

Jet Airways Q3 FY16 Results Conference Call

February 8, 2016







MANAGEMENT: Mr. CRAMER BALL – CHIEF EXECUTIVE OFFICER, JET

AIRWAYS

MR. AMIT AGARWAL - CHIEF FINANCIAL OFFICER,

JET AIRWAYS

MR. GAURANG SHETTY – DIRECTOR AND SENIOR VICE

PRESIDENT, COMMERCIAL, JET AIRWAYS

MR. N. RAVICHANDRAN – VICE PRESIDENT, FINANCE,

JET AIRWAYS

MODERATOR: MR. MAHANTESH SABARAD – SBICAP SECURITIES



Moderator:

Ladies and Gentlemen, Good day and welcome to the Jet Airways Q3 FY16 Results Conference Call hosted by SBICAP Securities Limited. As a reminder, all participant lines will be in the listen only mode. 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 would now like to hand the conference over to Mr. Mahantesh Sabarad. Thank you and over to you, sir.

Mahantesh Sabarad:

Thank you Lizann. Good afternoon, all. On behalf of SBICAP Securities I welcome you all to the Jet Airways Q3 FY16 Post Results Conference Call. We have the senior management team with us from Jet Airways for the call led by their CEO Mr. Cramer Ball. Along with Mr. Ball we also have Mr. Amit Agarwal – CFO, Mr. Gaurang Shetty – Director and Senior VP, (Commercial), Mr. N. Ravichandran – VP (Finance). I now hand over the floor to Mr. Ball for his opening remarks. Over to you, sir.

Cramer Ball:

Thank you. Very good afternoon to all of you. Cramer Ball here, CEO of Jet Airways. Very pleased to extend to you all a very warm welcome to this Earnings Call organized by SBICAP Securities. I hope that all of you have seen the financial results and the presentation uploaded on our website and the press release of the results issued by us.

This quarter has been truly remarkable for Jet Airways in many ways. We recorded a net profit of 467.1 crores in the quarter, the highest Jet Airways has ever achieved since inception. This has certainly proved that our three-year turnaround strategy is working certainly much faster than anticipated. Subdued prices have come as a welcome relief to customers who have benefited from lower fares due to lower fuel prices. This coupled with economic growth has resulted in increased demand helping the aviation industry in general. Our initiative to continuously increase air craft utilization has resulted in additional capacity equivalent to nine 737 aircraft without any addition to the fleet over the previous nine months. It is also noteworthy that our in-depth focus on cost reduction initiatives and leveraging our strategic partnership with Etihad has resulted in a non-fuel cost per ASK being lower by almost 5%.

On the business front as well, this quarter has been important as we announced our new European gateway in Amsterdam. With effect from 27th March, 2016, Jet Airways will operate two daily non-stop flights to Amsterdam, one each from our Indian hubs of Mumbai and Delhi. We will operate a daily flight between Amsterdam to Toronto in Canada. Jet Airways has also entered into a strategic agreement with KLM Royal Dutch Airlines and Delta Airlines with the objective of providing seamless connectivity to our guests to key destinations across Europe and North America via Amsterdam offering one stop access between India and 30 destinations across Europe and 11 destinations in the USA and Canada. Further to this arrangement, we will offer KLM and Delta guests in the US from over 60 cities in Europe access to the entire Jet Airways network across India, SAARC and ASEAN region. Additionally, Amsterdam being the largest cargo hub in Europe provides us with certainly a



greater cargo potential. The gateway of Amsterdam compliments our strategic hub over Abu Dhabi offering international travelers even more options to points in USA and Europe. This is in line with our long-term strategy of being the preferred airline of choice for guests travelling to and from India. And I would just like to add that as we currently stand, between us and Etihad airways, one in five guests are travelling on either Airlines into and out of India.

I would like to hand over the call to our CFO – Mr. Amit Agarwal who will take you through the financial numbers.

Amit Agarwal:

Thank you Cramer. Good afternoon everyone, this is Amit Agarwal. Let me take you through the financial highlights after which I will take you through the detailed performance of the company. First I would speak about the consolidated Jet Group performance for the fiscal third quarter vis-à-vis the quarter in the last year.

Compared to the same period last year in third quarter fiscal 2016 Jet Group's domestic capacity grew by 14.6% while passenger numbers grew by 15%. At the same time in the international business, the Airline registered a 3.8% growth in capacity and a 5.1% growth in passengers. This improvement is largely the result of optimizing our network and tighter integration between the domestic and international network and enhanced synergies with partner carriers. Our efforts have been to consistently improve the aircraft utilization especially of our 737 fleet, which is the largest, which has reached to (+13) hours and has affectively resulted in increased ASKs by over 23% in the domestic market itself.

In terms of the seat factor, we continue to maintain a healthy level of 82.2%. Total gross revenues were 5,702 crores vis-à-vis 5,436 crores last year in the same quarter, up by close to 5%. We have achieved an EBITDA of 853 crores compared to 402 crores in the last year same quarter and achieving EBITDA margin of 15% in this quarter vis-à-vis 7.4% in the last year same quarter.

Excluding impact of non-cash mark-to-market impact on foreign currency fluctuation, net profit for this quarter increased by Rs.523 crores to Rs.515 crores. Total net profit after tax as reported is 467.1crores for this quarter compared to 2.9 crores in the third quarter of fiscal 2015. Overall, Jet reported earnings per share of Rs.41 for the quarter and Rs.68 for the nine months ending December.

Now I would like to move on to the operational highlights. On a standalone business for Jet Airways including both domestic and international, in terms of the number of passengers which we carried increased from 5.01 million to 5.93 million in this fiscal which reflects an increase of over 18%. In this quarter RPKM growth was 13.7% against an ASKM growth of 13.2% reflecting a slight improvement in the seat factor as well. Profit after tax was 467.1 crores for third quarter fiscal 2016 as compared to a profit after tax of 63.1 crores for the same period last year which reflects an improvement of over 7 times.



In terms of our domestic operations of Jet Airways, the share of our domestic revenues equals to 46% of our total revenues. Total domestic revenues are close to 2633 crores, an increase of 10.3% year-on-year. ASKMs went up by 24.1% compared to Q3 of last year.

Moving to international, the share of international revenue to total revenue was 54% for the quarter and international revenues stood at 3,091 crores, up by 1.4% as compared to Q3 of last year. Load factors on international improved by 1.5% pts to 83.5%. ASKMs grew by 3.8% compared to Q3 of last year in the international operation.

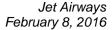
Now let me give you some of the seat factors which we have achieved on our key international routes for this quarter. In terms of UK routes, we have achieved 85.5%, very similar to the last year same quarter. ASEAN routes have increased to 88.1% vis-à-vis 83.3% compared to last year. Gulf routes were flat and slight improvement of 84.2% over 83.6% last year. SAARC routes are at 74.7% to 79.2%. Abu Dhabi routes have improved and have achieved 78.2% vis-à-vis 72.3% in the last year. Brussels Gateway route have shown 84.5% vis-à-vis 82.7%. And in terms of Paris we have achieved 71.4% compared to 70.4% last year.

Now let me talk about the JetLite operations. Overall seat factor for JetLite has been also healthy at 79.4% in this quarter. This reflected an ASKM reduction of 19.0% in this quarter over Q3 2015. JetLite loss after tax however had reduced from 60.3 crores to 8 crores in the current quarter, an improvement of over 87.1%.

Now let me talk about the funds position and the overall debt situation of the company. As of 31st December, our gross debt stood at 11,574 crores which includes an aircraft debt of 4,666 crores. During the quarter we have repaid 864 crores and for the first nine months over 2407 crores have been repaid.

Now talking about the future. The competitive and the structural changes in the Indian aviation market continue to put pressure on our yields. In addressing these, we will focus and continue to monitor our cost and focus on cost reductions, leveraging the commercial and operational synergies with our partnership with Etihad airways. We look forward to providing enhanced connectivity through our Amsterdam Gateway which is scheduled to commence operations in March 2016. The initial response from the market has been good and we are seeing robust loads being built.

In line with our continued commitment to the 'Guest First' philosophy, we recently launched the Best Price Promise and Fare Lock features which provide greater flexibility to our guests in planning their travel. We recently commenced our operations to Vizag which is an important commercial and marine hub in the eastern part of India. We are seeing encouraging response from the market.





Jet Airways is a network carrier and with its codeshare partnership with Etihad, its Airline partners and others continue to result in higher traffic flows. During this quarter we enhanced our codeshares with Air France and Etihad Airways and entered into strategic partnerships with both KLM and Delta via our new European hub Amsterdam. This quarter witnessed a significant growth of 28% in overall codeshare traffic, while at the same time the codeshare traffic by strategic partner Etihad airways and its partner airlines grew by 86%.

Now ladies and gentlemen, let me now open the call to the questions please.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the question-and-answer session. Our

first question is from the line of Danish Mistry from Tata Mutual Funds. Please go ahead.

Danish Mistry: I had just one question, you have shown some fantastic growth especially in your utilization

rates, you are clocking close to 13 hours if not more per aircraft and you have achieved that ASKM growth, but going forward how do you see that ASKM growth coming through, do we still have headroom to increase aircraft utilization, are we contemplating on adding more

aircraft, just some color on that.

Cramer Ball: The answer is yes, we believe there is more room for productivity improvements, and we are

currently doing some work around network which means there will be productivity

improvement.

Danish Mistry: So we would continue with the same utilization strategy, not onboard new aircraft?

Cramer Ball: Yes, absolutely, I think the first step is better utilization of the existing assets.

Danish Mistry: And if you can share this, what do you think is the kind of headroom which is there, we have

seen about 11% YoY growth in the aircraft utilization, do you think there is something similar

or what?

Cramer Ball: We are currently working on this, I cannot reveal exact numbers, and there is a continual effort

to make sure that we improve month after month, season after season. So as I said we believe

there is more headroom there.

Danish Mistry: And if I can squeeze in just one more question, if you could just give your comments on what

is happening on the pricing front both domestic and international then that would be very

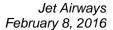
helpful for us. Thank you.

Cramer Ball: Because of the fuel drop we are seeing fares drop in line with that. So there is pressure

particularly on domestic and also on international as well as cargo. So there is no doubt that as fuel comes down airfare also come down.. So there will be increasing pressure on domestic and international yields and our approach is to make sure that we are maximizing the flying,

we have introduced our new PROS Revenue Management System which basically optimizes

on an O&D perspective and that will also show benefits as well.





Moderator: Thank you. Our next question is from the line of Praveen Sahai from B&K Securities. Please

go ahead.

Praveen Sahai: The first question is related to the selling and distribution cost for this quarter, if I look at from

the last three quarters to now, has decreased quite significantly, would you please give some

reason on that?

Cramer Ball: Amit will talk through the numbers. We have rolled out our new website from July 2015 and

we are seeing very solid build-up in the web bookings as our customers are appreciating what we have done with the ease and the responsiveness of our website, and added on top of that is our new mobile app. So we are driving more traffic to our website which by default drives down our selling and distribution cost. So there has been a significant focus in that regard. So I

will let Amit speak through the numbers.

Amit Agarwal: I think the drop is primarily because of the three reasons. We have been working with the

various people, the agents, the PLBs, what we give, the various incentives and the commissions through the credit cards. We have been able to negotiate well and there is a drop of close to 60 crores on account of these two items and then there is a drop also on the CRS where we have negotiated a better discount compared to the previous quarter. So these are

some of the major reasons for drop in the cost and the selling and distribution expenses.

Praveen Sahai: So as earlier we discussed there was some impact due to the Jet Privilege Program we sold, so

we can assume this quantum will continue for going ahead?

Amit Agarwal: Yes, the quantum should not change because of JPPL. We continue to give miles to our JPPL

customers. So that impact will continue and these negotiations which we have done on the credit card commissions and the incentives to the various agents, it is a permanent reduction

which we have achieved.

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

Please go ahead.

Arjun Khanna: Just wanted to understand what would be the unabsorbed depreciation currently?

Amit Agarwal: It should be to the tune of 1,000 crores.

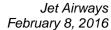
Arjun Khanna: So does that mean that effectively for next year also we would be tax free and probably after

that we would be looking at MAT?

Amit Agarwal: Yes.

Arjun Khanna: Sir just on that earlier question of capacities, if you could just breakdown the type of aircraft

we currently fly and what additional aircraft would be entering our fleet, that would be helpful.





Cramer Ball:

So we are flying in a domestic space 737 aircraft, we have 76 of them, we have 18 ATRs, and then we have a mix of Boeing 777 and 330. So what we are doing now is looking at series of work on network where we are looking at various options, which will involve not only wide body but also narrow body and various movements in the fleet taking advantage of market opportunities and also frequency opportunities.

Amit Agarwal:

And sir the incremental planes, what would the schedule be?

Cramer Ball:

We have announced the arrival of 75 MAXs. We know they are coming and then, as we said, anything that flows up from our network studies, we believe we can manage within existing capacity and movement of aircraft and focus on where we have slot constraints such as Mumbai,Delhi where we deploy wide body aircraft, the first in the industry, and we believe there are more opportunities in that regard. If we see further opportunities, then we will look at incremental capacities should the timing be right.

Moderator:

Thank you. Our next question is from the line of Sachin Kasera from Lucky Investment. Please go ahead.

Sachin Kasera:

Specific question on the debt and the finance cost, can you just let us know this debt that you are carrying against the aircrafts, when does it expire and are we looking at a sale and leaseback option on that? And secondly, we seem to have repaid around 2,600 crores in the first nine months, the cash profit is only close to 1,200 crores so where has the addition 1,200 come from? And simultaneously it is not reflecting in our lower interest cost for the first nine months vis-à-vis the same period last year.

Amit Agarwal:

In terms of the aircraft debt, it is maturing between 2019 to 2020. And we are looking at sale and leaseback depending upon the opportunities and the way we want to achieve, we will look into the possibility of a sale and leaseback. And when we have such thing we will report back to you all. In terms of the interest cost, the challenge here is that we have got the debt which is in dollar denominated and because of the currency movement you do not see a significant reflection in the interest cost reduction.

Sachin Kasera:

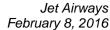
But sir if you see the absolute debt as far the presentation, it has come down by around 2,400 for the nine months, if we add your cash profit for the nine months it is only around 1,300 crores, so just trying to figure out where are the incremental 1,100 crores been generated mainly from working capital?

N. Ravichandran:

Yes, it is in terms of the variations in the working capital, the cash credit lines that we have been able to dip into.

Sachin Kasera:

And just a question on sale and leaseback, what is the status currently, do we have net equity in these aircrafts against the loan, if and when we do a sale and leaseback and how much is that?





Amit Agarwal:

Yes, there is a good amount of equity in those aircrafts because these aircraft debts have been taken before seven, eight years. So there is a good amount of equity sitting into that and when we do that depending upon the market value of the aircraft, the equity would get released.

Moderator:

Thank you. Our next question is from the line of Santosh Hiredesai from Edelweiss. Please go ahead.

Santosh Hiredesai:

I have couple of questions, first one is, I understand we have sub-leased few of our aircrafts, 10 to be precise, some to partner companies and also to Turkish Airlines and some of them are expected to expire sometime this year. So what are the plans, I mean do we plan to induct them into our fleet and on our network or what is the plan, or is there any option of sale out there or probably deployed elsewhere again?

Cramer Ball:

The aircraft sub-lease to Turkish Airlines have been sub-leased for quite some time, so there is no change in that regard. We are in the midst of closing sub-lease to Air Serbia and that will be finalized hopefully in the coming weeks. The other options we have, as I said we have the options of taking in some more capacity and we are currently doing some studies looking at the opportunities of where and how we can deploy, but the beauty is we have a number of options and we are in a good position to take advantage of the opportunities that exist in the market.

Santosh Hiredesai:

Secondly on the debt, it was not very clear, I mean end of FY15 we have talked about USD debt being about 1.7 billion, so I mean comparing in USD terms only, so that seems to be pretty much flat even after INR24 billion of repayment, so I did not quite get that well, as in we have made a repayment but still the debt remains at elevated levels, so what is it that I am missing, I just wanted a clarification on that.

Amit Agarwal:

These are the debt repayments but there has been certain refinancing as well as the dip on the cash credit as at a particular date as on 31st December, 2015, and that is the reason why you see in dollar terms the debt remains at the same level.

Moderator:

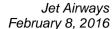
Thank you. Our next question is from the line of Sanket Baheti from Geecee Investment. Please go ahead.

Sanket Baheti:

Sir, just to understand, how are we seeing on the cost front, cost at the spare parts and everything, as well as the optimization, how are we seeing these costs panning out over the next year. Any scope of it coming down?

Amit Agarwal:

As you see that our cost excluding fuel compared to the Q3 of fiscal 2015 to Q3 of fiscal 2016 have already dropped and we will continue to focus on various areas in terms of negotiation of contracts, especially on the maintenance area where we reflected all these S&D expenses that we have been able to negotiate on the credit card commission. So we are going to every single line item of the cost and looking into deeply how the cost savings can be achieved and this has been already reflected in this quarter by drop in the cost excluding fuel as well.





Sanket Baheti:

Sir one question on the utilization level, can you give us a flavor as to how has been the utilization for both domestic and international, where has been the maximum improvement come in?

Cramer Ball:

It is in total, that we are seeing very high utilization. We are seeing also flow through of improved fleet into both wide bodies and if you like the annualization of the improvement of the density project we have taken of the narrow bodied aircraft, so it is a mix of both. And we have seen the benefits about standardization of our narrow bodied fleet for example, we are able to easily transition the aircraft from a domestic sector to a short haul international sector and that has given us great benefit. In addition to that we are seeing more night time flying, more red eye flying, late night flying, so that is where we have delivered on both the narrow bodied and also the wide bodied improved utilization.

Moderator:

Thank you. Our next question is from the line of Abhishek Agarwal from Fortune Interfinance. Please go ahead.

Abhishek Agarwal:

My question is very simple, typically in the results we have seen inconsistency and in the recent times only the results have been turning around, of course one of the factor is the recent management which has turnaround in three years, and second is the crude oil. My question is that how far we can see the visibility to repeat the same results of similar lines because it is very difficult to predict the numbers but at the same time it is very inconsistent. So going forward what is your own view considering that crude oil is also on a volatile side and it is actually bouncing back from the loose.

Cramer Ball:

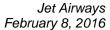
Very good question. What I think we have demonstrated is consistency. And if you look at the past three years for this quarter, you see consistent improvement year-on-year. If you look at the past four quarters since the Q3 last financial year you see consistent improvement quarter-on-quarter. So it is not just a reflection on the fuel prices, it is reflection on what we are doing in the business and this will continue and we believe that the consistency in our results will continue as we improve utilization. As the CFO mentioned, as we improve the focus on our costs and the initiatives that we have deployed start to flow through and we are seeing that in this quarter. So I believe that we are demonstrating consistency and that is showing in our results over last 12 months.

Amit Agarwal:

Just to add one more point, based on the utilization improvement as you all have seen, it helps us to increase the ASKMs and with that ASKM growth, effectively we are contributing and making it more like a permanent structural change in to the organization and reflecting a sustainable profit model.

Abhishek Agarwal:

Final question, in the recent times of course it maybe a media speculation or it may be true, that is what I would like to clarify is that, there has been a post from Jet Airways that they are looking to again change the management or bring some other changes to improvise the





efficiency, so how far is that true and what exactly would be the cost structure which will come from the next quarter onwards?

Cramer Ball:

Media and speculation always sit in the same breath and is probably what it is meant to be. We are continually looking at the management and there is no secret that I am departing and by default the Board is looking for a replacement. However, we have a very strong management team and management committee here in place. We are continuing to look for talent, I think the numbers that have been mentioned in the press is really overstated, though we continue to look at talent, we continue looking at succession planning and that is what every business needs to do. So we make no secret of the fact that we are looking for good people, we make no secret of the fact that we are looking at developing our own people. And the two combined will create a very robust and successful organization.

Moderator:

Thank you. Our next question is from the line of Shrinath Krishnan from Sundaram Mutual Fund. Please go ahead.

Shrinath Krishnan:

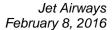
Sir, in your initial comments you have mentioned that non-fuel costs were lower by 5% due to integration with Etihad, wanted to understand what is the final scope or final target in terms of cost reduction ex-fuel per ASKM due to integration efforts taken by the company with Etihad. And finally, your competitor in their conference call mentioned that due to fall in fuel prices the pricing pressure is such that they are forced to pass on some of the benefits that they are getting to the customers, so in terms of pricing environment how are you seeing in the first two months, January and February because these are non-seasonal months, isn't it? Thank you.

Amit Agarwal:

In terms of the cost, obviously as we sit we are in this partnership with Etihad and Etihad Airlines partners and we have been seeing the benefit of the synergies coming through our way. But the journey is not over, it is a journey which will continue and to put a specific number is very difficult. When we had agreed for a turnaround plan for three years we have been able to see the results coming a little earlier as well and in this process I would only say that we continue to focus on the cost and look every single possibility to reduce the cost and leverage the relationship between Etihad and our side.

Cramer Ball:

In regards the air fare question and the price of fuel, I think I mentioned that in the previous question that what you are seeing is the fuel decrease is being passed on to the consumer and that is reflected with the decrease in average domestic fare. So that is just a fact and that just highlights the focus on us to make sure we are efficient, to make sure we are driving productivity and asset utilizations and we are driving cost. In addition to that we need to make sure that we continue to invest in our product which is what we have done and Amit mentioned the fact that we have announced a whole bunch of initiatives around ecommerce, focus on service and we just announced our new streaming product which will be I think very much big step going forward in how we connect to our customers.





Shrinath Krishnan: Finally just wanted to confirm from you, for FY17 there would not be any large fleet addition

right, it will be more a productivity improvement, isn't it?

Cramer Ball: Well, we have the order as I mentioned before and as I mentioned it is all about effective

utilization of the existing assets, but if we do and we are set up now in such a way that we are very flexible with our assets so we can actually move quickly if we do see opportunities. And

if we do see opportunities for incremental units we will take on that opportunity.

Moderator: Thank you. Our next question is from the line of Giriraj Daga from SKS Capital. Please go

ahead.

Giriraj Daga: Just want to understand on debt side only, what is the net debt reduction compared to March

level and how do you plan to see that number going forward?

Amit Agarwal: So clearly the company's focus is when we have positive cash flows, those will be primarily

used for the debt reduction. That is clearly the focus identified by the company and we will

utilize the cash flow available from the business for debt reduction.

Giriraj Daga: But what is our net debt reduction versus March level, net debt reduction I am talking about?

Because when I calculated I did not see the net reduction coming in, I see that net reduction

has gone up.

Amit Agarwal: No, because what happens is you have to also understand that there is a foreign currency

impact as well, because 83% of our debt is in foreign currency, US dollar denominated and that is why when you prepare a balance sheet as on that date of 31st December you have to consider the current exchange rate which whatever the reduction in debt happens gets

recalibrated to the current exchange rate and that is why you do not see the debt reduction.

Giriraj Daga: My last question is, if you look at the benefit what we have passed on to the consumer it is still

small compared to the crude benefit what we have got. Assuming the crude again goes back, do we see pricing power that we will restore to the previous tariffs so that our margins do not

get hit even if crude goes to a 60-70 kind of a number?

Cramer Ball: I think history shows that pricing generally follows the oil trend, so there is a strong

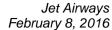
correlation. So it is just part of our market and we need to be prepared for it.

Moderator: Thank you. Our next question is from the line of Devesh Agarwal from Bangalore Aviation.

Please go ahead.

Devesh Agarwal: Cramer, looks your healing touch is going to Alitalia, we are going to miss you.

Cramer Ball: I will miss India as well, but I always intend to stay in contact.





Devesh Agarwal:

Couple of questions, everybody was referring to non-fuel expenses and I was comparing Q3 FY15 with FY16, non-fuel expenses have more or less kept up with your increased revenue. So it sort of in a way implies that a bulk of your profits have essentially come from your savings on fuel costs. Going forward, you obviously must be planning for fuel returning to some major number, what are the areas of cost savings, what are do you feel that needs to be addressed by the company to keep this momentum going?

Cramer Ball:

As Amit mentioned, nothing was off the table and in our business you need to be intensely focused on cost at every level whether it be engineering, whether it be fuel saving initiative, whether it be how you are flying the aircraft, whether it be at an operational level, whether it be admin cost. So nothing if off the table and we need to continue to focus on costs. But as important is the productivity and the efficiency, so how often we fly in the aircraft, we talked about the increased (+13) hours, what else we can do. Having flexibility within the fleet, shifting that aircraft from domestic to international and vis-à-vis, the deployment of wide body on domestic routes and other routes are the capacity opportunities. So it is never ending and I see opportunities right across the board and we will not rest.

Amit Agarwal:

Just to add Devesh, what happens is if we look at it quarter-on-quarter the improvement in the ASKM without adding an aircraft, clearly shows that you have utilised your assets better and that is going to reflect in the profitability, it is a fundamental, structural benefit which is going to accrue. And the journey has not stopped here, we will continue to see the opportunities in terms of utilizing the aircraft better and increasing the utilization as well. And then I talk about costs excluding fuel, we were in third quarter 2015 3.36 which has dropped to 3.20, so there is a drop of 16 paisa already into that region.

Devesh Agarwal:

You were mentioning that your fleet of Boeing aircraft is 76 and by our analysis it appears that about 24 of those are now over eight years old, surely as you continue to focus on cost the age of these aircraft are going to sort of start bothering you more and more as the expenses increase. So what are your plans for these older aircrafts?

Cramer Ball:

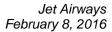
An eight year old aircraft is not an old aircraft. And as we mentioned before we confirmed our orders for the new MAX aircraft and so once they will be deployed they will be replacing the old aircrafts.

Devesh Agarwal:

And the last thing real quick, Vistara claims to be eating a significant portion of Jet's premium profit, any comments on that?

Cramer Ball:

I am not too worried about the competition, I am worried about what we are doing if we look at our 51 sectors domestically, 22 sectors internationally, 22 code shares, a network over Abu Dhabi, over Amsterdam, very strong frequent flyer program, very strong corporate customer base, growing our corporate traffic by 20%. I am worried about what we do and how we can improve and how we can deliver to our customers, so they can say whatever they like, I am not too concerned.





Moderator: Thank you. Our next question is from the line of Dhiresh Pathak from Goldman Sachs. Please

go ahead.

Dhiresh Pathak: I just want to better understand the fleet capacity, so in the presentation it says that the period

end fleet size is 116, this is not counting the aircraft that you have sub-leased, is that correct?

Cramer Ball: It includes the ones which have been sub-leased.

Dhiresh Pathak: So how much is included in this which you have sub-leased?

Cramer Ball: 10 aircrafts.

Dhiresh Pathak: And just in terms of your access to capacity, these 10 which you have sub-leased, is the

economics better off that obviously domestic traffic is growing at 20% plus as of now, so if you were to use that plane yourself versus having leased it out, can you just contrast the

economics for you?

Amit Agarwal: So that evaluation is clearly on and we continuously monitor this and we will take appropriate

call at an appropriate time and inform all of you.

Cramer Ball: I think the important thing is that we have the flexibility and it is very important, so we have a

number of options at our feet, there are some very interesting opportunities on both domestic, international and as I said we have the flexibility to deploy on either and we will roll out those

plans in due course.

Dhiresh Pathak: What is the new planes that you might have placed orders for, what is the timeline in terms of

how you are going to get those planes and when you are going to get those?

Cramer Ball: Progressively from end of 2017 with the MAXs.

Dhiresh Pathak: End of calendar 2017?

Cramer Ball: That is right.

Dhiresh Pathak: So till then it would be fair to assume that you at MAX can either increase the utilization of the

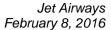
existing fleet that you have which you have already done this year from 13 hours or you can

get those 10 aircrafts back, those would be the two options, right?

Cramer Ball: We have got a number of options and as I mentioned before there is better utilization which is

step number one and we have demonstrated that from 11.5 hours or lower than 11 hours to 13 hours, so going beyond that. And then there is the opportunity of deployment of aircraft in our fleet or potentially leasing additional aircrafts. So all those options exist and what I would like

to say again is many opportunities those that make economic sense we will take advantage of.





Moderator: Thank you. Our next question is from the line of G Vivek from GS Investments. Please go

ahead.

G Vivek: I am sorry for joining the conference late, I have few fundamental queries. Basically, how long

are these tailwinds expected to remain and the tailwinds are in the form of soft crude only or some other tailwinds are also there for our company? And is India in a sweet spot for next few years in terms of rising middle-class aspiration and people now prefer to travel by air instead

of rail?

Cramer Ball: Well, we do not have enough time to answer all those questions, and if I knew I do not know

whether I would be sitting here. The tailwinds, if you look at the fundamentals of approximately 15% to 20% annualized growth for domestic market, 8% to 10% for international, clearly there are opportunities here, no doubt about it. How long they will continue? Not too sure. We need to focus on the opportunities and as I said, be flexible enough to take advantage of them and not only in the short-term but longer-term, so focus on long-term network choices, long-term efficiency and cost programs, so that is very-very important. New and existing partnerships such as what we are doing at Amsterdam and with our code

share Partners and Etihad.

G Vivek: What about your competitive ability in terms of getting new orders, new airplanes because for

growing we need to have the airplanes so are we in a position to get it at a short notice or we

will have to wait out?

Cramer Ball: No, the market is very dynamic so should we need I am sure we can get it.

G Vivek: There is no waiting list you mean to say for the new airplanes?

Cramer Ball: New aircrafts, of course, we have orders in place and we have a number of options. So it is not

just about new aircrafts, it is also you effectively lease second-tier aircrafts and for relatively

good pricing, so which other airlines in this market and other markets certainly do.

Moderator: Thank you. Our next question is from the line of Srajat Agarwal from Motilal Oswal

Securities. Please go ahead.

Srajat Agarwal: In one of the previous con-calls I think you had mentioned that you were also looking at a

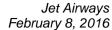
option of re-customizing your aircraft, that is increasing the number of seats per aircraft, so

just wanted your view on that, is it still an option or what is the outlook on that?

Cramer Ball: I am not too sure, but if I may recall, that was a while ago. But we have been on a consistent

program over the last 12 to 18 months of doing that. So we have increased capacity in our 330s, we have increased capacity in our 777s and we standardized an increased capacity on our 737s, so that is being done. If there are more opportunities to do that, we will do it. But as I said what we have now is a flexibility of the domestic and international fleet and now it is

about how we use those aircrafts as efficiently as possible.





Srajat Agarwal: Sir another question, in terms of sub-leasing aircraft, how liquid do you think the market is, I

mean what is the time period within which a new aircraft can be sub-leased? And on an

average, how costly are these leases as compared to long-term leases?

Cramer Ball: Well, it depends on the aircraft, depends on the aircraft type, depends on the aircraft age, I

have many different answers to that question. So in some variants there is a very liquid market,

in others not so liquid. So it depends.

Moderator: Thank you. Our next question is from the line of Danish Mistry from Tata Mutual Funds.

Please go ahead.

Danish Mistry: Just one question, I think somebody alluded to it earlier in the call is that the market seems to

be adding or is expected to add a lot more capacity going forward and we also talk of one or two newer airlines entering the industry, so just wanted to hear your comments on that and

how should we look at this in terms of pricing context?

Cramer Ball: Danish, you probably have been in India longer than me and there is always talk of new

airlines coming and going out, so that talk will continue. How long will it continue for, I do not know. I think what is very important is that you plan for the long-term and not for the short-term because you can be beaten by making short-term decisions, our industry is a long-term industry, we are a long-term business, we want to see consistent and profitable growth and that

is our view. So we enter into markets so that we can make money on and that is not a short-

term proposition, it is a long-term proposition.

Amit Agarwal: And just to add, we have a good mix between domestic and international market that gives us a

huge advantage of turns of rotating other aircrafts and utilizing them.

Moderator: Thank you. Our next question is from the line of Dhiresh Pathak from Goldman Sachs. Please

go ahead.

Dhiresh Pathak: The revenue that you get from leasing of aircraft that has shown in other operating income,

right?

Amit Agarwal: Yes.

Dhiresh Pathak: Compared to nine months of FY15 versus FY16 how has that changed?

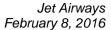
Amit Agarwal: Nine months it has been practically same, if you see in the clause 41, Rupees 673 crores to 607

crores.

Dhiresh Pathak: So this would correspond to basically to 10 aircrafts are giving you for nine months about 673

crores, that is the right way to think about it, right?

Amit Agarwal: Yes.





Moderator: Thank you. Our next question is from the line of Praveen Sahai from B&K Securities. Please

go ahead.

Praveen Sahai: So my question is related to the international numbers, as you had mentioned the largest

market here in India is international traffic, can you quantify that?

Amit Agarwal: Between us and Etihad we carry one passenger out of five passengers flown into or outside of

India; practically 20% is our market share, between us and Etihad together.

Cramer Ball: With 75% of that 20% being Jet passenger on our aircraft.

Praveen Sahai: And just to relate to this question, how much other feeder traffic is the growth for Jet Airways?

Cramer Ball: Well, as we mentioned we are seeing an 89% increase in codeshare traffic between ourselves

and Etihad for example. So we see even greater growth and that growth has not come off, so as we are looking month on month, year-on-year the growth remains strong. And as we integrate and cooperate with other partners such as other Etihad partners but also the new partnership in KLM and Delta, we expect to see that grow further. And that is important because what this represents is flows of international point of sale on to our network and vice-versa, very-very important as we look at our various currencies that we are trading. So it is important part of our

business.

Gaurang Shetty: I think in terms of feed also, the way we are designing our network is to ensure that our fleet

traffic increases, we have another opportunity coming up in Mumbai with both domestic and international are moving into the same terminal and that actually again enhances our fleet capabilities between domestic and international. So the focus is clearly to design the network in such a manner that we are able to enhance the fleet between domestic and international and

also with our partners.

Moderator: Thank you. Our next question is from the line of Sachin Kasera from Lucky Investment. Please

go ahead.

Sachin Kasera: Sir this is a follow-up of previous query which remained unanswered, regarding the sale and

leaseback, do we have an option before 2019-20 in case we want to do a sale and leaseback or

the way we structure we do not have any option before the lease expires?

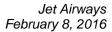
Amit Agarwal: No, we have always the option, there is no such restriction on any of our debt agreements that

you cannot do a sale and leaseback, we can do that.

Sachin Kasera: Sir second was regarding this net debt reduction, there is a lot of confusion because even if we

adjust for the currency which is average if we take for the nine months it is only down 10%, can you just clarify this 2,600 crores is gross debt so what has been the reduction in the net

debt because that clarity is not coming through exactly.





Amit Agarwal: So if you see the 2,600 crores in the repayment which we have done over the nine months

period and after considering the impact of the currency the debt level is reduced by 555 crores

in rupee terms.

Sachin Kasera: And sir any sense on how the Q4 is panning out, because from what we sense is that while the

yields are under pressure is that the yields are even lower than the cost benefit you are getting

on the crude oil or is it that the yields are just reflecting the reduction in the fuel cost?

Cramer Ball: I do not think we can give any real guidance at this stage, so clearly there is pressure on sales

and that will continue, we have seen that in the previous quarters. So as I said our objective to make sure efficiently we are driving the cost to the business and we are maximizing

opportunities.

Sachin Kasera: Is the market sustaining the 15% - 20% growth?

Cramer Ball: I believe so, clearly yes.

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

Please go ahead.

Arjun Khanna: Sir, if we look at our ASKMs, the mix, we are roughly 40% domestic and 60% international,

do we see the change going forward?

Cramer Ball: The mix remains fairly consistent, so I expect a mix would be very similar.

Arjun Khanna: So those leased planes that would be entering, largely the wide bodies, we do not intend on

putting them back on our network?

Cramer Ball: You will find out very soon.

Arjun Khanna: Sir, just to understand, would there be any expenses related to change of a hub from Brussels

to Schiphol Amsterdam?

Cramer Ball: We are seeing actually cost benefit, and so certainly as we mentioned before, with the new

partnership with KLM and Delta we see certainly revenue upside and Amsterdam being the

largest cargo hub in Europe, significant upside for cargo, a lot of opportunity.

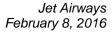
Moderator: Thank you. Our next question is from the line of Rohan Pandya from B&K Securities. Please

go ahead.

Rohan Pandya: Just wanted to understand the fleet age for our entire fleet and also if we consider the 10 sub-

lease aircrafts joining the fleet, what would be the fleet age then?

Cramer Ball: I missed the last part of your question, what was that?





Rohan Pandya: So I am assuming if we add the 10 sub-leased fleets adding back to our fleet, so what would be

the fleet age then?

Cramer Ball: The current average age of the fleet is 6.2 years which is very young and the impact of any

aircraft that would come back their existing lease will have minimal impact.

Rohan Pandya: It would be stagnant at this point?

Cramer Ball: It is included in their average impact that has no impact.

Rohan Pandya: So this 6.2 is inclusive of all the 10?

Cramer Ball: That is right.

Amit Agarwal: Yes.

Moderator: Thank you. Our next question is from the line of Santosh Hiredesai from Edelweiss. Please go

ahead.

Santosh Hiredesai: Sir, you talked about 20% growth in domestic and about 8%, 10% international, so I was just

trying to understand, is that corporate travel which is driving growth or is it largely on account of these lower fares the leisure is doing well, which portion of the business is doing well and

how has the occupancy behaved for your business class versus the economy?

Cramer Ball: Well, I think it has been a mix. The 20% growth has been certainly mix of corporate,

international flying on to domestic and domestic stimulation. So it is certainly hard to define. What we are seeing is our load factors remain fairly consistent across the cabins. And we are seeing, as I mentioned before is the response from our corporates being very positive to the consistency of the product and on time performance. And I have to add that there is a publication called OAG and they publish a regional list of the top 10 airlines for OTP and we have made the list in 2015. So there has been a lot of work happening in the product, OTP and

that is reflecting in the view of the corporates, so that is very positive.

Santosh Hiredesai: And sir what would be the outlook like if assuming the crude remains broadly in this 35-40

range, what is your sense how would the market be shaping up, any thoughts on that?

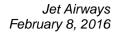
Cramer Ball: I do not see too much change to be honest, I think the growth rate has been consistent over the

last 12 months, I think we have seen a CAGR since 2004 of about 14% so that average growth rate for the last 12 or so years has been around about 14%, so I expect that that would

continue.

Moderator: Thank you. Ladies and Gentlemen, due to time constraints we will be taking the last question

that is from the line of G Vivek from GS Investments. Please go ahead.





G Vivek: I just wanted to have your idea about the opportunity size in terms of the new aviation policy

being announced by the Government of India and what impact it can have on us and aviation

sector as a whole I India? Thank you.

Cramer Ball: This is being discussed and what is important to realize that this is a draft policy so it is very

difficult for me to comment on positives or negatives or impacts at this stage.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the

floor over to Mr. Mahantesh Sabarad for his closing comments. Mr. Sabarad, over to you.

Mahantesh Sabarad: Thank you. That was a great call. Thank you the management of Jet Airways, thank you Mr.

Cramer Ball and thanks to all the participants for listening into this conference call. Thank you

sir.

Moderator: Thank you members of the management team. On behalf of SBI Cap Securities that concludes

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