of INR 6118 million equivalent to USD 99 million in the nine months of fiscal 2014. This is a positive swing of INR 8080 million equivalent to USD 130 million.

Operating highlights for Jet Airways, domestic plus international. Passengers carried increase from 4.4 million in Q3 FY'14 to 5.01 million in Q3 FY'15, which is an increase of 13.8%. Overall, the seat factor increased to 82% in Q3 of FY'15 from 77.3% in the same quarter last year. During the quarter, Jet Airways capacity as measured by ASKMS, available seat kilometers, increased by 9% as compared to Q3 last year. RPK, revenue passenger kilometer, increased by 15.7% when compared to same quarter last year. Our RASK that is revenue per available seat kilometer increased by 2.2% as compared to Q3 last year. On a standalone basis, Jet Airways showed EBITDA of INR 2207 million or 4.4% EBITDA margins. Profit after tax was INR 631 million for Q3 FY'15 as compared to a loss after tax of INR 2679 million for the same period last year.

Let me move to the operating highlights for JetLite. Overall seat factor increased to 82.7% in Q3 FY'15 from 73.8% in the same quarter last year. The RASK, revenue per available seat kilometer, of JetLite increased by 11.5% when compared to Q3 FY'14.

To explain in detail, let me begin with Jet Airways domestic operations. The share of our domestic revenue to total revenue is 40.6% for the quarter. The total domestic revenues are INR 21,137 million, up by 6.8% on Y-o-Y basis. Domestic operations in Jet Airways achieved a load factor of 82%. The RASK increased by 9.7% when compared to same period last year.

Moving to International operations: The share of international revenues to total revenues is 59.4% for the quarter. The total international revenues were at INR 30,899 million, up by 17.4% as compared to Q3 of last year. ASKM went up by 16.5% when compared to Q3 of last year. Block hours increased by 20.7% as compared to that of last year showing an increase in our international operations. The average seat factors for key international routes for Q3 FY'15 were as under. UK were at 86.3% versus 80.3% last year same quarter. ASEAN routes were at 83.3% versus 77.6% last year. Gulf routes were 83.6% versus 85.6% last year. SAARC were at 79.2% versus 77.3% last year. Abu Dhabi gateway routes were 72.3% versus 80.5% last year. Brussels gateway routes were 82.7% versus 83% last year. Last but not the least Europe routes were at 70.4% which started in May 2014 during the current financial year





The proposed inductions in the international sector in the periods to come are as under. Calicut-Doha commencing from 15<sup>th</sup> of March 2015 through a 737-800 service. Trivandrum-Doha again commencing from 15<sup>th</sup> of March 2015 again by a 737-800 service. Pune-Abu Dhabi commencing from 29<sup>th</sup> March 2015 by 737-800 service. Ahmedabad-Abu Dhabi commencing from 29<sup>th</sup> March 2015 by 737-800 service. Lastly, Mangalore-Abu Dhabi commencing from 29<sup>th</sup> March 2015 by 737-800 service.

Let me give you a brief on the funds position of the entire Jet Group. Our cash and cash equivalent position as of end December 2014 was INR 15.48 billion that is 1548 Crores equivalent to US\$ 245.6 million. As on 31<sup>st</sup> December, the overall debt on our balance sheet is at INR 120.34 billion that is 12,034 Crores or equivalent to US\$ 1.91 billion. The repayments during the quarter were a total loan of INR 4988 million equivalent to \$80.3 million.

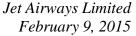
Talking about the current quarter and the outlook, we continue to focus on achieving high load factors as mentioned by our CEO, as have been evidenced in the last quarter. Increased focus on building premier loads, improved management of inventories resulting in revenue maximization on segments, our relentless focus on cost cutting measures through contract renegotiations and process improvements which is helping the airline to remain competitive. Reduced Brent crude again should help cushion the impact of seasonality in Q4. We are very clearly seeing an increased utilization of our aircraft as well as improved crew and manpower productivity. Thank you ladies and gentlemen, we now open the floor for questions.

**Moderator:** 

Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. Anyone who wishes to ask a question may press "\*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue you may press "\*" and "2". Participants are requested to use handset while asking questions. Ladies and gentlemen we will wait for a moment while the question queue assembles, thank you. We have first question from the line of Niraj Mansingka from Edelweiss. Please go ahead.

Niraj Mansingka:

I have question related to other expenses. Can you give some light on how the other expenses would trend over the next few quarters or the next one or two years and especially on the repairs and maintenance because what we have observed is they actually have been trended upwards and are generally high on a comparable airline globally, so can you also give a comparison how you see that repair and maintenance cost going down?





N. Ravichandran:

As we have mentioned earlier, the company is focusing on more and more getting into a proper maintenance contract. As you would have seen in the previous quarter, the company got into power by the hour arrangement for all our wide-bodied aircraft, the GE-engines. Similarly, on the same lines, we have had this program already entered into for 737 couple of years ago and we have now got into this power by the hour arrangement for the ATR Aircraft as well. This certainly would mean that for the periods to come it will have a homogeneous effect because through the maintenance program that we have got into it protects us from any kind of a spike which otherwise earlier was handled on a time and material basis as and when the engine or the aircraft were going in for a shop visit. So we see a stable impact as we move on from here and do not see any kind of surprises coming our way. And that forms part of a major portion of it sitting in the other expenses and we do not see any kind of major impact of spike coming in this expense line item in the periods to come.

Niraj Mansingka:

Can you more elaborate in the sense that, if you compare global airlines, the range is between 2% and 5% may be slightly higher as level, but if you look at Jet maintenance and repair it is almost more than 10% of revenues last year, so how much do you see in a longer term it can trend down to with your power by the hour contracts and others?

N. Ravichandran:

It should stabilize; it should be in the range of 11% that is what we expect. It should be in the band of 10% to 11%.

Niraj Mansingka:

Any specific reason, is there some disadvantage of our country or an airline because for example I am sure you might have seen global airlines as well they are not at as high as level as you are talking off, so I just wanted to have more clarity on where are the costs high and why the costs are so high for repairs and maintenance?

N. Ravichandran:

First of all this is more relativity kind of a situation. You know, these percentages are derived as percentage to the total cost. These total costs differ from country to country and given our experience we expect it to stabilize around 10% to 11% of the total cost. That has been the trend of the Indian carriers, I think we would be in the same band.

Niraj Mansingka:

I am sorry, but I think the Indian carriers in India we saw Air Indigo they are having around 2% range and that is the reason I was actually more curious to know that is there some specific reason?

N. Ravichandran:

As mentioned earlier, Jet Airways' maintenance cost will be within 10% to 11%.



Niraj Mansingka: I can take it offline, but I just wanted to note that even Delta having a 17-year age has a 5%

of revenue as maintenance cost, so maybe I will take it offline if you want.

**N. Ravichandran:** Sure, we can discuss it offline.

Moderator: Thank you. Next question is from the line of Pravin Sahay from B&K Securities. Please go

ahead.

**Pravin Sahay:** Thank you for taking my question. Again on the other expenses because last call you have

guided there are some expenses on account of JetPrivilege, Miles, so would you give some

numbers on this like how much that contributes to the operating expenses?

**N. Ravichandran:** For the quarter, it was closer to 54 Crores.

**Pravin Sahay:** Okay, going forward how we will see these expenses, like JetPrivilege member addition

would be higher so we will see the numbers will go up from here?

**N. Ravichandran:** If you recollect in the last quarter we explained the whole concept of this program, it as an

offsetting revenue sitting in the revenue as well, so obviously in the periods to come with

the member base going up this should certainly be on the rise, so you get an offsetting

revenue as well to this expense line item.

**Pravin Sahay:** Right, so the next question related to the fleet size, we are increased to 117 three additions,

so can you give the segregation like how much deployed and domestic how much on

international?

**N. Ravichandran:** The total fleet size you are right is 117 split between 107 in Jet Airways and 10 on JetLite.

In terms of its deployment split between domestic and international Abhijit, my colleague,

can tell you.

Abhijit Das Gupta: Of the 117 aircrafts, the ATRs are completely deployed on domestic, the wide-bodied fleet

is of course mostly deployed on international, the 737 of which we close the quarter with 77

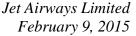
units are roughly equally divided between domestic and international, of course the aircrafts

are cross-utilized so we do not clearly demark it which aircraft is domestic which aircraft is

international, but broadly speaking they are equally spread between domestic and

international.

**Pravin Sahay:** And how many are with the other airlines?





**Abhijit Das Gupta:** Currently, there are 10 aircrafts leased to other airlines.

**Pravin Sahay:** Okay and what is the plan for 2016 and 2017, how many aircrafts are we going to include?

Abhijit Das Gupta: We are right now looking at being more or less a flat fleet, we do have some lease expiries

coming up which we are looking to either extend or replace, but broadly we are not looking

at any substantial growth in our fleet as it stands right now.

**Pravin Sahay:** We have something in order book?

**Abhijit Das Gupta:** In the order book for the next two to three years, no, we don't have.

**Pravin Sahay:** Just coming to other income which we have received for this quarter, some maintenance

receivable we had accounted some 305 million and also we had booked for the JetPrivilege and some from the sale and lease back, so would you please elaborate on these fronts, the how many still to account for the JetPrivilege and sale and lease back on account of these

three new aircrafts or what?

**N. Ravichandran:** During the quarter there are three aircrafts which had been sold which is accounted for

here. In the previous quarter also we had three aircrafts and one engine and in this quarter it

has been three aircrafts.

**Pravin Sahay:** Okay. From the JetPrivilege program we had accounted 69 Crores so still left for

accounting?

N. Ravichandran: You are talking about one of the items sitting there is the contribution, we told you that we

have got into this PBTH arrangement for the ATR Aircraft and the fleet that gave us a claw

back of this maintenance provision of 70 Crores, 69.78 Crores to be precise.

**Pravin Sahay:** Right. So, just on the Jet Privilege program like last quarter also, we had accounted some

amount, this quarter also we had accounted, so is there anything left for accounting further

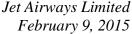
in the quarter?

**N. Ravichandran:** We had talked about this in greater detailed in the last quarter that this will be spread over

on achieving certain milestones as defined in this agreement in proportion to that, so during this quarter we have accrued for the 68 Crores as we mentioned and in the periods to come

like amounts are likely to be accruing to us each of these quarters for probably the next

two-and-a-half years. And there will be no one off coming in between.





**Moderator:** 

Thank you. We have next question from the line of Rajini Khetan from HSBC. Please go ahead.

Rajini Khetan:

Just a couple of questions. Starting first on yields, we have seen yield improvements come through over the past couple of quarters, but I have also noticed that there is a slight slowdown in yield improvement, so I just want to understand from you which mode do you think you can go up in improving yields or is it that future improvements are going to be more cost driven. That's the first one, and on the yields front, again, the second question really is if you could comment a bit about the yield improvement in the domestic as well as international. The context I am coming from is when I speak with other airlines around the world especially international airlines they have been suggesting that because of the hedging levels they have not been forthcoming in driving down their yields to reflect the lower fuel prices so, presumably if that is the case you should have been a major beneficiary on the international route. If you could just clarify that, what's the case and you are still seeing the trends into the future quarters?

Raj Sivakumar:

Hi Rajini, this is Raj Sivakumar, I will take this question. You talked about the yields, what we are similarly focused on is the unit revenue for the RASK and at the end of the day the yields are a function of sort of where the market is in terms of the pricing standpoint. Let me talk about domestic first and then I will get to international. On domestic, you know Mr. Ravichandran read out the unit revenue improvement Q-o-Q, Y-o-Y, it is a 9.7% improvement in the yield. And the way we have achieved it is being market competitive while at the same time improving the quality of our traffic coming out of the corporate segment. You are aware of the fact that the market continues to be ripe with the fair sales and it is a reflection of Jet Airways being market competitive, extracting the premium where we can, and what you see is the growth in our load factors which is what I want to focus on, from a 73% load factor in October to 83% to November to 89.5% in December means that we are winning the unit revenue game. Even though the yields may be softer than what it was last year. On the international side, the yields have moved sort of downwards primarily because of the fuel price reduction. In a number of markets we continue to see carriers either dropping the fare or the fuel surcharge to stimulate demand with the crude price going down pretty dramatically over the past three or four months. Again Jet Airways will continue to remain competitive and it will continue to react, the fact that we are able to win the revenue game again is evident from our growth in the load factors and it is the unit revenue that matters at the end of the day.

Rajini Khetan:

These markets in the international segment that you are seeing downward pressures?



Raj Sivakumar: It is pretty much across the board Rajini. Hong Kong is seeing downward pressures.

London has seen downward pressures. Europe, North America carriers, this two out of the three months are shoulder months in this past quarter, October and November, and carriers continue to do which they do all the time where as the fuel price drops they try to take

advantage of that by trying to stimulate traffic and like I said we got to remain competitive.

**Rajini Khetan:** In terms of your yield outlook, how do you think the Q4 is coming soon in terms of your

forward booking, is the yields performance in the Q3 you are looking at improving it or do

you think lower fuel prices are going to sort of start reflecting even further in your Q4?

**Raj Sivakumar:** The yield performance compared to the previous year we expect to be flat to strong. Our

load factor trends are quite positive for the coming period, January has been a very robust month for us and we continue to see strength in February and March, of course March in

particular is a seasonally weak month every year. Sorry to be repetitive here, we have

upside going from the standpoint of our brand positioning with the single brand strategy,

upside going from the standpoint of how we place ourselves in the corporate segment in

particular, and we will continue to extract the yields where we can, we will continue to stay

competitive and we will continue to win the revenue game.

**Rajini Khetan:** Does it impact any bit on the currency and if it does what is the amount?

**N. Ravichandran:** You are talking about the currency impact on the revenue side?

**Rajini Khetan:** Of the other expenses?

N. Ravichandran: More or less, it was due to the Rupee Dollar during the quarter, expect that towards the end

of the quarter that it suddenly shot up. Over the quarter it was quite normal, I did not see much of a spike. Except for the period closure, the mark-to-market that we had to be doing

took a small beating, but otherwise for the subtle transactions during the quarter did not

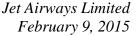
have much of an impact.

**Rajini Khetan:** Have you been hedging fuel?

**N. Ravichandran:** We have not been hedging fuel.

**Rajini Khetan:** Considering going forward?

**N. Ravichandran:** Not at the moment.





**Rajini Khetan:** All right, thank you very much.

Moderator: Thank you. We have the next question from the line of Ameya Joshi from Bangalore

Aviation. Please go ahead.

Devesh Agarwal: Good afternoon gentlemen, this is Devesh Agarwal. Couple of questions, I wanted to

understand your selling and distribution expenses and the reason for such a significant

increase. Was there any specific line item that contributed to the increase?

**Raj Sivakumar:** Hi, Devesh this is Raj again. Quite simply, it is a function of sales, so it corresponds to the

significant increase in the traffic and the load factor.

**Devesh Agarwal:** Okay. Second, I wanted to understand you said you have 10 aircrafts leased out, so could

you give us some breakup on your leased out aircrafts, which all aircrafts are leased out,

what quantity, and how many aircrafts are wet and how many are dry?

**N. Ravichandran:** All the ten are dry leases; there are five 777s and five 330s.

**Devesh Agarwal:** That is I am assuming 330-200.

**N. Ravichandran:** That is right.

**Devesh Agarwal:** And may I know where these are leased out to Sir?

**N. Ravichandran:** So, five 777s are leased to Etihad, of the five 330-200s two are leased to Etihad and three

are leased to Turkish.

**Devesh Agarwal:** And when are these aircrafts likely to be returned to you?

N. Ravichandran: The Etihad aircraft both including the 777s and the 330s are going to return to us between

2015 and 2016 and the Turkish aircrafts are leased out till 2020.

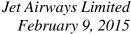
Devesh Agarwal: Oh, okay that is a good thing, a nice long-term lease out. Just to come up on your Asia

strategy, can you elaborate what is your planned future strategy for Asia?

**Cramer Ball:** Our strategy at the moment is to make what we got to work and make what we have

profitable, so if there is an opportunity we will look at it, but the focus at the moment is on

the existing routes and making existing routes profitable.





**Devesh Agarwal:** 

Okay and since I have you on line Mr. Ball, a question lot of Jet focused is towards improving the customer experience but generally what is being observed is that a lot of the Jet Airways products especially the premium cabins have become dated. Does Jet have a plan to sort of refresh its fleet, many supporters of Jet who write on the web they quite often complained that there is inconsistent product in terms of IFE and things like that, so what are Jet plans to make consistent offering across their network at least on an international front?

**Cramer Ball:** 

So you are talking about wide-bodied or narrow-bodied aircraft?

**Devesh Agarwal:** 

Both. And as far as dated product I would say more on your narrow body especially the Boeing 777s and the IFE, rather lack thereof more on the 738?

**Cramer Ball:** 

When you said the narrow body Boeing 777s, you mean the Boeing 737 or 777s?

**Devesh Agarwal:** 

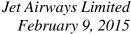
As far as the dated product went, it was more in reference to the Boeing 777s the 77Ws, as far as the lack of IFE or the inconsistent IFE was referring to the Boeing 737-800?

**Cramer Ball:** 

Okay, on the 777 of wide-bodied aircraft we are going to refresh program in the moment and we are looking about we are doing in a longer term, to ensure we remain relevant and actually in front of the curve when it comes to customer service. So you see some work in that area, I cannot give you timeframes, but there is work underway looking at that, but the feedback I have actually is that the product is still very good and the comfort of the seats is of very high standard. So we want to maintain that and we want to make sure that the product is refreshed where possible, but then we have a longer term strategy to move the business forward. In terms of the narrow-bodied aircrafts, we have IFE on certain aircrafts and not on others. So we try and carve out the IFE aircrafts probably to the international route and non-IFE mainly to domestic. However, we are looking at that the next generation for IFE, entertainment and customer communication, so that is underway at the moment, and again I cannot give you too much data, but needless to say that the focus on the customer is intense and we are very much in customer-centric business and we want to be ahead of the curve. So there is a lot of work going on and as soon as we have anything to announce I will let you know.

**Moderator:** 

We have next question from the line of Danish Mistry from Tata Mutual Fund. Please go ahead.



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**Danish Mistry:** 

Hi, Mr. Ball and team and congratulations for a very good quarter and results. And glad to know that you guys are on track for your turnaround plan. Very quickly just a few questions here, whilst understand that you are now focusing on the RAK but if you were to see the RAK II versus last quarter which was up at 6.7% Y-o-Y is now up about 1.5% to 2% and Mr. Ball alluded to the fact that there is some kind of fare sale in October - November . I just wanted to know whether was that on the domestic side or on the international side, because the last answer I talked about both, so where exactly is the pricing coming from?

**Cramer Ball:** 

I can answer this on behalf of my finance colleagues. We are seeing domestic RASK improved more than the international. So we are seeing intense domestic better utilization. RASK is a combination of load factor and fare, and as I was saying the improved load factor on domestic driving the RASK, so what does that mean is if the aircraft is lying around, we are feeling more safe even though the yield pressure in terms of average fare has been very strong in the last quarter, particularly October - November, we are seeing better seat factor. International remains flat, and as Raj mentioned above that is driven by the downward pressure on fares and the competitiveness in the international scenario.

**Danish Mistry:** 

So, internationally the load factors have helped you again similar to domestic and that is why the RASK has been flat?

**Cramer Ball:** 

Yes, the international load factor remains strong as do domestic so it has factored both. The important thing is getting that equation right, so we are in the green which is good in a very competitive environment both domestically and internationally.

**Danish Mistry:** 

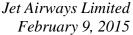
All right, and just one more question which is in terms of the cash flow improvement which you talked about, basically you have been able to cut down a lot of creditors and improve the cash flow and capital, do we see any further improvements in that or how do we look at this going forward now?

**Cramer Ball:** 

The intention is to keep on moving forward. As I said before, we are seeing all the indicators for the Q4 at the operating level, it is very positive for us.

**Danish Mistry:** 

Fair enough. Just one more thing is that right now if we were to see going forward at least in January, February every few weeks we read about some airline or the other coming out with cut rate fares Rs.1500 and Rs.2000 so how does that feed into our one brand strategy and focusing now on more on the full service carrier business, is fair cuts just a kind of traction from our strategy or how do you look at it?





**Cramer Ball:** 

It does not change our strategy one bit. We are a full service airline, we are serving quality catering, we have a very strong frequent fly program. We have an international and domestic network that fit very well into each other with our partners. That is an extremely strong proposition for the customer and this is what we are seeing come though. If you look at our alliance revenue, the way that is increasing, if you look at our frequent flyer membership increasing, the activation is increasing, so we are seeing these come through. Competition will always be there domestically and internationally. We will be relevant. Where we choose to compete, we will be relevant. We will make sure that we are providing value for money for the customer and all those components added up should mean that we become the first choice for the customer and that is the objective.

**Danish Mistry:** 

Thank you very much and best of luck for the next quarter.

**Moderator:** 

Thank you. The next question is from the line of Abhinav Gupta from Edelweiss. Please go ahead.

**Abhinav Gupta:** 

Sir, I just wanted to ask two questions, one on hedging, now that one of the carriers have shown an intend to hedge do you think it would have an impact on your intent also to look at how hedging the entire crude cost?

N. Ravichandran:

As I mentioned earlier, our intention is not to hedge right now at this point in time.

**Cramer Ball:** 

And I think what Ravi said is what competitors do have no bearing on whether we hedge or not. What is bearing on what we do is the fuel price and the forward pricing of fuel. So what our competitors do is totally up to them, no influence at all and we have seen around the world various carriers have hedged at higher levels and they are stuck with their strategies. We are in a position where we did not hedge and once the fuel price is eventually passed on to us we are in a position to take advantage of it.

**Abhinav Gupta:** 

Right. The other question is now that you plan to come out in profit in a year to year-and-a-half from now, and what you said sometime back was you don't plan to have net number of fleet to be increased, so how do you plan to do it, deploy more in the international routes or can you give some color on that?

**Cramer Ball:** 

The fleet plan is developing and when we have more new we will let you know. By going per our principle is, fleet is steady as it. We are seeing better utilization of the assets which is very important, so we are flying aircrafts more efficiently, working on a cost price, making sure we are flying to the right routes, our decision making on at a route level is very



important and as I said you see the business turned. You are seeing all the indicators, whether it be flow through from our international partners, whether the utilization of international and domestic fleets, all that adds up plus the focus on the cost side. So it is like all molded together. If the fleet plan evolves and we will be in a position to talk about that in the future.

**Abhinav Gupta:** 

Mr. Ball, a related question, I think we did see a lot of improvement in your utilization of aircrafts in the last few quarters, so how much do you see, can we really squeeze out of utilization from the aircrafts because still now we have done wonderfully extremely good in terms of increasing the ASKM for aircrafts or even looking at utilization, we also saw that increasing dramatically, how much can we more squeeze out of from the current aircrafts?

**Cramer Ball:** 

We have no aircraft on ground. Those aircrafts that were available we have managed to lease out to Abu Dhabi. I still believe there is room for efficiency, how we fly, when we fly.

**Abhinav Gupta:** 

Any numbers to it?

Cramer Ball:

Not at this time, there is still a lot of room.

Abhijit DasGupta:

Efficiency for the sake of efficiency can create quite a few numbers, but we have to see if it is commercially viable or not. This is a process that we will keep increasing our production, tightening our efficiency levels and this has to be done in steps because the system needs to absorb higher utilization levels and remain stable so I would not want to put numbers to it right now but yes, there is more coming.

**Abhinav Gupta:** 

Yes, thank you and wish you best of luck for continuing your good performance on operations side.

**Moderator:** 

Thank you. We have next question from the line of Pravin Sahay from B&K Securities. Please go ahead.

**Pravin Sahay:** 

Just one followup, on the JetLite, the other operating expenses gone up quite significantly to some Rs.162 Crores, and the quantum has increased quite significantly from the past two quarters, on account of what and will that continue in the same quantum?

N. Ravichandran:

Can we take this offline, we can give you the information?

**Pravin Sahay:** 

Yes, sure. And just another question related to your issuance of non-convertible debentures some around \$300 million, could you give us some information on this?



N. Ravichandran:

We spoke about in the last quarter Etihad putting another \$300 million into our company, at that point in time we were not clear as to what would be an appropriate instrument to bring in. NCD is being explored as one of the options right at this point in time where we are seeking the shareholders' approval and the postal ballot has already been circulated, alongside we are also working on a few other options and as at this point in time NCD is one among them.

Going back to you JetLite; other expenses query that you spoke about, there were four major engine shop visits during the quarter which has led to this increase in the cost.

**Pravin Sahay:** Okay so that is a just one-off?

**N. Ravichandran:** Yes, it is a one-off aberration.

**Pravin Sahay:** Okay, thank you.

**Moderator:** We have next question from the line of Vinit Maloo from Birla Sunlife. Please go ahead.

Vinit Maloo: Hi, good afternoon. You mentioned selling and distribution expenses have gone up along with your revenues have also gone up, but the rate of increase is quite high, I just want to

understand what has caused it, you was rising at a rate of 40% on a Y-o-Y basis?

**Raj Sivakumar:** We got to remember that the GDS expenses or the cost of sale in general is a pure function

of the passenger sale itself, so it is a combination of the sale that we observed and the traffic pattern that we observed for the past quarter as well as the forward sales for the coming quarter so it is a reflection of the bookings that we have on our book for the coming

quarters as well, so the strength of that is reflected. Unfortunately, the negative of coming

up with this forward sale is an increase in the cost of sale itself, so it is quite simply that.

**Vinit Maloo:** So, it should start subsiding with the base effect coming in the place right?

**Raj Sivakumar:** No, we got to put this in correlation with the load factor itself or the traffic itself. Let us

look at the past quarter, we talked about the fact that our load factor was up 5 points Y-o-Y and obviously there is a selling expense associated with the 5-point increase in the load factor and that gets reflected in the increased cost of sale. Likewise, we continue to see the

robust load factor for the coming month and the negative associated with that is a slight

increase in the cost of sale which is what I am trying to explain.



Vinit Maloo: What I am trying to comment is, your revenue passenger is up around 13.5% on a Y-o-Y

basis for this quarter, so this is just for this quarter, what you are trying to tell me is you probably booked a lot of forward sales also along with it right, that is why the selling

expenses have gone up?

**Raj Sivakumar:** That is correct.

Vinit Maloo: So, coming to the quarters then those forward sales have actually become part of the P&L, I

presume that the selling expenses will not be as high as percentage of sales?

Raj Sivakumar: Yes, it is quite simply combination of the expense that we book for the quarter

corresponding to the forward sale that we observe in a quarter, so going forward it will be simply a reflection of some level of seasonality, our revenue management strategy, and the overall forward looking profile that we see in that quarter. So I am not able to make a

prediction on what the cost of sale is likely to be in any given month or any given quarter.

N. Ravichandran: So if I may quickly add, your base effect from a percentage gap standpoint will probably

reduce but from a volume standpoint given that a) we are carrying higher volumes and b) that we are one of the strategies that we are using to generate those higher volumes is to gradually build forward loads. In terms of an absolute number stand point, it will stabilize

but it will be reflective of that particular strategy.

**Vinit Maloo:** Another question: how is your working capital situation currently and what are the chances

in terms of our payments, especially the fuel supply; can we move to a situation where we

start getting discounts?

Raj Sivakumar: Our CEO mentioned a little while ago about the overdue creditors position which has

improved a lot and are almost nearing current situation. As far as the working capital situation is concerned, on the fund position we mentioned the cash and cash equivalence at

that end of December, which is in a very, very comfortable position as we speak. We are

already within the credit terms that has been extended to us by the oil companies, Civil

Aviation as per the guideline of the Oil Ministry has got certain credit periods to be

extended to which we are well within and there are absolute collaterals which have been

established to the oil companies as a security and since we are well within the credit terms

we already have been taking the benefits of these discounts in some manner.

**Vinit Maloo:** And lastly on your interest cost, is it likely to come down any further?



N. Ravichandran: It is likely to, our strategy has been to Dollarize the debt profile as we move on in view of

our ability to service them in foreign exchange because our earnings in foreign exchange is considerably growing and that is giving us an edge and we are better placed today to

service them in foreign exchange. So obviously the cost of the debt is likely to drop in the

periods to come.

Vinit Maloo: How much Rupee debt that are you carrying right now?

**N. Ravichandran:** Out of the 12,000 Crores, we will be closer to 5.500 Crores is what we have it in Rupee

denominated debts.

Vinit Maloo: Thank you very much.

Moderator: Thank you. Next question is from the line of Raket Kapoor from Kapoor Companies.

Please go ahead.

Raket Kapoor: Sir with the plummeting oil prices and oil prices if remaining in this band for the same

period how is the airline industry now getting its work done in a better way to project a predictable profitable future? How you people can shape up things well if the fuel cost

which is more than 40% of your operating cost remains in a benign and a subdued

environment for a longer period?

**Raj Sivakumar:** Certainly, I am not smart enough to talk about the industry I can talk about what we are

doing in Jet Airways. Certainly I cannot deny that the drop in the fuel price comes as a

relief for us and it gives us an opportunity to reduce a part of the cost base which

unfortunately is uncontrollable. Having said that, our focus on improving the revenues and reducing the controllable cost is as high as ever. We continue to put for efficiency

improvements. We continue to push for customer service enhancements and translating that

into higher yields and higher revenue. We are going to followthrough on our one brand

strategy. We are going to followthrough on our guest first program. We are going to

followthrough on the increased corporate penetration. Like I said, there are markets where

the decrease in the fuel price is also accompanied by decrease in the fares, so we will

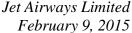
respond and we will compete and our goal is to win the unit revenue game.

**Raket Kapoor:** Sir coming back to this pricing of ticket, coming to the dynamic pricing system of the

airline industry model, it is the consumer who is always facing the axe in terms of the

pricing because if you look at the air ticket as consumers they have not declined at all on

Tier II locations and the last minute booking is always frustrating and the more the





minuscule the person the more the price he has to pay to take the entire journey, how is it designed that the consumer is never benefited from making the best of the ticket prices? The airline is bleeding as well as the consumers who would avail the service have to shell out more at the most necessity time of using the airline?

Raj Sivakumar:

I like to disagree with you a little bit here. The consumer is absolutely benefited from the dynamic pricing environment. A customer that is willing to book ahead who is more price sensitive and not schedule sensitive takes advantage of that. And a consumer who is schedule sensitive is obviously paying the higher fare because the airline is setting a side seat for the schedule sensitive and hence not the price sensitive customer. We cannot afford to sell every seat at the same price then what is going to happen is a customer who is schedule sensitive and maybe willing to **do** a bit more in the form of a price will not be able to find a seat, quite simply which is a name of the game. Now why the airline is bleeding, quite simply the answer is despite the drop in the fuel price India remains one of the highest operating cost environment for airlines in the world. And you know what the airlines need to charge to remain consistently profitable unfortunately is a bit more that what is affordable for the consumer and here I am speaking for the industry, till that line drops you are going to find this challenge.

**Moderator:** 

Thank you. We have next question from the line of Ameya Joshi from Bangalore Aviation. Please go ahead.

**Devesh Agarwal:** 

Gentlemen, couple of follow ups, we were discussing the Asia strategy I going to ask you has your Vietnam route started generating returns for the airlines, how do you see that developing?

N. Ravichandran:

Our Vietnam routes have come up the blocks quite strongly. We are seeing fairly strong load factors. In terms of returns at an operating level we are very happy with performance given that it is as such a young route and we are fairly confident that it will be a long-term investment for us.

**Devesh Agarwal:** 

Good, thank you. Just other couple of questions, in terms of your network what is the growth either in percentage or in absolute numbers but preferably in percentage of your ASKM between India and Abu Dhabi hub between September and you have announced some route that you are all going to start I guess during this calendar quarter?

N. Ravichandran:

I don't have exact numbers but of course given that the start point of that period was a fairly small base, the growth would be quite substantial, it has been one of our focus areas and a



reasonably successful deployment and it will continue to see some incremental deployment at least over the next couple of quarters. I don't have exact numbers but yes, because we are starting of a small base it will be quite a substantial growth.

Devesh Agarwal: Thank you so much for your time gentlemen and thanks and congrats for an excellent

quarter. God bless you with lot of success in the future.

Moderator: Ladies and gentlemen due to time constraints, that was the last question, I would now like

to handover the floor back to Mr. Mahantesh Sabarad for his closing comments. Over to

you, Sir!

Mahantesh Sabarad: Thank you very much. Thank you all participants for patiently listening on to this results

conference call and I thank the Senior Management Team of Jet Airways for patiently

answering the questions. Thank you very much.

**N. Ravichandran:** Thanks to SBICAP Securities.

Moderator: Thank you all. Ladies and gentlemen on behalf of SBICAP Securities that concludes this

conference. Thank you for joining us, you may now disconnect your lines.