

"Jet Airways Limited Q4 FY 2013 Results Conference Call"

May 27, 2013







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Moderator

Ladies and gentlemen good day and welcome to the Jet Airways' Q4 FY13 Results Conference Call hosted by IDFC Securities Limited. As a reminder all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this 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. Nikhil Salvi from IDFC Securities. Thank you and over to you, sir.

Nikhil Salvi

Thanks Marina. Welcome everyone to Jet Airways' Q4 FY13 results call. We have with us from the Jet management Mr. Sudheer Raghavan – Chief Commercial Officer, Mr. Raj Sivakumar – Senior VP Network & Alliances and Mr. K. G. Vishwanath – VP, Commercial Strategy & Investor Relations. I would handover the call to Mr. Vishwanath for opening remarks followed by we will have the question answers later. Over to you, sir.

K. G. Vishwanath

Thank you Nikhil. Ladies and Gentlemen my name is K. G. Vishwanath. Welcome to Jet Airways fourth quarter results call. I have with me today, Mr. Sudheer Raghavan- Chief Commercial Officer, Mr. Raj Sivakumar Sr. Vice President – Revenue management. We will first go through the highlights of the results for Jet Airways and Jet Lite and then get to Q&A thereafter. I hope all of you would have seen both the presentation we have put up on our website as well as the results press release that we have issued.

Let me take you through the key highlights and the Industry scenario after which I will take you through the detailed performance.

The Indian domestic traffic remained flat in Q4 FY 2013 as compared to Q4 FY 2012; however, the same went down by around 5% in FY 13 vs FY 12. As against this, the industry capacity went down by 3% in Q4 FY 2013 as compared to Q4 FY 2012 and it went down by 1% in FY13 vs FY12.

Our international operations continue to achieve high seat factors and healthy operating margins. For the quarter, we achieved a seat factor of 84.4%. The operating results were impacted due to high fuel prices, rupee depreciation and increase in cost of operations including one-time exceptional items.

Temporary slowdown in domestic demand has resulted in capacity reduction in the domestic business for Jet Airways and these aircraft were re-deployed to profitable international routes.

We also pulled out of wide body routes which were loss making and these led to instances of aircraft being on ground, the financial impact of which was INR 903 million (US \$16.6 million) for the quarter. For the financial year, this impact was INR 1,889 million (US \$34.8 million). We are in the process of selling/leasing out our excess capacity to other airlines.

Our Q4 results also includes onetime exceptional items amounting to INR 3,102 million (US \$ 127.7 million). This is mainly due to certain maintenance events, provision for Payroll arrears, reversal of SFIS credit on account of expiry of licence, interest levies on delayed and overdue



creditor balances and loss on exchange fluctuation. We also had certain credits on account of compensation credit and Profit on sale and lease back of our London slots.

Moving to the operational highlights for Jet Airways;

We achieved a system wide seat factor of 81.0% versus 83.0% in the same period a year ago. Overall yields, as measured by revenue per revenue passenger kilometre, were Rs 4.58 as compared to Rs. 3.92, which was up by 16.8% in the same period a year ago.

During the quarter our capacity, as measured by ASKMs decreased by 11.2% as compared to O4 last year.

As a whole, Jet Airways showed loss before tax of Rs. 5,023 million (US\$ 92.5 mio) versus a loss before tax of Rs. 2,837 million (US\$ 55.8 mio) in Q4 last year and a loss after tax of Rs. 4,955 million (US\$ 91.3 million) versus a loss after tax of Rs. 2,981 million (US\$ 58.6 mio) in Q4 last year.

The breakdown of this number shows a loss before tax of Rs. 7,411 million (US\$ 136.5 mio) for the domestic business and a Profit before tax of Rs. 2,388 million (US\$ 44.0 mio) on the International operations for Q4FY13.

As against this, we had a loss before tax of Rs. 1,786 million (US\$ 35.1 mio) for the domestic business and a loss before tax of Rs. 1,051million (US\$ 20.7 mio) for International operations for Q4FY12.

The key operating highlights for the quarter in the case of JetLite are as under:

Revenues for the period were Rs. 4,935 million (US\$ 90.9 mio) as compared to Rs. 5,415 (US\$ 106.4 mio) , while the loss before tax for the quarter was Rs. 2,481 million (US\$ 45.7 mio) as compared to a loss before tax of Rs. 564 million or US\$ 11.1 mio for Q4 FY12. Let me now hand it over to Mr. Sudheer Raghavan

Sudheer Raghavan:

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

The demand in the Indian domestic industry remained flat for the quarter ending March 31, 2013 year on year. As against this, our passenger numbers were down by 14%.

The industry capacity went down by 3% for the current quarter versus the same period a year ago, while our capacity went down by 9%.

Jet Airways domestic achieved a load factor of 74.8% for the quarter while JetLite achieved a load factor of 74.7%. The share of Jet Airways Domestic to total revenues is 40.2% for the quarter. The average fuel rate in Q4 for our domestic operations was around Rs 69 per litre, which was higher than Q4 FY12 rates by around 7%. Fuel rates touched a peak of Rs. 70 to a litre in the month of March 2013 before easing out in April and May 2013.

Additionally, we had impact of higher landing and airport charges levied by private airports like Mumbai, Chennai and Kolkata from February 2013, which is an annual increase of over



Rs. 100 crores per annum. Airlines were not in a position to pass through this impact to customers.

Our Domestic operations as a whole showed a pre-tax loss of Rs. 7,411 million (US\$ 136.5 mio) versus a pre-tax loss of Rs. 1,786 million (US\$ 35.1 mio) for the same period last year.

Moving to international:

We continue to achieve high levels of seat factors on the International operations. The share of International revenues to total revenues is 59.8% for the guarter.

The average seat factors for key International routes for Q4 were as under:

USA routes were 85.4%, UK routes were 90.1%, ASEAN routes were 81.9%, Gulf routes were 83.0%, SAARC routes were 79.0%, and Italy route was 64.6%. We have completed reconfiguration of our B777 aircraft from 312 seats to 346 seats. This has resulted in higher revenues per departure and improved profitability on these routes.

We have also pulled out of loss making routes and the resultant unutilised aircraft have been on ground during the quarter. These aircraft are in the process of being leased out to other airlines. We are also looking to sell some of these aircraft.

The EBITDAR margin on the international operations was 16.5% for Q4 FY13.

Our international operations as a whole showed a pre-tax profit of Rs. 2,388 million (US\$ 44.0 mio) versus a pretax loss of Rs. 1,051 million (US\$ 20.7) million for the same period last year.

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

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

Achieved seat factor of 74.7% (vs. 78.4% for Q4 FY12), Revenues of Rs. 4,935 million (US\$ 90.9 million) vs. Rs. 5,415 million (US\$ 106.4 million) in Q4 FY13. Loss before tax Rs. 2,481 million (US\$ 45.7 million) vs. loss of Rs. 564 million (US\$ 11.1 million) in Q4 FY12. The JetLite results were also negatively impacted due to exceptional items such as maintenance events, interest on delayed creditor payments, payroll arrears, etc

Turning to the current quarter and outlook:

Rupee depreciation and increase in cost of operations, especially landing & navigation cost is something which airlines will seek to pass through starting current quarter.

The demand growth for the current year is expected to be around 10-12%. As against this, capacity increases are expected to be moderate in the industry. Airlines are regaining pricing power and industry load factors are starting to peak.

We continue in our endeavour in cutting costs and improving assets and employee productivity.

Initiatives such as enhancing ancillary revenues, discontinuing loss making routes, sale/sale and lease back of aircraft will help us in the in medium to long term.



Our International business continues to show healthy trends which are reflecting in the seat factors. We are selectively adding flights to profit making markets such as Gulf & Middle East and ASEAN routes and discontinuing loss making routes.

The proposed Jet-Etihad deal will bring immediate revenue growth and cost synergy opportunities for both the airlines and will help strengthen Jet Airways balance sheet. Key cost benefits and synergies in fleet acquisition, maintenance, joint purchasing opportunities for fuel, spare parts, equipment and catering supplies, as well as external services such as insurance and technology support will come through.

Other areas of co-operation will include joint training of pilots, cabin crew and engineers, as well as maintenance of common aircraft types and consolidation of guest loyalty programs.

The alliance will bring significant guest benefits with expanded code sharing, creating a combined network of 140 destinations. The cash, which will come into the business as part of the deal, will be largely utilized to repay high cost Indian Rupee working capital debt as well as becoming current on overdue creditors. This results in a significant deleveraging of the balance sheet

All of the above will result in accelerated return to sustainable profitability.

Let me now close by addressing the balance sheet and our funding position for Jet Airways

Our cash position as at March was at Rs 8.4 billion. (US\$ 154.2 million). On balance sheet date, debt was Rs112 billion (US\$ 2,105 million), which has gone down from Rs 131 billion as of March 2012.

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

Thank you very much, sir. Ladies and gentlemen we will now begin the Question & Answer Session. The first question is from Nilesh Shetty from Quantum AMC. Please go ahead.

The sharp increase in other expenses in the Jet domestic and JetLite operation, does that include some of the exceptions that you have listed out?

Other operating expenses includes payroll, maintenance, certain professional and consultancy related costs etc. The exceptions that we have highlighted as part of our presentation forms part of these costs and hence these costs have gone up on a year-on-year basis.

And staff expenses as some of them you will increase you have accounted one time this in the quarter but how much will the increase be from next quarter onwards?

On a year-on-year basis we have capped payroll inflation at 6% and FY14 we will actually see a 6% increase in the overall cost.

Moderator

Nilesh Shetty

K. G. Vishwanath

Nilesh Shetty

K. G. Vishwanath



Nilesh Shetty The stake in Frequent Flyer Program. For those of us who do not understand this what would

be the sort of revenue impact for Jet Airways assuming you have long profitability then how

does this business model work and they have valued it is actually at \$ 300 billon?

K. G. Vishwanath We have churned out airline frequent flyer program into a separate entity to create a coalition

loyalty by adding more partners, this include banking partners, retail partners, telecom partners and fuel partners. A large part of the frequent flyer program miles will eventually get

redeemed on the airlines, so over time it becomes a revenue stream for the airline.

Nilesh Shetty And the sale of slots at Heathrow what will be the incremental cost for Jet Airways for due to

the sale of the slots?

K. G. Vishwanath This is basically a sale and lease back transaction for a 5 year period. At the end of the period

once we are able to repay that loan, the slots becomes our again.

Nilesh Shetty For those of us who do not know this the SFIS reversal, what exactly is that?

K. G. Vishwanath Under this scheme, on account of excise duty payment made against purchase of air Turbine

Fuel, setoffs/credits can be availed by an airline to import duty free goods. This can be availed by airlines such as Jet, Air India etc .who have international operations. In the third quarter ended December 2012 we had utilized such export incentive, however due to certain procedural issues, we were not able to complete all of the activities and as the licences were time bound, we had to reverse this in March 2013. However, going forward we seek to be able to put this through. By doing this we can use these licences to be able to import or be able to

pay for excise duty which is levied on ATF through the SFIS.

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

Praveen Sahay As in the call you have mentioned regarding the lease out of the Airline going forward can you

tell us how many aircraft we had pulled out from international and how much are we going to

place for sale or the lease out?

Raj Sivakumar Hi, this is Raj Sivakumar. We have six A330-200 aircraft that we have pulled until now taking

for a lease out. Etihad had already expressed interest for these aircrafts.

Praveen Sahay And also like we had leased out 5 B777 to Thai Airways which expires between May to

November. So would you please give some idea as to what we are going to do further with

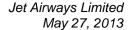
that?

Raj Shivakumar They are coming back between May and November. We expect three of these aircraft to come

by June, which will be leased out to Turkish Airways. The other two which will come in the

later part of the year will be used for Jet Airways' internal operations.

Praveen Sahay Just wanted to know more about the debt reduction for this entire year?





K. G. Vishwanath

As explained in the earlier Analysts interaction for FY13 we had a debt reduction plan of roughly \$400 million. Last part of that got accomplished due to sale and lease back of some of our airplanes as well as some amount of cash that we got through sale and lease back of slots and other cash inflows which came in to the business. In FY14 on a normalised basis there is a \$300 to \$350 million worth of debt repayment. Over and above, given that incremental cash is going to come in to the business as part of the equity deals, we hope to repay another \$200 million of debt. So the \$2.1 billion of debt that you will see on the books as of March 2013 is likely to go down to a number of \$1.5 billion as at March 2014. A large part of this debt will be aircraft related debt.

Moderator

Thank you. The next question is from Rajani Khetan from HSBC. Please go ahead.

Rajani Khetan

Just a couple of questions. First, if you could just help me understand what are the network changes that you are undergoing as a part of this deal? Second is to understand the capacity plans both in terms of what aircraft enter in your fleets in this year and what kind of ASK growth or the reduction you are looking for in this year? And third, if you could elaborate on what happened to the other income section of in your fourth quarter number is which was negative this year versus a positive in the prior quarters? And lastly, also if you could help understand what is going on with the salaries and the maintenance one off cost that you have recorded in this quarter? I mean these are my four questions.

K. G. Vishwanath

Let me take the one from the other income and salary. In terms of other income this is typically the reversal of the SFIS that we did in the current quarter, which is equivalent to Rs. 139 crores due to which other income became negative for the quarter. In terms of salary increases, we had not given salary increases to our staff for the last 2 to 3 years. A large part of these salary agreement or wage agreement was entered in to with the airlines somewhere in the end of March or early April. So what you see in the books is basically a provisioning for the last 3 years that we had agreed to give to the staff and those increases ranged from anywhere between 4% to 6%. Going forward as I mentioned earlier in the call we have capped any inflation related salary adjustments to 6%, which is what you will see hereafter on a normalised basis annually.

In terms of major exceptional items that we spoke there were two wide body engine shop visits totalling to around \$18 million which were impacting the Q4 results. We spoke about the SFIS reversals, we had one of our major agents defaulting and hence in the month of March we have booked provisions of around \$6 million towards this. There were certain loss on account of exchange fluctuations to the extent of \$8 million during the quarter, and certain cost relating to redelivery of airplanes to the extent they were not completely provided for, the impact of this is around \$14 million.

Raj Sivakumar

Let me talk about the network. All of the forward looking statements that I make are obviously subject to all the regulatory approval for the transactions itself as well as the necessary approvals that we need to get for the closure, routes etc. So having said that we are in the process of developing a multi year road map for the networks in conjunction with our new investor partner Etihad Airways. Abu Dhabi will become a key focal point for us for capturing



traffic between India to the Western hemisphere so to speak. Just to give you a perspective the international traffic from and to India is over 40 million customers on an annual basis out of which 28 million of these customers flow from India to west of India i.e. Gulf, Middle East, Africa, Europe, North America and only 12 million customers go from India to East in to other Asian countries and Australia. It makes considerable sense that Jet Airways become a stronger player on a growing traffic that flow from India to the rest of India. What we envisage is to connect Abu Dhabi from several points in India expand our capacity and footprint from the key metros of Mumbai, Delhi, add services from points such as Chennai, Bangalore, Hyderabad etc and over time also connect a number of the Tier 2 and even Tier 3 cities directly to Abu Dhabi and take a vast majority of the aircraft that we operate in to Abu Dhabi to points beyond Abu Dhabi leveraging the traffic potential that India has with several of these Middle East and near Asian countries.

And then take a couple of wide body aircrafts from Abu Dhabi to North America. So all of these will be implemented over a three year time frame. We will start the integration again, subject to all the approvals as early as late summer/winter schedule. Now, this is part one of our strategy. Part two of our strategy of course is to be able to directly serve the high density European market on a non-stop basis such as Frankfort, Paris, and Amsterdam. London of course is going to be a market of a high degree of focus from Jet Airways. So these markets will be served on a non-stop basis and from there we will explore continuing partnerships to carry traffic via these points to other points in Europe as well as North America. So it is going to be dual prompt strategy where Abu Dhabi becomes the focal point, so that we can create one virtual network with Etihad as well as continue to serve and expand our footprint in to Europe on a non-stop basis. Customers from any point in India can enjoy a one stop opportunity to go anywhere else in the world through Abu Dhabi or through points in Europe.

What all this is going to mean is besides our ability to participate in a much larger degree of markets also our ability to be able to maximise the utilization on the narrow body aircraft in particular. We are going to be complementing domestic and international sectors from the narrow body aircraft taking what we already do successfully with our Gulf Flight to the next level. So the effect of all this is going to mean the domestic capacity going up within 5% and 6% next year and the international capacity growing about 10% to 12% next year.

Sudheer Raghavan

If I may just add to what Raj has mentioned. The bulk of our traffic flows to the western hemisphere but at the same time we are also cognizant of the fact that there is a huge potential blossoming to the East of India given the rate at which the economy towards the East are developing relative to Europe and the US. So while our eastern strategy may not be as clear and as far advanced as our western strategy is but it is certainly coming forth to our front burner today and we are looking at the use of our narrow body fleets perhaps to expand our footprint on the east probably, but using an Eastern hub strategy and/or in conjunction with other carriers through coaches, etc. So we will not be ignoring the East, East is an equally important part of our overall growth in network strategy.

Let us also address your query on capacity increase. On the domestic, we do not see a capacity increase more than 5% to 6% which is basically total three airplanes that we are talking about



and we have the unique advantage of being able to deploy and redeploy our links between domestic and international narrow body and short hall operations.

On the international and this is largely on the back of the fact that we had certain airplanes on the ground in the last financial year as well as the fact that two of the 777 actually joined in our fleets later this year we expect a capacity increase of roughly 10% to 12% on an year-on-year basis.

Rajani Khetan

Just one or two quick follow ups. First is of the current international traffic what percentage is to East and what percentage is to West and what percentage of the international traffic goes to just the Middle East at the moment? That is one question. And the second one is of all the tickets goes to sale what percentage is sold through agents and what goes through online selling?

K. G. Vishwanath

Roughly 80% of the traffic that we carry today is to the West of India and around 20% is to the East of India. If I were to break our international operations and the proportionate total to the various regions the US region roughly contributes to 15% to 20% that is North America and Canada. The UK routes contribute to around 25% of our overall international revenues. Gulf and Middle East is around 30% and the balance is the South East Asia and the SAARC regions. In terms of penetration to our direct channels such as web, our own airline offices as well as airport offices that number is roughly around 15% to 18% and the balance proportion of it comes through travel agents.

Rajani Khetan

The travel agents are what around 80% of all the traffic? And is the current commission that we pay to the agents is under 5%?

K. G. Vishwanath

Yes that numbers is around 80% to 82% . The commission is 1% from India.

Moderator

Thank you. The next question is from Arjun Khanna from Principal Mutual Fund. Please go ahead.

Arjun Khanna

My first is in terms of cash flows the sale of our slots and the JetPrivilege Program when would we actually see cash flows from that coming in?

K. G. Vishwanath

In terms of sale and lease back of slots, \$70 million came in early March. In terms of the actual equity investment in terms of the JetPrivilege Program that will only come through after all the regulatory approvals are in place and though as we speak we are looking to see if we can get some banks from whom we can borrow against security of those shares and that transaction is expected to be put through sooner than later. Once the equity money comes in, this loan will get repaid

Argon Khanna

I am sorry; the regulatory approvals for JetPrivilege Programs are probably separate than from the equity infusion in to the company, right?



K. G. Vishwanath

There are no specific approvals in privileged programs but given that it hinges on some other deals only once the bigger equity deal gets approved, will the equity deal on that privilege go through.

Arjun Khanna

And in terms of debt repayment could you let us know in terms of how much is to be repaid?

K. G. Vishwanath

In the current financial year we have \$200 million worth of aircraft loans which are due to be repaid and roughly \$150 million worth of term loans and other working capital loans which are due to be repaid in the current financial year. This is prior to any impact of the equity money coming in, once that comes in; it will only accentuate these working capital loan repayments.

Arjun Khanna

In terms of a plain order book what are the deliveries looking like and are we intending on placing in another order especially to fulfil our ambitions with Etihad?

K. G. Vishwanath

We have 46 B737 airplanes in order, deliveries of these has started around 2 to 3 months ago which will ride us out for the next three odd years. We are contemplating another order for Boeing airplanes that is again 737 which we had not announced as yet. In terms of our wide body fleets as you know five our airplanes are currently leased out to Thai Airways three of which will again go to Turkish, those airplanes will come back after 12 to 18 months. We will currently induct two of the balance airplanes into our fleet, which are part of the five which are leased out to Thai. We have order books for ten 787 airplanes, deliveries of which will start in 2016-17 and we also have options to the extent of ten 787 airplanes over and above this.

Arjun Khanna

Lastly my question is about the domestic passenger numbers we seem to be trailing in terms of market share as opposed to even fleet capacity. Our emphasis is on profitability to what extent would you think it would affect market share going forward?

Raj Sivakumar

This is part of a very deliberate strategy that we have been employing, which is not to go for market share but to go for profitability and you probably see the result of that in terms of the capacity share versus the passenger share but you are also seeing the result of that through our yield and overall year-over-year improvement in the profitability. Now this is obviously we will do what it takes in the peak period and we all know that the domestic market is a highly seasonal market and come lean period which is not too far of July, August, September we will take every measures and lessons that need to take a very seat factor centric approach given the dip in the traffic driven by seasonality. We have the ability, we are the premium brand and we will leverage it when we have to ,but if we have to go after whatever it take to maximize the unit revenue, we will do whether it is driven by yield or whether it is driven by seat factors, so it is going to determined based on the seasonality.

Argon Hanna

That being said if we actually look at the yields have actually gone up or albeit just not being peak season you are seeing passengers actually not willing to pay these higher fairs do you see a season going forward of subdued passenger growth numbers?



Raj Sivakumar

Well, what has happened in the last few months in Indian market is quite simply a case of ticker shot. After two years of depressed fairs driven by some early irrational behaviour by several carriers the airlines have not been able to hold pricing and they are exercising discipline and we strongly believe it to the short phenomenon where the Indian customers are just taking a little bit of time to get used to the new fair levels. We still have some of the lowest fairs compared to similar distance airline and we have already seen our traffic data shows a continuous reduction in the slowdown. So we believe that the customers will come back once they get used to these new fairs.

K. G. Vishwanath

To give some numbers to substantiate what we are trying to make, if you look at a good few months in the last financial year the traffic numbers were down year-on-year hovering anywhere between 4% to 6% decline, meanwhile capacity was set to a manageable level lastly by the older carriers like Jet Airways and JetLite more than the younger carriers and at the same time you will see the yield tracked upwards. In April for the first time in a long period despite a higher yield, we saw the overall year-on-year traffic numbers go up by 2.4% without a significant capacity increase in April year-on-year by 0.4% while the traffic numbers increased by 2.4% despite a higher fair based yield. So I think the future looks like it is the market that has understood these higher fairs are here to stay and certainly as people who are practising in this business will know that India has one of the lowest fair markets with the highest cost. So this is an unsustainable formula if we want to continue this way and I think that realization is coming to rule these many minds. So we look forward to a positive trend going from here.

Arjun Khanna

Just last one follow up. Due to this continuous increase in prices and the launch of Apex fairs how are you seeing passengers at least the view of our segment start pre-booking tickets in advance as 30 days, 60 days window?

Raj Sivakumar

It is very limited. Based on my experience in other markets this is going to take a long time to train the customers to book ahead.

Moderator

Thank you. The next question is from Joseph George from IIFL. Please go ahead.

Moderator

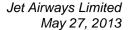
Thank you. The next question is from Mahantesh Sabarad from Fortune Equity. Please go ahead.

Mahantesh Sabarad

Once again I think my question pertains to other expenses and you have mentioned something about frequent flyer programs. A related question was that when you form this JetPrivilege as a separate subsidiary how will the balance sheet assets look like and what will be the liabilities on the JetLite JetPrivilege subsidiary, will there be liabilities recognised by the parent Jet Airways in its books as future receivable to the Jet Privilege account.

K. G. Vishwanath

Mahantesh, to the extent Jet Privilege becomes the subsidiary and the business gets transferred to that entity there will be arms length transaction between the airline and the JetPrivilege





programs where each and every mile will get transacted at a particular market rate to the extent approvals of members because of flying activities. Jet Airways the airline will fund those miles and that will sit in the asset side of the JetPrivilege Program and on the liability side of the airline business to the extent these miles eventually get redeems that will actually be a cash scheme for the airline. The margin between the buying and selling of miles is something which will go on to the P&L of the JetPrivilege program.

Mahantesh Sabarad

So have you bulk transferred the certain such liabilities to JetPrivilege already in and that is that reflected in year Quarter 4 result?

K. G. Vishwanath

We have provided Rs. 60 crores for it. The business transfer agreement will happen only in the next two or three years?

Mahantesh Sabarad

After the Etihad deal happens and you get in the cash inflow you will obviously be looking at your entire fleet program for the years ahead, so how will that pan out, what is your ordering or what are you looking at in terms of your fleet strength in let us say the next three to four years?

K. G. Vishwanath

Largely being a Boeing carrier in terms of our domestic fleet we intent this to carry on and that is the reason why we are looking to place a fresh set of orders for B737 airplanes. At this point in time we have not made any call in terms of ordering for any Neos but at the same time obviously aircraft manufacturers continue to have discussions with us in terms of looking beyond 2017 or 2018 but at this point in time there are no plans

Mahantesh Sabarad

So how will your fleet strength pan out let us say in the next three- four years?

K. G. Vishwanath

So as I mentioned to you we are currently in the delivery mode of 46 new B737 airplanes, the deliveries of which have started around2-3 months ago. These aircraft will get delivered to us in the next 3 to 3.5 years.

Mahantesh Sabarad

And they have largely meant for fleet replacements?

K. G. Vishwanath

They are meant for both, fleet replacement and fleet additions. To the extent there are lease positions that we have secured those will help us replace expiring leases. This order will basically help us grow the domestic capacity by anywhere between 5-8% on year-on-year for the next three years. And in terms of our international business as Raj mentioned a large part of our incremental flying happened with our existing airplanes given that international operations to Gulf and largely to Abu Dhabi will be undertaken with the same set of airplanes that are doing the domestic flying during the day.

Moderator

Thank you. The next question is from Jasdeep Walia from Kotak. Please go ahead.

Jasdeep Walia

In the opening remarks you spoke about overdue creditor and the interest charges on those overdue creditors. Could you elaborate on that?



K. G. Vishwanath

Given that the business was short of cash over the last two to three quarters, we had been pushing around some of our creditors to the extent, as some of them have become overdue at this point in time, this leads to certain maintenance service providers as well as certain other airport and other charges for international operation. Some of these vendors basically have been charging us interest as also precluding us from being able to renegotiate some of these contracts on account of which there are interest expenses which have been provided for in the current financial year.

Jasdeep Walia

So what is the amount of overdue creditors as of now?

K. G. Vishwanath

Roughly around \$150 million.

Jasdeep Walia

Your interest expenses have increased from 3rd quarter to 4th quarter from around 260 crores to 340 crores could you explain the increase?

K. G. Vishwanath

One is obviously the fact that there are interests on over dues. Secondly, we have renegotiated some of our volume discounts with the oil company and now we are getting significantly higher levels of volume discounts on base prices and for 60-day credit period that we get from the fuel company there is an interest element which is now classified under interest.

Moderator

Thank you. The next question is from Vinit Maloo from Birla Sun Life Insurance. Please go ahead.

Vinit Maloo

Just wanted to know the employee expenses that you spoke about it is going to cap at 6% so the base that we should consider is the total that you reported in the P&L above the line plus the provision which is 70 crores is that right?

K. G. Vishwanath

Yes, that is right.

Vinit Maloo

So we would have similar expenses on any of the aircraft which are going to go off lease this year also.

K. G. Vishwanath

This specific instance happened because this was a sale and lease back arrangement which happened and at that point in time the engines were not contemplated to be going in to a shop visit but given that we were behind in terms of vendor related payments some of the engines which were supposed to come back did not come back on time which resulted in utilizing these existing engines to a very large extent and these had to therefore go in to shop visits for which we had to make these expenses.

Vinit Maloo

Cost of aircraft from ground I mean what additional cost you will incur for the aircrafts which you are not using?

K. G. Vishwanath

This is just the fixed cost of lease.

Moderator

Thank you. The next question is from Nilesh Shetty from Quantum AMC. Please go ahead.



the cash generated because the rough cut calculation states you generated a cash profit of about Rs. 200 crores and you have had an inflow of Rs. 350 crores from the sale and lease

back at Heathrow, so where do you get the rest of the cash from?

K. G. Vishwanath During the year we did a sale and lease back of roughly 13 of our airplanes. Incremental cash

largely came about because of that, as well as there was a repayment of the outstanding loan

associated with these airplanes.

Nilesh Shetty So out of the current close to 97 aircrafts of standalone Jet how much is owned and how much

is leased?

K. G. Vishwanath 30 airplanes are owned, the balance are leased. Out of the 30 airplanes 18 airplanes are wide

body and 12 airplanes are B737.

Nilesh Shetty What could be the number of the planes on the ground right now?

K. G. Vishwanath Around six to seven airplanes.

Moderator Thank you. As there are no further questions from the participants, I would now like to hand

the over the conference back to Mr. Nikhil Salvi for closing comments.

Nikhil Salvi Thanks Marina. We thank the management of Jet Airways for the opportunity to host the call.

Thank you all the participants for logging on the call.

Moderator Thank you very much. On behalf of IDFC Securities Limited that concludes this conference

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