

Jet Airways 4QF16 Results Conference Call

May 27, 2016







MANAGEMENT: MR. AMIT AGARWAL – ACTING CHIEF EXECUTIVE

OFFICER, AND CHIEF FINANCIAL OFFICER, JET

AIRWAYS

MR. GAURANG SHETTY - WHOLE TIME DIRECTOR,

JET AIRWAYS

MR. N. RAVICHANDRAN - VICE PRESIDENT, FINANCE,

JET AIRWAYS

MODERATOR: MR. MAHANTESH SABARAD – VP (RESEARCH |

EQUITIES) SBICAP SECURITIES



Moderator:

Ladies and Gentlemen, Good day and welcome to the Jet Airways Q4 FY16 Results Conference Call hosted by SBICAP Securities Limited. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mahantesh Sabarad. Thank you and over to you, sir.

Mahantesh Sabarad:

Thank you, Ali. Good afternoon all. We, at SBICAP Securities are very happy to get Jet Airways' Post Results Conference Call after their very good quarter four results. We have with us the senior management team from Jet Airways represented by Mr. Amit Agarwal, their Acting CEO and CFO, we have Mr. Gaurang Shetty, the Whole Time Director with us and we have Mr. N. Ravichandran – VP, Finance. Without wasting too much of time I hand over the call to the management for their introductory comments. Over to you, sir.

Amit Agarwal:

A very good afternoon to all of you. This is Amit Agarwal, CFO and acting CEO of Jet Airways and I am pleased to extend a very warm welcome to this earnings call organized by SBI Cap. I am extremely grateful to all of you for your time and the interest that you have shown in tracking the performance of our company. It is a pleasure to be here with my team. I am accompanied by Gaurang Shetty, wholetime Director and N. Ravichandran, VP Finance.

I would like to commence with our overview on our fourth quarter fiscal 2016 results:

We are happy to announce a strong quarterly profit and record annual profit for this financial year. We have achieved a consolidated net profit of Rs.426 crores in this quarter and Rs. 1,212 crores for this fiscal year which is a significant improvement over last year. More importantly, our operating performance has been consistently improving which is reflected in four continuous profitable quarters. I would also like to state that our focus on cost reduction initiative have now started showing significant improvements. In this context, I wish to highlight that our non-fuel cost per ASK (available seat kilometers) was lower by 10% in the current quarter vs quarter 4 of previous year, and by 3 % in the current financial year vs FY15. This is in spite of inflation and weakening of INR against USD by more than 7% as almost half of our expenses are dollar denominated. Our strong operating performance resulted in improved financials, which is helping us in our continuous efforts to reduce debt. In the current financial year, we utilized cash generated from operations to primarily reduce our total debt by Rs. 1.680 crores.

Now moving on to the fleet on 737 which is our backbone of our operating fleet:

The utilization of our B737s continues to be the highest in the world at more than 13 hours. In line with our aim to further optimize fleet utilization, we consolidated operations of our ATR fleet by reducing one ATR base. Cost reductions and improved aircraft utilization remain critical to our overall strategy to turnaround the business. This quarter has been memorable for



some key changes which we made to our network and business. During the quarter, we moved our operations from the old terminal in Mumbai to T2. The integration at Mumbai's T2 has given Jet Airways a considerable product advantage with enhanced guest experience. We operate over 135 daily flights out of Mumbai to destinations in India and around the world and migration of domestic operations to a single terminal would result in hassle-free transfers for passengers.

Further, we shifted operations from Brussels to our new European Gateway in Amsterdam in this quarter. We now operate three daily non-stop flights to Amsterdam, one each from our India hubs in Mumbai and Delhi and one daily flight beyond Amsterdam to Toronto in Canada. We are the only carrier from Mumbai to Amsterdam. Our strategic agreement with KLM Royal Dutch Airlines and Delta Air Lines provides seamless connectivity to our guests to 30 destinations across Europe and 11 destinations across United States and Canada via Amsterdam. Correspondingly, KLM and Delta guests in the US and Europe gain access to the entire Jet Airways network across India, SAARC and the ASEAN region. Jet airways' partnership with Etihad and its Airline partners continue to grow in strength. This partnership has been pivotal to our entire strategy to return to profitability. Between the two airlines, we have been able to provide a compelling option of wider combined network and exceptional guest experience for travelers to and from India. Moreover, there have been significant Synergies through joint procurement of products and services including fuel, contract negotiation with suppliers including MROs and ground handling services.

Let me now take you through some of the financial and operating highlights:

For the Jet Group, consolidated performance for the fourth quarter of fiscal 2016 vis-à-vis fourth quarter of fiscal 2015. Compared to same period last year, Jet Group's domestic capacity in terms of seats grew in this quarter by 12.2% and passenger numbers grew by 5.6%. At the same time, in the international business, the airline registered a marginal growth in capacity in terms of seats. The total capacity (Domestic plus International) in terms of seats grew by 9% and passenger numbers grew by 3.1%. This improvement is largely the result of optimizing of our network, tighter integration between domestic and international networks and enhanced synergies with partner carriers.

Improved utilization of our fleet has effectively resulted in increased ASKs in this quarter by over 19% in domestic market and 9% for the entire operations over Q4FY15. Overall, the seat factor was 83.3%. In spite of lower yield in domestic market, which was largely attributable to lower fuel prices, our consolidated gross revenue increased by 1.8% to Rs. 5,493 crores in the current quarter from Rs. 5,397 crores in same quarter last year. Our consolidated Net Profit after Tax in this quarter was Rs. 426 crores, as compared to loss of Rs. 1,803 crores in Q4FY15. EBITDA increased 3 fold from Rs. 275 crores last year same quarter to Rs. 1,058 crores in the current quarter. EBITDA margins improved from 4.9% to 18.6% in the same period.



The yields have been under pressure in Q4FY16, mainly due to increased capacity and lower fuel prices. This reflected in our revenue per ASKM or RASK, which reduced from Rs. 4.65 in Q4 FY15 to Rs. 4.34 in the current quarter, or 6.7%. On the other hand, our total costs per ASKM reduced from Rs. 4.96 in Q4 FY15 to Rs. 4.16 in the current quarter – a reduction of 16.1%. More importantly, the CASK excluding fuel reduced by 10.4% from Rs. 3.70 in Q4 FY15 to Rs. 3.32 in the current quarter, representing improved efficiencies and cost reduction.

As per the requirements of Schedule II of the Companies Act, 2013, the Company has identified the cost incurred in relation to major checks and overhaul costs as separate components and have amortised them over their useful life. As a result, the depreciation charge for the quarter and year ended 31st March, 2016 is higher by Rs. 226 crores and the consequential impact of the same is seen in the aircraft maintenance & repairs expenses being lower.

Operational highlights of Jet Airways on a standalone basis for both domestic and international operations:

Passengers carried increased from 5.61 million in Q4FY15 to 6.04 million in Q4FY16 – an increase of 7.6%. ASKMs went up by 10.6% when compared to Q4 of last year. Gross revenue increased by 3.6% to Rs. 5,245 crores in the current quarter from Rs. 5,065 crores in the same quarter last year. Profit after tax was Rs. 397 crores for fourth quarter fiscal 2016 as compared to a loss after tax of Rs. 1,729 crores for the same period last year, representing a significant turnaround.

In terms of our domestic operations:

The share of our Domestic revenues to total revenues is 45% for the quarter. Total domestic revenues are Rs. 2,501 crores; up by 6% YoY. ASKMs went up by 19.1% when compared to Q4 of last year. Load factors on domestic declined by 6.4 pts to 81.3%. Domestic yields reduced by 4.1% in the current quarter as compared to Q4 FY15.

Let me talk about the international side:

The share of International revenues to total revenues was 55% for the quarter. Our passenger revenue from international operations improved 0.3% to Rs. 2,489 crores in the current quarter. The overall International revenues came down by 1.9 % as compared to Q4 of last year mainly on account of reduction in leasing income. ASKMs increased by 3.1% compared to Q4 of last year. International yields improved by 1% in the current quarter as compared to Q4 FY15.



Overall seat factors in the international market was 84.6%. The average seat factors for key International routes for Q4FY16 are as follows: UK - 91.5%, ASEAN - 85.5%, Gulf - 82.0%, SAARC - 78.1%, Abu Dhabi - 79.9%, Brussels Gateway - 87.0% and Paris - 81.1%.

Now let me talk about JetLite:

JetLite recorded a profit of Rs. 32.6 crores in Q4FY16 as compared to a loss of Rs. 74.3 crores in Q4FY15. Overall Seat factor was at a healthy 80% in Q4FY16. This was against an ASKM reduction of 13.7% in Q4FY16 over Q4FY15.

Let me now take you through the details of the debt position for the Jet Group:

As on 31 Mar 2016, our debt on balance sheet stood at Rs. 10,813 crores or USD 1.6 billion. Our total debt comprises aircraft debt of Rs. 4,395 crores and over 85% of our total debt is denominated in US dollar. In terms of the repayment, if I look at it, during the current year we repaid to the extent of Rs.1,680 crores on a net basis. However, as per the balance sheet, the debt numbers reflect a reduction of Rs. 1,090 crores due to the depreciation of the Rs. vis-à-vis the US dollar by 7%. Our net debt as at 31 March 2016 stood at Rs. 9,963 crores or USD 1.5 billion.

Looking to the current quarter and first half, the outlook:

The crude prices have recently started to increase but still remain at reasonable levels. We expect travel demand to remain robust albeit at lower ticket prices. Having said this, fares in the domestic and international markets continue to be under pressure. This is due to increased capacity as well as lower fuel prices, especially in the domestic market. The competitive and structural challenges in the Indian aviation market continue to exist. In addition, the induction of capacity and the enhanced competitive scenario is creating a constant pressure on yields. The focus of our business is to provide our guests with a premiere, full service flying experience encompassing superior airport experience, wider network connectivity, meals and other signature Indian hospitalities at affordable fares, with our best price promise.

We continue to optimize our route network in response to industry conditions and traffic evolution. In terms of network activities which have been taken, enhancing our presence further in the Gulf, we have introduced direct flight to Muscat from Delhi and added frequencies to Dubai from Mumbai and Delhi. We shall also be launching additional frequencies to Dammam from Mumbai and Delhi from June. We are now the largest Indian carrier to Bangkok with a third daily flight from Mumbai and a second daily flight from Delhi. We also plan to deploy our wide bodied Airbus A330 aircraft on Mumbai-Singapore route starting June 2016. This will result in a 50 percent increase in capacity.

Coming to our domestic operations, we have introduced 3 new routes as a part of our summer schedule - Chennai-Rajahmundry, Chennai-Vijayawada and Bangalore-Madurai.





As stated earlier, we shifted operations from Brussels to Amsterdam and launched daily flights from Mumbai, Delhi and Toronto. This move was on account of Amsterdam offering better connectivity to US, Canada and Europe. These operations have had a strong start with promising revenue performance.

Continuing with our commitment to the 'Guest First' philosophy, we recently launched two co-branded credit cards – one with ICICI and another with Bangladesh's Eastern Bank. These cards give unmatched benefits to our SME and other guests to save their business expenses and earn frequent flyer Miles on our award winning Jet Privilege program.

We recently entered into a code share agreement with Korean air and entered into a frequent flyer partnership with Bangkok Airways. The quarter witnessed a significant growth of 21% in overall codeshare traffic and the codeshare traffic with strategic partner Etihad Airways and its partner airlines grew by 45%. Our wide body aircraft currently on lease to Etihad Airways will return and be operationalized starting August 2016. Based on the market condition, our plan is to upgrade some of the existing A330 routes with the B777s coming back. This will subsequently result in additional capacity deployment in our core markets of India and Gulf.

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

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

session. We will take the first question from the line of Rohan Pandya from B&K Securities.

Please go ahead.

Rohan Pandya: My first question is regarding the MRO business, we read some media articles suggesting that

Jet is planning to enter the MRO business. If you could give us some clarity on that please.

Amit Agarwal: Rohan, in terms of the MRO business, I think this has been a little bit misinterpreted in the

media. What we gave was our one of the aircraft to Air India for maintenance. So at this juncture we are not saying that we are entering into an MRO business or anything of that

nature.

Rohan Pandya: Do we have any kind of plans or we do not have any plans as such?

Amit Agarwal: When anything firms up with such plans, we will inform appropriately.

Rohan Pandya: And my second question is regarding the depreciation charges for this quarter and the

adjustment that we have done. If you could give some clarity on that, what can we expect

going ahead actually?

N. Ravichandran: We have provided our notes to the Clause 41 which is contained in Note number 5. It is further

to the amendments that have taken place in the Companies Act which provides for component accounting. Following the principles of this component accounting, some of the major checks

and maintenance related activities have been identified as a component which is common in





the airline industry and which has got a different useful life. So moving forward they will be capitalized and amortized according to their respective useful life. As a result, in this quarter since we have given effect to it for the first time, it has accumulative impact of these services which has been capitalized and has been amortized and the consequential impact of that is seen in the aircraft maintenance cost.

Rohan Pandya: So going ahead do we see maintenance cost coming down because of this adjustment reflecting

in our margins?

N. Ravichandran: No, this is one time which has been done and this will not have any impact moving forward.

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

Please go ahead.

Danish Mistry: I basically had a few questions, the first one is, you did mention that you were getting some of

your aircrafts back from Etihad. If you can just run us through as to what is the number of aircraft that you could be getting and would be flying them on the international sector or the

domestic sector?

Amit Agarwal: We will get progressively six of the 777 aircraft back in our fleet over the next six months.

And in terms of deploying, obviously of these 777, most of them will get deployed into the

international sector.

Danish Mistry: So therefore consequently the rental income that we could be earning from these aircrafts

would go, right?

Amit Agarwal: Yes, it would get translated into the Pax revenues.

Danish Mistry: Any indication on how much that would be, roughly?

Amit Agarwal: Again, you see it is difficult at this juncture to talk about because you know, the yields and the

seat factors all are moving. So it depends on the market conditions prevalent at that point of

time.

Danish Mistry: Just one more question if I may, that is on your S&D expenses. So if you could just run us

through or give us some color on what is going on, because 4Q FY15, if I know on a standalone basis it was about Rs.630 crores and now it is about Rs.570 crores, so a great improvement in S&D expense per passenger. So do you think that it can go down further or

have we kind of achieved our goal?

Amit Agarwal: On the S&D expenditure I think there have been certain changes which we have been able to

bring. However, we need to understand that some of our contracts are such that there is an inflationary increase on a contractual basis, but part of it we will be able to offset going

forward as our effort to put more and more direct sales through our own website which does





not attract GDS or the global distribution or the central reservation system charges. So that is a philosophy which we are working with.

Danish Mistry: And what would be the percentage of sales right now on our website?

Amit Agarwal: Close to 16%.

Danish Mistry: 16% of overall sales or of online sales?

Amit Agarwal: No, of the overall sales.

Danish Mistry: And just one final question, so Mr. Ball has now moved to the other airline and we do have a

CEO currently, so will there be a change in management further, or what is the status now?

Amit Agarwal: So the Board is evaluating the position and once anything gets finalized we will come back to

all of you.

Moderator: Thank you. Our next question is from the line of Rahul Bhagadia from Investment Managers.

Please go ahead.

Rahul Bhagadia: Two, three small questions. First one, in the quarter you have mentioned that excluding fuel,

the cost per ASKM has gone down, what in your estimate is a steady state or what is the

ultimate aim of taking it down to form say Rs.3.26 per ASKM right now?

Amit Agarwal: If you see in terms of the cost there has been a lot of effort through the synergies which we

have achieved and we are on the path of achieving further more synergies through Etihad partnership in terms of renegotiating many of our contractual commitments, improving the aircraft utilization and productivity improvement. However, we have to also understand that as I mentioned in my script that almost half of the cost is a dollar denominated cost and many of the cost in this business is a contract driven cost. So if the rupee continues to depreciate there will be an impact on the cost per ASKM as well a s there will be some parts of the inflationary

increases which has to be given. However, our endeavor will be to keep a strong check and

control on the cost.

Rahul Bhagadia: Sir on the maintenance and depreciation side, the question which you answered before, so now

should we expect the Q4 run rate of maintenance and depreciation to continue or does the depreciation have a cumulative impact of previous quarters which will not be in future, just a

little clarification on that.

N. Ravichandran: It will not have any cumulative impact moving forward in future.

Rahul Bhagadia: There was the cumulative impact in Q4?

N. Ravichandran: That is right, what we have stated in Note 5.





Sachin Kasera: Sachin Kasera here. This one question regarding the domestic market, last two quarters our

growth has been lower than the industry growth, Q3 industry grew at 21% we grew at 15% and in Q4 the industry has grown at 24% and we have grown at only 6%. And you did mention that you are going to get some aircrafts back from Etihad but they will most likely be deployed on the international routes. The industry is estimating the growth to be between 15% plus/minus

for FY17, so in such a scenario how do we plan to sustain our market share for FY17?

Gaurang Shetty: I think basically we are going to look at markets and strategically decide as to where we are

going to grow. I realize what is happening in the environment but it also is happening at different price points. So I do not think so the relationship is to what exactly is happening in the environment in terms of the price points, but we will certainly grow based on where we see

the growth going and strategically do that.

Amit Agarwal: And just to add, basically when we talk about these international 777s flying to the

international locations, we will have the capacity available to deploy into the domestic market as well, but we will be careful and cautiously deploying those aircraft in the domestic market.

Moderator: Thank you. Our next question is from the line of Abhinav Ganesham from Canara Bank

Securities. Please go ahead.

Abhinav Ganesham: Just wanted to understand, suppose we believe hypothetically crude reaches \$60 by August -

September, then how are we placed to mitigate these risks?

Amit Agarwal: In terms of the crude and the fare, though I would not say there exists a perfect correlation,

however, we all know that there is a certain pattern between the two and eventually things will fall in place when the crude moves to a certain level, the fare would be in tandem, not with the

perfect correlation, maybe there is a certain lag.

Abhinav Ganesham: Can you just say around, if we quantify it would be around 0.6 or 0.7 kind of a number.

Amit Agarwal: It is all dependent upon the market forces at that particular point of time, so very difficult to

talk about.

Abhinav Ganesham: Fair enough. And sir, are we going in for any 737s in the future?

Amit Agarwal: We have already placed the order for 75 Max's, that is already in the market.

Abhinav Ganesham: So sir, when are we expecting the delivery schedule, because what we are hearing is that the

manufacturers are going a little fast, so would we get it quickly or when would it start?

Amit Agarwal: See, as per our schedule we have considered from mid of 2018 for these Max's to start coming.

However, we are very clear that if we want and the market is right, we feel appropriate, there would be an opportunity for us to get the aircraft from a leasing market, we will decide about

that at a particular point of time when the economics is right for us.





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

ahead.

Participant: Just to frame the previous questions differently, if you can give us a flavor of what the average

in terms of dollars per barrel oil prices we had for the full year for financial year 2015-16,

would you have that data readily available?

Amit Agarwal: Obviously, ATF prices are governed over the Brent prices, which is all known, everyone

knows about it, it depends upon the structure between the domestic and the international pricing as the structures vary from different market at different station. And it would not be

appropriate for me to spell out that number what is average for us.

Participant: You mean in terms of your total fuel cost, I am sure that number is available, the absolute fuel

cost, I don't have the numbers.

Amit Agarwal: Yes, that for the entire year it is Rs.5,015 crores.

Participant: Rs.5,015 crores for FY16?

Amit Agarwal: Yes.

Participant: And what was that number for the previous year FY15?

Amit Agarwal: Rs.6,686 crores.

Moderator: Thank you. Our next question is from the line of Giriraj Daga from KM Visaria Family Trust.

Please go ahead.

Giriraj Daga: My question is related to, what was the lease income we got from Etihad during FY16?

Amit Agarwal: It is about Rs.800 crores.

Giriraj Daga: And the second question is, we are seeing a lot of competition in the rates from the domestic

market, IndiGo and Air India has also reduced the upcoming booking drastically. So any

thoughts on that?

Gaurang Shetty: As mentioned earlier on by Amit, yes certainly there is capacity induction that is going on and

there is pressure on yields. I think from our side we are trying to utilize our assets more, trying to ensure that we have high occupancy and more importantly I think we look at it from a bottom-line perspective that the revenue that we earn per flight delivers significant returns. So I think we will play the game as we believe is right for us because the offering that we have is different. So we will sit down and ensure that we look at it from bottom-line perspective rather

than just imitating what everybody else does in the market place.



Giriraj Daga:

Just to get an industry perspective, the capacity addition has not drastically gone up, what my point is that it was there, addition was happening in FY15-16 also and at that time we had crude favorable, now even the crude is not favorable we are seeing such a drastic cut in the rates. So any thoughts, what is the thought process, are the people very aggressive to get market share?

Gaurang Shetty:

No, I think capacity induction is certainly there, I mean there is almost a 20% increase and going forward yes, there will be pressure on yields and we will ensure that we have managed our flights based on the bottom-line perspective.

Amit Agarwal:

And just to add one more thing, we have a strong presence in the corporate segment coupled with the domestic and international presence which enables us to see how appropriately we consider as a network traffic, not just a domestic traffic or not an international traffic, however into the entire network. I think that is the primary key for Jet Airways.

Gaurang Shetty:

And in addition to Amit, also these frequent flyer program, we see a significant increase in our membership base, a significant increase in terms of activity of members and the offerings that we have for small and medium enterprises, we are focusing very clearly on the segment that grows. So we will ensure that we will get to the results that we are looking at from a bottom-line perspective.

Moderator:

Thank you. Our next question is from the line of Praveen Sahay from Edelweiss Securities. Please go ahead.

Praveen Sahav:

So first question is related to, how is your average age of the aircraft and how that will get impacted with addition of six 777s which you are saying?

Amit Agarwal:

So the current average age is around seven years, and these aircrafts 777s, which are we talking about, when they come back, they are also very similar age profile. So there would not be any significant change upside or downside in terms of the age of the entire fleet.

Praveen Sahay:

So just to add on to this question, as we have mentioned this time for our expenses and all, we have amortized and that is suddenly we have reduced maintenance. So such type of one-off things once the age the fleet, it will be quite to the extent in the nature. So what is your thought on that?

N. Ravichandran:

As I mentioned earlier to one of those queries, that this change in the accounting is emanating from the change that has happened in the Companies Act and which is mandatory, this is not anything by design or by choice, it is mandatory. So what has happened is some of the components that have been identified, and moving forward also, these components which have different useful life will be capitalized and amortized over its useful life. So obviously which otherwise was getting charged off as a maintenance expense would have this accounting treatment in this manner moving forward.





Amit Agarwal: And fundamentally there is no change per say because of the moving to depreciation or to the

maintenance expenditure because the nature of the expenditure has changed, that all remains

exactly the same base.

Praveen Sahay: Second question is related to your utilization, in the fourth quarter 2016 we had reached to 13.2

hours and for year it is 12.7 hours, what is our scope for further improvement in that, is there

anything left on or...?

Amit Agarwal: See, fundamentally it is an asset and one would like to squeeze out and exploit the asset as

much as possible. So we see clearly the potential, and we are working hard on it and we see a small level of improvement coming through. And as you would see going forward in our

operating performance, these would start showing up. As we have demonstrated in the past 12

months, we would like to continue to show the improvements going forward as well.

Praveen Sahay: So just to summarize, we will see some improvement in per hour utilization as well?

Amit Agarwal: That is our endeavor.

Moderator: Thank you. Our next question is from the line of Alok Rawat from Karma Capital. Please go

ahead.

Alok Rawat: Could you please talk about your thoughts about hedging fuel or currency risk, if you have a

policy in place or are you contemplating one?

Amit Agarwal: First of all, we have a policy in place about the hedging and managing the risks, however at

this juncture I can tell you that so far we have not made any hedges on the oil side. Now going forward, again there is appropriate risk committee, we go through that on a quarterly basis with that risk committee and if the matter is appropriate and if thought that it is a right thing to do

hedging, we will do the hedging and come back to you.

Alok Rawat: And on the currency?

Amit Agarwal: In terms of currency, as you know that, as I mentioned in my script as well that we get 55% of

the revenue from an international market, we have a large dollar denominated revenue as well as the dollar denominated expense which broadly in terms of an operational basis neutralizes

or we can say there exists a natural hedge.

Alok Rawat: Where I am coming from is that you have a very high proportion of foreign currency

denominated debt. So what is the thought process so how to manage this risk? You mentioned that while you repay a higher amount, actual debt figure that is on the balance sheet has gone down by a smaller proportion because of adverse movement in rupee, so that is where I am

coming from.





Amit Agarwal: No, I completely understand. In terms of that risk as I mentioned on a year-to-year basis, we

are able to manage, the difference is primarily the mark-to-market on the dollar, it is not a cash impact, it is only a mark-to-market impact, the difference which I mentioned between Rs.1,680

crores to Rs.1,090 crores.

Moderator: Thank you. Our next question is from the line of Pulkit Singhal from Motilal Oswal Asset

Management. Please go ahead.

Pulkit Singhal: Just if you could let me know how many aircrafts you have including the six additional and

how many of these are on finance as operating lease?

Amit Agarwal: So we have a total of 116 aircrafts between Jet Airways and JetLite and out of which total

owned is 24 and 92 obviously is the leased aircraft.

Pulkit Singhal: Operating lease?

Amit Agarwal: Right.

Pulkit Singhal: So you had 19% increase in domestic ASKs last year, so how would that change in FY17 and

FY18, or maybe you can just tell me, so this 116 aircraft how does this move, how many

additional do we get every year?

Amit Agarwal: No, in terms of, as we mentioned, out of this 116 aircrafts every aircraft was not within our

fleet on an operating basis. We talked about six aircraft of the 777 which were leased out which are coming back into our operation, that will start flying and that would generate the additional capacity into the market place for us. So that would be the incremental capacity which we are talking about, plus the improvement in the aircraft utilization which I have

mentioned a little while ago.

Pulkit Singhal: Sorry, I might have missed that, so in terms of domestic ASKs what could be the growth we

could see with utilization, I mean 13.2 is fairly good in fact, and if I understand correct 14 is

where it becomes kind of a peak in utilization.

Amit Agarwal: Yes, that would not be possible for us because at this juncture we are not giving a specific

guidance, so we will not be able to provide the incremental ASKs in the future year.

Pulkit Singhal: And FY18, how many aircrafts are you planning, any indication?

Amit Agarwal: As I mentioned to you, in 2018 we are starting to get the delivery of the Max's and it is at the

later end part of the year. So in that process I think effectively you would start seeing that from

a new fleet perspective after 2.5 years only.

Moderator: Thank you. Our next question is from the line of Santosh Desai from Edelweiss Securities.

Please go ahead.





Santosh Desai: Sir, just wanted to get some color on the Jet Privilege Program. I understand there is Rs.616

crores which is still sitting out there which will come into other income eventually, but I want

to understand, is there any corresponding cost element that we also book against this, sir?

N. Ravichandran: Yes, as we have mentioned in the past, the Rs.616 crores is the profit which is being accrued

over a period based on the contractual obligations that we have. The cost is accrual of miles that we give to members periodically as and when they fly, I mean these are two different kind of components. Of course, because since we have this program up and running, based on the

accrual of miles we do pay for the JP miles.

Santosh Desai: So essentially now the incremental miles which are there are no more a cost to us, it is

essentially on the third party where it sits out of, is it?

N. Ravichandran: The new accrual of miles which are accruing to the members as and when they fly is an

expense which the program charges the Airline and the Airline pays for it, which is accounted

as a selling and distribution expenses.

Santosh Desai: And one more clarification, I think Amit sir gave a number of about Rs.800 crores of leasing

income from Etihad, just want to also understand, because we have four more aircrafts which are also being given out on lease, because the full year number is about Rs.818 crores and

Rs.800 crores coming in from Etihad was a big number, so I just wanted to...

Amit Agarwal: No, Rs.800 crores was the total lease.

Santosh Desai: Okay, total lease, not just for Etihad?

Amit Agarwal: Yes, because I think it is appropriate that we give the total lease income and not go between

Etihad and others.

Moderator: Thank you. We will take the last question from the line of Abhishek Agarwal from Fortune

Interfinance Ltd. Please go ahead.

Abhishek Agarwal: My question is like the other fellow panelist, that what we are trying to actually gauge is the

predictability nature of this business, so going forward with the current last two quarter results the way we have been performing, what are the good chances that the same thing would be repeated in the coming quarters? And of course, you might not give us exact details, but just

for understanding that when we see this Rs.1,200 crores odd profit for the entire year, how

much was the part of crude and how much was the actual per improvement from us?

Amit Agarwal: If you look at it in terms of the performance, compared to the operating results which we had

last year, overall the operating improvement is in the range of Rs.2,200 crores to Rs.2,300 crores. So from Rs.2,200 crores to Rs.2,300 crores there are three major broad things which we need to talk about. A significant portion of the drop in fuel has been passed on in the yields as

we have talked about at length and it is covered in our presentation as well. On the other hand





what we have been able to do is significant cost reduction in terms of the various contract renegotiations with the EY support and improve the traffic growth especially on the mix of the traffic moving to the ASEAN and certain other regions. The other thing if you look at it is also in terms of the aircraft utilization, so if you are utilizing as we talked about, we have got practically because of high utilization almost nine aircrafts worth capacity added. So essentially if you look at it, for nine aircrafts we did not add any of the capital cost or the lease cost, interest or depreciation. And in terms of other fixed cost also, it is only the cabin crew and the cockpit crew has been truly added to operate those many extra hours. So that has boosted up our profitability in a big way and that is a sustainable improvement.

Gaurang Shetty:

Amit I just want to add, in addition I think we have a very clear focus on ancillary revenue, I think very clearly that is an additional revenue stream and we are looking at significant product enhancements itself going forward. I think we have told in the past we will be launching our Wi-Fi streaming onboard and there are product enhancements. So I think as a full service carrier we are differentiating ourselves very clearly from competition, we even have a campaign now which is online in terms of our product offering. So all in all, there will be a difference in terms of our product offering which will certainly translate into results for us.

Amit Agarwal:

And we should be clear that as we have mentioned that yields continue to be, especially in the domestic market, under pressure and the market realities are what the realities are both in the domestic as well as international scene, so that will also play a role in the profitability going forward.

Moderator:

Thank you very much. Ladies and Gentlemen, due to time constraints I now hand over the conference to Mr. Mahantesh Sabarad for closing comment.

Mahantesh Sabarad:

Thank you very much. Thank you all to the participants for keenly listening to the management and asking questions. Thank you to the management of Jet Airways for allowing SBICAP Securities to host the call and thanks for the patience. Thank you, Amit.

Amit Agarwal:

We would like to thank all investors, analysts, participants on the call for taking interest in the performance of the Company and to SBICAP for hosting this call. Thank you very much.

Moderator:

Thank you. On behalf of SBICAP Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.