

"Jet Airways Q3 FY 2018 Earnings Conference Call"

February 15, 2018







MANAGEMENT: Mr. GAURANG SHETTY - WHOLE-TIME DIRECTOR,

JET AIRWAYS

MR. RAJ SIVAKUMAR - SENIOR VP (NETWORK,

PRICING AND REVENUE MANAGEMENT), JET AIRWAYS

MR. N. RAVICHANDRAN - VP (FINANCE), JET

AIRWAYS

MR. VINAY DUBE - CEO, JET AIRWAYS

MR. AMIT AGARWAL - CFO & DEPUTY CEO, JET

AIRWAYS

MR. SANTOSH HIREDESAI – SBICAP SECURITIES MODERATOR:



Moderator:

Ladies and gentlemen, good day, and welcome to the Jet Airways Q3 FY2018 Earnings Conference Call hosted by SBICAP Securities. 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 entering * then 0 on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Santosh Hiredesai from SBICAP Securities. Thank you, and over to you, sir.

Santosh Hiredesai:

Thank you, Melissa. Good evening to everybody who has joined in. On behalf of SBICAP Securities, I would like to thank the management of Jet Airways for giving us an opportunity to host this call. Today, with us to discuss the 3Q FY 2018 Results of Jet Airways, we have the management represented by Mr. Vinay Dube – CEO; Mr. Amit Agarwal – CFO and Deputy CEO; Mr. Gaurang Shetty – Director and Senior VP (Commercial); Mr. Raj Sivakumar – Senior VP (Network & Revenue Management); and Mr. N. Ravichandran – VP (Finance).

We will start with opening remarks from the management followed by a Q&A session. With that, now, I hand over the call to the management. Over to you, sir.

N. Ravichandran:

Thank you, Santosh. A very good afternoon to all. My name is Ravichandran. Before we begin today's call, wish to state that certain statements made during this call related to our future business, financial performance and future events or developments may be construed as forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. Just to inform you all, the numbers reported this quarter are in compliance with the provisions of IndAS, both for the current period as well as for the previous periods. The major impact of these would be explained shortly over the call.

Let me handover the call to our CEO, Mr. Vinay Dube.

Vinay Dube:

Thanks, Ravi. Good afternoon, everyone. I am pleased to extend a very warm welcome to all of you for this earnings call organized by SBICAP. I am very grateful to all of you for your time and interest that you have shown in our company. It's a pleasure to be here with my team. I know they have been introduced once already. But let me take the pleasure of introducing them again. I'm here with Gaurang Shetty, Whole-Time Director; Amit Agarwal, Deputy CEO and CFO; Raj Sivakumar, Senior Vice President of Network, Pricing and Revenue Management; and N. Ravichandran, Vice President of Finance.

Let's start with the results for the third quarter of fiscal year 2018. So, during the third quarter our Available Seat Kilometers or ASKs increased by 8.7% over the same period to 15 billion ASKs. This is mainly due to two reasons. First was a full period impact of the 777 aircraft that came back to us only in December of 2016. So as we compare ourselves to the same quarter,



we had a full quarter of them versus a partial quarter the previous year. In addition, we added five 737 aircraft. These were net new when you compare them quarter-by-quarter, and we added them between May of 2017 and December of 2017. So, these were two of the reasons why we had an 8.7% ASK growth. We recorded strong traffic growth as well in the quarter with the number of passengers carried increasing by 13.4% over the same period last year and this took us to a total of 7.7 million passengers this quarter. This is our 11th consecutive profitable quarter with a net profit of Rs. 186 crores at a consolidated level. For the nine months ending December 2017, we have reported a profit of Rs. 315 crore. The total RASK or Revenue Per Available Seat Kilometer, measure of unit revenue was at Rs. 4.28 compared to Rs. 4.22 in the same period last year, and that's an increase of 1.4%. Brent rate increased by 21% in the quarter to US \$58.50 per barrel compared to US \$48.50 per barrel in the same period last year. This resulted in an overall unit cost or CASK increase to Rs. 4.33 for the third quarter fiscal year 2018 as compared to Rs. 4.22 for the third quarter fiscal year 2017. I'm happy to inform you that although our CASK increased, our CASK excluding fuel fell by 2.6% to Rs. 3.02 against Rs. 3.10 in the third quarter of fiscal year 2017. Now, this clearly reflects our efforts to reduce non-fuel CASK and we have been talking to you about this for a little while now and we have mentioned in the last call and some of the investor calls that we had that we have a target to reduce this between 12% and 15% over the course of the next 18 to 24 months on a run rate basis. We participated in the second round of bidding of the RCS-UDAN scheme launched by the Government of India. And we have been awarded certain routes, and let me tell you what those are very quickly. We were awarded Delhi to Nashik; Lucknow to Patna; Nagpur-Allahabad-Indore and Lucknow-Bareilly-Delhi routes. The Delhi-Nashik, we'll fly on a 737; Lucknow-Allahabad-Patna, we'll fly on ATR; Nagpur-Allahabad-Indore, we'll fly on ATRs; and Lucknow-Bareilly-Delhi, we will fly on ATR. Our loyalty program, JetPrivilege, as you know, it's the largest loyalty program of its kind in India. We are very happy to report in this quarter that JetPrivilege has won nine awards in various categories at the Customer Loyalty Award and Customer Experience Awards. These awards were part of The Customer FEST Show 2018. And just to give to you a highlight of some of the awards won by JetPrivilege. The awards include, one in the Best Use of Contests/Promotions in a Loyalty Program, the Best Use of Data Analytics in Predictive Modelling, and the Best Customer Experience awards of the year in banking. So we are very proud of our program and we are very happy that they won these awards. Congratulations to that team.

Talking about customer experience though, in the quarter, our on-time performance was at a level that did not make us proud. We have recognized this and we have put series of actions together that will and have been executed. More actions to come later on in the quarter, and you all should have seen a noticeable increase in our on-time performance from the third quarter to January and February of this year. And this is something that will remain an ongoing focus of ours moving forward to make sure that we get back to the top of the on-time table like we once were.

With this, let me now turn it over to Amit to take you through the financial and operating results.



Amit Agarwal:

Thanks, Vinay. Good afternoon, everyone. As we have mentioned to you all, in the last quarter, Jet Airways has adopted Indian Accounting Standard, commonly known as IndAS, effective 1st of April, 2016 as a phase 2 company. Accordingly, the financial results for the quarter and nine months ending 31st December 2017 have been prepared in accordance with the recognition and measurement principles laid down under Section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder, and other accounting principles generally accepted in India. The results for the comparative quarter and nine months ended 31st December, 2017 have been restated as per IndAS and reconciliation of the results between previously reported, referred to as Indian GAAP and IndAS for the quarter ended 30th December 2016 have been provided in Regulation 33, submitted to the stock exchanges and also available on our website. We reported earnings before tax for third quarter fiscal 2018 of 186 crores as against 299 crores for the third quarter of fiscal 2017, which included a profit of 327 crores on account of sale and leaseback of aircraft. Profit for the nine-month period ended December 2017 was 315 crores as compared to 863 crores, which again included a profit of 518 crores on account of sale and leaseback of aircraft for the same period last year.

Now, let me give you specific details for the Jet Group consolidated performance for the third fiscal quarter 2018, vis-à-vis third fiscal quarter fiscal 2017. In third quarter fiscal 2018, the total capacity domestic and international put together in terms of seats grew by 6.8%, and the total passengers carried by the airlines grew by 13.4% versus third quarter of fiscal 2017. In domestic market, we carried 5.5 million passengers in third quarter of fiscal 2018, an increase of 16.7% over same period last year. In the international market, the airline flew 2.17 million passengers, a growth of close to 6% over same period last year. ASKMs during the quarter went up by 8.7% compared to last year. We have achieved overall seat factor of 84%. This was a marked improvement of 4.4 points as compared to a seat factor of 79.6% in third quarter fiscal 2017. The improvement in number of passengers carried has resulted in an increase of our consolidated gross revenue by 10.2% to 6,412 crores in the current quarter from 5,817 crores in the same quarter last year. The RASK increased by 1.4% from 4.22 in third quarter fiscal 2017 to 4.28 in the current quarter. Total cost per ASK increased by Rs. 0.11 to 4.33 in the current quarter, vis-à-vis 4.22 in third quarter fiscal 2017. This was mainly due to the fuel cost increasing by Rs. 0.19 from Rs. 1.12 to Rs. 1.31 in the same period. CASK excluding fuel improved by Rs. 0.08 from 3.10 in Q3 fiscal 2017 to 3.02 in third quarter fiscal 2018. With this we were able to partly offset the increase in the fuel cost. Just to highlight that the calculation of CASK and CASK excluding fuel unrealized gains and losses are not considered. As Vinay alluded to earlier, our focus continues to reduce non-fuel CASK, and we are on track to achieve the 12% to 15% reduction in non-fuel CASK in coming eight to ten quarters. EBITDAR for the quarter was 1,186 crores in third quarter fiscal 2018 as compared to 1,302 crores in third quarter fiscal 2017. EBITDAR for the nine-month period ended December 2017 was 3,200 crores compared to 3,860 crores for the same period last year.

Now, in terms of operational highlights for Jet Airways standalone basis for both domestic and international put together. We carried passengers of 6.12 million in third quarter fiscal 2017 to 6.99 million in third quarter of fiscal year 2018, an increase of 14.3%. During the quarter, our



ASKMs grew by 9.7% compared to last year and gross revenue increased by 10.4% to 6,086 crores in the current quarter from 5,511 crores in the same quarter last year.

Let me talk about the Jet Airways domestic operations. Our domestic revenues to the total revenues were 44.8% in the quarter. ASKMs during the quarter went up by 16.9%. Total domestic revenues were 2,729 crores, up by 14.5% as compared to Q3 of last year. The passenger revenue from domestic operations increased by 15.5% to 2,386 crores in the current quarter. And domestic load factors were at 85.4%, which reflects an increase of 4.7 points compared to quarter three of fiscal 2017. Moving to international, the revenue accounts for 55.2% out of total revenues. The ASKM grew by 6.1% compared to Q3 of last year. And passenger revenues from international operations increased by 9.3% to 2,853 crores in the current quarter. Overall seat factor in the international markets stood at 83%, once again, an increase of 3.7 points.

Let me now take you through the details of the debt and the liquidity position for the Jet Group. As on 31st of December 2017, the gross debt on our balance sheet stood at 8,430 crores. Of this, the aircraft debt stands at 2,214 crores and 71% of the total debt is denominated in US dollars. The net debt as on 31st December, 2017 stood at 7,925 crores, a marginal increase of 40 crores over September, 2017. This is primarily attributable to seasonal working capital fluctuations as well also in the quarter there was a drawdown of close to 225 crores towards the BKC property which we acquired this year.

Now, turning to the current quarter and the outlook as we see, yields continue to be under pressure, and the Gulf market continues to remain weak. As mentioned in our previous call, we were to induct eight aircrafts during the current fiscal, of which five have been inducted by December 2017, and remaining three have since been inducted into the fleet. In addition, the 737 Max will start getting induction into our fleet from June this year. We will continue to remain a differentiated service provider endeavoring to enhance our guests, in-flight experience, lead by providing state-of-the-art in-flight entertainment across our fleet for providing a more sumptuous meal.

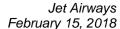
Let me now open the call to questions. Santosh?

Moderator:

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Rahul Bhangadia from Lucky Investment Managers. Please go ahead.

Rahul Bhangadia:

Sir, just one thing on the yield bit, as you've already mentioned that there is some pressure on the Gulf sector on the yield side. Your occupancies have done well, both on the domestic side as well as the international side, whether we consider on the Y-on-Y scale, where domestic has done very well. But the yield side, if you could just give us a differential in the sense that what has happened on the yield in the domestic and what has happened on the yield in the international segment, please? Thank you.





Raj Sivakumar:

Hi, everyone. This is Raj Sivakumar. Thanks for the question. Like what was mentioned by Amit, we have done really well from the occupancy standpoint, both on the domestic and the international markets. And I know that this is coming out of the fact that we have enhanced our network to promote more connectivity and fitting the supply better than demand. Part of the yield pressure comes from the fact that we are taking bit more of a load factor bias, as we look at our unit revenue situation, right? And what you'll see here is despite a healthy increase in the ASKMs that has been reported both in the domestic and the international sectors, we have been able to also report a unit revenue increase in these operations. So, quite simply it is a question of adapting to the market better and ensuring that we are able to stay competitive; we are able to be relevant wherever we need to be with all segments of the customers and come out positive on the unit revenue side.

Amit Agarwal:

And just to mention to you, Rahul that the company focuses on the RASK. It is our aim to find a perfect balance and our focus has been to improve RASK. If you see, we have improved the RASK from a 4.22 to 4.28. I think that has been a fundamental focus that the revenue management team takes an immense pressure and finds the right balance between what should be the yield level, what should be the load factor. They go out on a to flight-to-flight basis to monitor this on a daily basis.

Rahul Bhangadia:

Yeah, I thank you for the answers, sir. Actually the question was more in terms of, while most of the players do not have as big an international operation as you have, most of them have reported Q-on-Q and Y-on-Y good growth in yields and which we have not seen here. Of the order of 5-7 maybe whatever, that kind of percentage we have not seen here, and that is why the question was there. In spite of the fact that we have been able to raise the yields and all that, think about we are having good real estate in Mumbai, so prime time occupancies are very good, and it was at that context, sir. That's all.

Amit Agarwal:

So, as I said, for us, the focus is the RASK. We work on the RASK and you will always have in certain quarters and comparative, it is a question of comparative, as we have a very consistent load of the corporate segment, we have been talking to you that we have increased our corporate segment from 33%, 34% to 47%, 48% in the domestic, which is also closer to the departure which gives more consistent revenue.

Rahul Bhangadia:

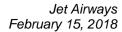
Great, sir. Just one final question, if you could help us with what chunk of your international ASKMs are now on the Gulf route and are the yields there still lower than what they were, probably say, 1.5 year back or something like that?

Amit Agarwal:

So, as we have talked to you that, close to 17% is the Gulf ASKs out of total ASKs. There has been a marginal change seen, but one would not say, that it is a consistently we can talk about that we have this, really strength coming back into the Gulf market. Raj, you want to add?

Raj Sivakumar:

Yes, we are seeing a mild strengthening in some subset of the Gulf markets. Also with the geopolitical issues going on in Qatar, that has benefited us somewhat with our operations to





Doha, and we are leveraging that a little bit. But I wouldn't by any means say that there has been a turnaround that's been observed in the Gulf.

Rahul Bhangadia: So, just to confirm, 17% of the international ASKMs is on the Gulf route?

Amit Agarwal: No, of the total.

Rahul Bhangadia: Of the total, is on the Gulf route?

Amit Agarwal: Yes.

Rahul Bhangadia: Okay. Has that moved any bit up or down in the last two years or that has been there and

thereabouts?

Amit Agarwal: Our focus has been to increase more and more into the domestic capacity. To that extent, when

we continue to increase more and more into domestic, to that extent few percentage points, it always comes up and down. And seasonally you keep on adjusting on month-to-month basis.

That flexibility we always keep.

Moderator: Thank you. We have the next question from the line of Aditya Solanki from Dalal & Broacha.

Please go ahead.

Aditya Solanki: I really wanted to understand a basic question that our Q3 FY 2018 profit, the PAT was 186

crores versus Q3 FY2017 PAT which was 299 crores, out of which 327 was around a one-time

item?

Amit Agarwal: Yeah, that is correct.

Aditya Solanki: So, it would have been a loss of 28 crores in the last listing if that item wouldn't have been

there. Correct?

Amit Agarwal: No, because, what happened, that quarter also carried an FX loss to the tune of 190 crores.

There was an FX loss because of the currency movement.

Aditya Solanki: Okay. So, is it a right way to see that 186 crores versus roughly 150 crores in last year same

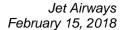
quarter like could be, maybe or it could be seen this way?

Amit Agarwal: So, basically as I have told you the numbers, I would suggest that you look and do the math.

Aditya Solanki: Okay. And the second thing I wanted to ask is that as we say, we are going, trying to cut down

the cost by 12% to 15%. So could you give a rough ball park figure, what could the figure

come down to?





Amit Agarwal:

Okay. So, when we stated this 12% to 15% journey, we took the baseline as 31st March 2017 number which was standing at Rs. 3.23. And from Rs. 3.23, in second quarter, we came down to Rs. 3.07, and now we are at Rs. 3.02. So, you can very well understand the target which we have given to the market, a 12% to 15%, is not something that we are achieving in the next quarter or the two quarters. As we have told that there are four or five big ticket items which is clearly identified in terms of one big maintenance cost reduction, which we will witness from 1st of January 2019. So, there are few such items which will come during the course of the next eight to 10 quarters, which will enable us to achieve over target of 12% to 15% non-fuel CASK. And based on our current estimates, we see we are clearly on track to achieve those. And that has been our focus and that is clearly reflected in the various quarters as we have been consistently bringing down our non-fuel CASK, in spite of all inflationary wage increases and other FX movements.

Moderator:

Thank you. We have the next question from the line of Gaurav Nigam from Catamaran. Please go ahead.

Gaurav Nigam:

Sir, I have two questions on the cargo business of Jet Airways. First one is how much is our cargo business? I have seen the numbers for FY 2017. Just wanted to understand, is that the number which is mentioned around? I could see on your annual report sort of 40 crores - 90 crores, is that the only cargo revenue out of 22,000 crores of total revenue? And are we below or above the industry average? Just wanted to understand that point. And second one is from the net margins perspective, can you give me a broad understanding of how this 40 crores - 90 crores close down to the profit line, how much is the margin on that business if I consider that as a standalone business for Jet?

Amit Agarwal:

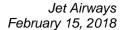
Okay. First and foremost, I appreciate, and thank you for giving me the opportunity, because we have a very strong focus on the cargo business. And to give you a perspective, compared to the last year, during the quarter, we have had almost 30% increase in the tonnage and 40% increase for the first 9 months. So, we have a very clear focus on improving the cargo revenues. But if you ask me that what cargo impact on P&L can be considered, because we are running a passenger airline, cargo is an integral part. So, therefore it cannot be said, because if you say, take the leasing of the aircraft, lease cost, pilot cost, you have to pay and that continues to be paid. So, effectively, efficiency on the cargo is a significant focus for us as it improves the topline as the bottom line as well.

Gaurav Nigam:

And sir, I asked two questions on that. Are we below or above the industry standard, and can you broadly give me the margin not, if not the exact numbers?

Amit Agarwal:

We will not be able to give you specific margins for the business, because I consider cargo as an integral part. Because depending upon the load factor, the availability of the cargo hold capacity and how much weight we can put and so on. So it is a fine balance which is being struck between a passenger and a cargo.





Vinay Dube:

Sorry, if I can just add, and this is a reasonable international standard. As you can imagine, the cargo cost comes at a very low marginal rate. So if you tell me, what's the way to allocate aircraft ownership between the belly and the top, we can then start answering questions related to margins, but most airlines around the world choose not to do that unless they have dedicated freighters. So we are not trying to evade the question for you. I think the best way to look at cargo for a passenger airline like ourselves that does not have freighters is to look at overall cargo revenue. And, how we doing relative to the market, our view is that whatever information that we have, that is publicly available from an Indian airline perspective, I think we are one of the leaders in the market.

Moderator:

Thank you. We have the next question from the line of Ansuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb:

I had two questions. One on the revenue side. So basically, on the standalone numbers, if I do a domestic revenue per passenger and international revenue per passenger, then the domestic revenue per passenger has declined by around 4% which is against the run which we have seen, and international revenue per passenger has actually increased by 2.5% odd. So, I know you said that RASK is your focus, but if you could throw a little bit more color on the apparent reversing of the trend in this quarter? That's my first question.

Raj Sivakumar:

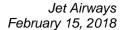
Okay. So let me answer that question. This is Raj, again. The revenue per passenger metric has to be viewed in conjunction with our capacity growth. And when you look at the year-over-year numbers, the domestic ASKMs have increased by more than 13%. And on top of that, what we have been doing is, like I mentioned before in order for us to achieve a unit revenue positive result in a overall declining yield environment, we have been taking a bit more of a load factor bias. And our ability to be competitive and relevant to all the customer segments, like I mentioned before, has resulted in a unit revenue increase despite the 13% increase in the capacity. So, revenue per passenger individually, while it is a good metric to look at, we firmly believe the only metric really that matters is how productive our capacity is, and we are quite pleased with where we are stacking up, on the unit revenue metric or the RASK metric, despite the capacity increase of 13%.

Ansuman Deb:

Correct. So, if I understand correctly, that obviously you are focusing on RASK. So, there would be a load factor bias and at some amount of gestation period might be for the new capacity, and over there, there may be some improvement which can happen over there. Is that understanding right?

Raj Sivakumar:

Yeah. So, our continued focus, will be and like it should be, is going to be on RASK. Where the yield is going to stack up or the fare per passenger, revenue per passenger, however you want to look at, it depends on the market forces. So, it is our responsibility, given wherever -- whatever the market gives us is to maximize the revenue and the RASK on our flights. So, if it is a yield bias, our revenue management system and analysts will take a yield bias. If it is a





load factor bias, our systems and the people will take a load factor bias. So, quite simply the answer is that.

Ansuman Deb:

Right, right. Thanks a lot for the detailed answer. My second question was related to the cost. So, I just wanted to understand that the unrealized loss or gains which are not included in our CASK or CASK ex-fuel calculation, these are all in other expenses, right? In the sense that, well, I do my calculation, so that number will be significantly different and it gives me around 6% decline in Y-o-Y cost per ASK including depreciation and interest. So, these unrealized losses or gains are there in other expenses?

N. Ravichandran:

That is right.

Ansuman Deb:

Okay. And continuing with that, is like when we say that 12% to 15% of our reduction of CASK ex-fuel is on track. So, on a like-to-like basis, it would be around 2,500 crores to 3,000 crores of cost reduction, if this program would not have happened. Is that mathematics, right?

N. Ravichandran:

Yeah. The basis of calculation, as you explained that is for the computation of CASK, it does exclude these unrealized fluctuations, both the gains or the losses. And considering these, the 12% to 15% that we have said is going to be on the similar lines.

Moderator:

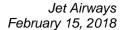
Thank you. We have the next question from the line of Achal Kumar from HSBC. Please go ahead.

Achal Kumar:

I have two questions. Firstly, on the RASK. Sir, RASK is up 1.4%. Can you please give us some bit of more color on how to make it up sort of, so 1.5%? I believe, it includes, so last year there were some demonetization effect, some international effects. So how do we see, the sort of color in terms of how do we look forward for the domestic and international RASK? That is first question. Secondly, I wanted to understand that when you say the CASK and CASK excluding fuel, does it include the Forex gains and losses. So, this year you have announced Forex gain of 142 crores and last year it was 190 crores of loss and then this year you have insurance claim of 11 crores. So, does that include all that? And if that is the case, then what would be the sort of excluding these numbers, what would be how are your CASK and CASK ex-fuel would look like? Thank you.

Raj Sivakumar:

Okay. So, if the question was about, what our RASK strategy is for the upcoming period, upcoming quarter in particular, like I've been mentioning, the yields continue to be under pressure. So let me talk about the domestic market first, okay, and then I'll get to the international market. On the domestic market, we are we going to be faced with two items. One, of course, the yield continues to be under pressure and we are also faced with a seasonally weak quarter. So, any RASK outlook or the performance has to be taken in conjunction with these two forces. Given that, we are going to, our strategy is essentially to ensure that we stay competitive and if we have to take a load factor bias, it capitalize on the growing Indian market and make sure that we are being very selective in applying the right yield points wherever we can in growing our overall RASK. Now, insofar as the international





market goes, as you all know, our international operation is defined by multiple entities. So, we have the Amsterdam-Paris, European operations, we have UK operations, Gulf and ASEAN and the SAARC operations, of course as you all know. And it is a very targeted approach quite honestly. Like I said before, and like our CFO said, the Gulf market remains depressed with some mild positive that we're starting to see and we got to see if it stabilizes or strengthens over the coming quarter. Insofar as the US operations, the European operations go, we are very pleased with how the partnership with Air France-KLM is evolving and we are starting to see better quality of passengers as well as network effects kicking in, on the European operations. The UK operations is witnessing the stabilization of the new Mumbai-London flight I know that we added. And our ASEAN markets are fairly stable. I'm not seeing a big movement either way. And our SAARC operations are primarily feeder markets for the Gulf and the European sectors. So, overall I see a stable RASK year-over-year. And I'm talking about international here, okay? And so far as domestic goes, we will, like I said, we will stay competitive in the market. But quite honestly, it's going to be a function of how the carriers behave in this historically weak quarter, in the domestic market.

Amit Agarwal:

Yeah. And On the CASK as we mentioned, very clearly the FX gains and losses have not been calculated or considered for CASK calculation, both. It is not relevant because these are the movements of mark-to-market non-cash, that is why it has not been considered in the CASK excluding fuel or CASK calculation.

Achal Kumar:

But they are part of the net profits, right?

Amit Agarwal:

Yeah, absolutely. Yeah, because it is an accounting.

Moderator:

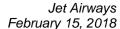
Thank you. We have the next question from the line of Mayur Milak from IndiaNivesh Securities. Please go ahead.

Mayur Milak:

I'm looking for a couple of probably funny answers. So, one thing that I just saw was the restating that happened. So, the first nine months that we have restated for last year, our PAT has effectively gone up from 353 crores to 825 crores. So, we have seen an increase of about 470 crores in last year nine months' performance, purely based on restatement.

N. Ravichandran:

That's right. Mayur, in fact, we have provided a small reconciliation as you have rightly mentioned. Originally reported the Indian GAAP numbers were at 354 crores which as per IndAS has restated is going up to 880 crores. You would see therein the primary reasons for this kind of an increase is due to the change in the way the exchange fluctuations are accounted for. And added to that also the arising out of these exchange fluctuations, the adjustments that has been done to the carrying value of the asset, the profit on the sale of asset which increases because of the carrying value adjustments, because of the foreign currency fluctuations. These are the two primary changes or the adjustments which has led to the increase. So the profit on sale and leaseback of the aircraft that we did in the last nine months last year, which led to a positive impact of almost 385 crores, coupled with the depreciation impact of having charged





off, the exchange fluctuations on the asset, which gave for the reprieve of around 170 crores. So these are the two major changes, impact which really led to this kind of an increase.

Mayur Milak: Yes. So, I see 170 crores on depreciation. I see the other expenses coming off by about 100

crore, which I'm sorry, the Forex part. And I see another 145 crores sitting in the other income,

which is again the Forex part?

Amit Agarwal: Other income?

Mayur Milak: Yes. So, your other income reported has gone up by 145 crores. See, I'm talking all about the

last nine months of last year, all right, just the restatement part.

Amit Agarwal: That's right.

Mayur Milak: So, I'll tell you, why I'm doing this, because as far as the numbers go, I thought that we had a

great performance this year, I mean, this quarter. But then when you look at the restated number, it starts looking at, you made about against 300 crore, we made loss for this year, I mean, a negative number. Whereas, originally my thought was that, we had a good quarter. So, I'm still confused as to why such a massive restatement has happened and that actually departs the entire picture in favor of where I have to see that, the life of SpiceJet and IndiGo have made year-on-year growth. For Jet, it looks like we are on a year-on-year decline, simply

because we have restated our numbers, very big number on that, on those lines.

N. Ravichandran: So, Mayur, let me explain to you, we continue to have done good during this quarter. The

adjustment that has arisen as in fact you rightly mentioned is on the profit on sale leaseback line item which was the biggest item sitting there in the last year's restated figures. So, the 385 crores is primarily the value of the profit going up due to the adjustment of the carrying value of assets, given the fact that as per IndAS, any exchange fluctuations which were sitting in the carrying value of asset had to be charged off to the P&L. So, it reduces the carrying value of asset, and when compared to the selling prices of these assets, the profit realized on these

assets have gone up. And that has really contributed to the big swing, moving from 354 crores

to 880 crores.

Mayur Milak: So this is really not a cash inflow, right? This is more of a book adjustment entry. So, this

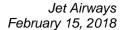
profit actually grows and hits your accumulated losses as such?

N. Ravichandran: That is right. This is only the major accounting entry arising out of I mean, following the

IndAS regulations.

Moderator: Thank you. We have the next question from the line of Pradeep Melchis from HSBC. Please

go ahead.





Pradeep Melchis: Yeah. My question was with respect to what you had indicated a couple of quarters back

regarding your NCD, 7 billion NCD, and my understanding was that you were planning to

kind of prepay by the end of this year. Are we still sticking to that plan?

Amit Agarwal: It's a NCD of \$100 million, which, based on the current indenture agreement, the first

repayment potential date is December 2018. So as of now, the plan still continues to be that we

would make that payment.

Moderator: Thank you. We have the next question from the line of Joseph George from IIFL. Please go

ahead.

Joseph George: Sir, my question was, in relation to the income that you were booking on some Jet privilege

transaction. So if I remember correctly, in the first half of FY 2018, you had booked revenues

of some 165 crores. I just want to understand whether there is anything in this quarter's P&L?

N. Ravichandran: Yeah Joseph, thanks for your question. We had 140 crores left to be accrued over the balance

period. In this quarter, we have accrued 69 crores out of that, leaving a balance of 71 which is likely to be exhausted by the end of the current quarter that is the last quarter of this fiscal.

Joseph George: All right. And this 69 is sitting in which line item, if you can let us know?

N. Ravichandran This is on the other income.

Joseph George: Alright. Okay. The second question that I had was in relation to the owned aircraft. So, the

total aircraft count is given as 117, of which one of course was leased out. Out of the 117, how

many are owned by you and how many are on operating lease?

Raj Sivakumar: 16 are owned by us, and the balance are on operating lease.

Joseph George: Alright. And the last question I had was in relation to the difference I'm seeing in Y-o-Y yield

movement, in the standalone domestic operations and Jet Lite. So, when I look at the Jet Lite operation, the yield seems to have moved higher on a year-on-year basis. Whereas when I look at the standalone domestic operations, it has moved down. So, just wanted to understand whether there are any peculiarities, I know Jet Lite is a small operation, but whether there are

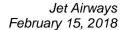
any peculiarities because of which one has gone up and other has gone down?

Amit Agarwal: It is difficult, but as you know very well, the aircraft between Jet and Jet Lite is considered on

a similar platform, as a group network. So it can always happen that some of the aircraft of Jet Lite has flown on a certain network, which was not flying in the previous period, because based on the efficiency, we have been always focused on aircraft utilization, and we have

shown an increase also in this quarter. So, in order to optimize the whole resource, which is the fleet, we keep on shuttling between the aircraft which we fly from one sector to another sector.

And at that point of time, the network planning does not really look at it is -- whether it is a Jet





Lite aircraft or a Jet Airways aircraft. So, this is because of overall network and we consider the business both put together as Jet Group.

Moderator: Thank you. We have the next question from the line of Pavan Kumar from CRISIL. Please go

ahead.

Pavan Kumar: My question is regarding the UDF. If we are considering that, the UDF is one thing that we

passed on to the passenger, through your P&L of the airline which comes under other

expenses. What is the impact of the Delhi airport tariff reduction on your P&L sir?

N. Ravichandran: Okay. Pavan, basically the PSF, ADF and UDF are generally the passthroughs that is sitting in

the ticket. So, these are purely the levies which are included in the pricing of the ticket. But they are completely passed on to the individual airport operators in total. So, from a P&L perspective, this would not enter the airlines' P&L, and this is completely a passthrough which

is collected from the passengers and passed on to the airport operators.

Pavan Kumar: Okay. Sir, and also one more thing, I wanted to understand, from your total expenses, what

percentage of the expense will be going towards ground handling, of typically, you have strand service and everything. So, do you have a typical share of what percentage of your total

expenses go into that?

Amit Agarwal: Okay. We have not been defining it separately. We do have a very careful watch on the ground

handling charges and continue to negotiate the various contracts.

Pavan Kumar: Sir, your complete ground handling charges will go into other expenses only, right?

Amit Agarwal: Yes.

Moderator: Thank you. Ladies and gentlemen, we will take the last question now from the line of

Ansuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb: I had a question regarding your working capital management. So can we expect or that is the

company strategy regarding working capital, because in airlines we have seen other companies managing our negative working capital cycle. So, are we doing something or what is our

policy to make working capital net cash positive?

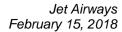
Amit Agarwal: So, it is a fact that in this business it is a negative working capital, and we have the similar

philosophy. So, there is no such change.

Moderator: Thank you. Ladies and gentlemen, that was the last question and we will now close the

question queue. I would like to hand the floor back to the management for closing comments.

Please go ahead.





Vinay Dube: Thank you, operator. We would like to thank all the investors, analysts and participants on the

call for taking interest in the performance of the company. And once again thank you SBICAP

for hosting the call.

Moderator: Ladies and gentlemen, on behalf of SBICAP Securities that concludes this conference call.

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