"Jet Airways Q2FY13 Results Conference Call"

November 5, 2012

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Pratik Bavishi Thank you. Good afternoon everyone. On behalf of Tata Securities, let me welcome you all to the Q2 FY13 earnings call of Jet Airways India Limited. Today we have with us the senior management team of Jet Airways India Limited represented by Mr. Sudheer Raghavan who is the Chief Commercial Officer, Mr. Ravi Shankar–Chief Financial Officer and Mr. Vishwanath who is the V P, Commercial Finance and Investor Relations. Without any further adieu let me hand over the call to Mr. Vishwanath for his opening remarks. Over to you sir.

K. G. Vishwanath Thank you Pratik and good afternoon everybody. Welcome to Jet Airways second quarter results call. I have with me today, Mr. Sudheer Raghavan, Chief Commercial Officer & Mr. G. Ravishankar, our Chief Financial Officer .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 passenger traffic went down by 10.3% in Q2 FY 2013 as compared to Q2 FY 2012. As against this, our passenger traffic went down by 13.1% (Jet + JetLite) in the current quarter vs. Q2 FY 2012. Jet Group achieved market share of 25.3% for quarter ended September 2012. Our international operations continue to achieve high seat factors and healthy operating margins. For the quarter, Jet Airways as a whole achieved a seat factor of 75.0% and 69.0% for JetLite. For the group yields YOY improved by 34% and QoQ by 11%, this helped the group post an EBITDAR of 6,668 million (US $ 126.2 million), versus INR 1,466 million (US $ 29.9 million) in Q2 FY12, up by 355%. Our overall EBITDAR Margins were 15.7% and 3.6% respectively for Jet Airways and JetLite in Q2 FY13 versus 5.7% and -10.2% respectively in Q2 FY12. This is despite an increase of around 17% fuel rates over Q2 FY12. The average RoE for Q2 FY13 was higher than Q2 last year by around 20% and that had a negative impact on the margins as well.

Moving to the operational highlights for Jet Airways:

We achieved a system wide seat factor of 75.0% versus 77.8% in the same period a year ago.Overall yields, as measured by revenue per revenue passenger kilometer, were Rs.4.72 as compared to Rs. 3.63 in the same period a year ago (or an increase of 30%). During the quarter, our domestic capacity, as measured by ASKMs, decreased by 0.4% and International capacity decreased by 2.1% as compared to Q2 last year. Reduction in domestic capacity was because we pulled out of certain long haul domestic routes and redeployed these B737 aircraft into International routes to the Gulf which are profitable.
The International capacity reduction is an effect of us pulling out of loss making international routes such as BOM JNB, MAA KUL, BRU JFK and downgrades on certain other A330 routes.

As a result of this, we had instances of certain B737 and A330 aircraft being on ground, the fixed cost impact of which was around USD 6.2 mio for the quarter. These aircraft will be leased out for a short to medium term basis in the coming weeks.

As a whole, Jet Airways showed Loss before tax of Rs. 1,083 million (US$ 20.5 million) and a Loss after tax of Rs. 997 million (US$ 18.9 million). This compares to a Loss before tax of Rs. 7,136 million (US $ 145.7 million) and Loss after tax of Rs. 7,136 million (US $ 145.7 million) respectively for the same period last year.

The breakdown of Loss before tax shows a Loss of Rs.1,535 million (US$ 29.1million) for the domestic business and a Profit of Rs. 452 million (US$ 8.6million) on the International operations for Q2 FY13.

As against this, we had a Loss before tax of Rs. 4,753 million (US$ 97.0 million) for the domestic business and a Loss before tax of Rs. 2,383 million US$ 48.7 million for International operations for Q2 FY12.

For JetLite Loss after tax for the quarter was Rs. 663 million (US$ 12.6 million) as compared to a Loss after tax of Rs.1,008 million (US$ 20.6 million) for Q2 FY13.

Let me now hand it over to Mr. Sudheer Raghavan

Sudheer Raghavan

Lean season, economic slowdown and consequential dip in industry passenger traffic coupled with high fuel prices and rupee depreciation vis-a-vis the US dollar has affected the overall results of Jet group for the quarter. Fuel rates increased around 17% YOY, a portion of which was passed on to the passengers in the form of increase in fuel surcharge during the quarter. Full impact of this surcharge increase will come through in the current quarter. Overall increase in yields have helped the airline to post an operating profit of 6,668 million (US$ 126.2 million) versus an operating profit of 1,466 INR Mio (US$ 29.9 Mio). Our continued focus on ancillary revenue initiatives has started showing results; they have gone up over 20% YOY.

In the current scenario, Jet Airways has managed to remain competitive through series of planned steps, such as sale / sale and lease back of aircraft, reducing capacity to keep yield levels higher, discontinuation of loss making routes on international and domestic operations and redeployment of B737 aircraft to other profitable routes.

Some of this domestic capacity has been reintroduced starting Winter 2012 and we will start increasing capacity starting April 2013 when new airplanes get inducted.

The stringent cost control measures in terms of contract renegotiation, expatriate pilot phase out, not replacing for attrition, etc is showing traction. Despite a 20% INR depreciation, our

cost per ASKM ex fuel has gone up only by 6%. The ongoing initiatives will augment well for the airlines performance in the quarters to come.

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

The share of our Domestic revenues to total revenues is 41% for the quarter. The total domestic revenues are Rs. 17,008 million (US $ 321.8 million); up by 36.5% YoY.

Domestic operations in Jet Airways achieved a load factor of 65.6% for the quarter while JetLite achieved a load factor of 69.0%.

Revenue per RPKM (yields) was up by 34.3% versus Q2 FY12 and by 1.1% versus Q1 FY13 despite Q2 being seasonally weak. Historically Q2 yields have always been lower than Q1 yields but this year, our Q2 yields were better than Q1 yields. Gross Revenue per passenger went up by 29.6% YoY.

The average fuel rate in Q2 for our domestic operations went up by around 17% over Q2 FY12. The domestic capacity of Jet Airways (as measured by ASKMs) for Q2 FY13 went down by 0.4% as compared to the same period a year ago. The domestic EBITDAR margins were 9.3% in Q2 FY13 as against -8.1% in Q2 FY12.Our Domestic operations as a whole showed a pre-tax Loss of Rs. 1,535 million (US$ 29.1 million) versus a pre tax loss of Rs. 4,753 million US$ 97.0 million 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 total revenues to total revenues is 59% for the quarter. The total International revenues are 24,898 million (US $$ 471.1 million). Revenue per RPKM (yield) went up by 28.6% YoY and Gross Revenue per passenger went up by 23.7% YoY.

The average seat factors for key International routes for Q2 were as under: USA routes were 84.9% , UK routes were 89.6%, ASEAN routes were 72.9%, Gulf routes were 76.3%,SAARC routes were 67.5%, Italy route was 63.4%,

The EBITDAR margin on the international operations was 20.0% for Q2 FY13 versus 13.6% for Q2 FY12. Our international operations as a whole showed a pre-tax Profit of Rs. 452 million (US$ 8.6 million) versus a pretax loss of Rs. 2,383 million US$ 48.7 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 69% (vs. 74.7% for Q2 FY12) Revenues of Rs. 4,360 million (US$ 82.5 million vs. Rs. 3,938 million (US$ 80.4 million) in Q2 FY12; up by 10.7% YoY Jet Lite Revenue per RPKM (yield) was up by 54.8% and Gross revenue per passenger was up by 49.7% YoY

EBITDAR of Rs. 153 million (US$ 2.9) million in Q2 FY13 versus a negative EBITDAR of Rs. 400 Million (US$ 8.2 million) in Q2 FY12. EBITDAR margin was at 3.6% in Q2 FY13 versus negative EBITDAR margin of 10.2% in Q2 FY12 Loss after tax Rs. 663 million (US$ 12.5 million) vs. Loss of Rs. 1,008 million (US$ 20.6 million) in Q2 FY12

Turning to the current quarter and outlook: The peak season ahead will help the airline to improve yields further. The forward bookings trends for the quarter look very strong. We are constantly evaluating our network with the intent of deploying our aircraft in the most effective manner and to this extent; we will discontinue loss making routes and redeploy aircraft with the intent of maximizing revenues per departure. In this regard, we are also looking to add more full service offerings in lieu of Jet Konnect offerings for the peak season. We are seeing our business class load factors going up and are looking to reconfigure some of our 8/162 seater airplanes to have more business class seats.

Crude oil prices and the US Dollar have been softening over the last few weeks and the positive impact of these will be visible in the Q3 numbers as also the full impact of the surcharge increases that we took in late Q2. We are looking to undertake more Sale and Lease back of airplanes in the current quarter in addition to the ones that we did in Q1 and Q2. This will result in cash surplus and a consequent reduction in Working Capital loans which will mean a reduction in interest costs going forward. All these will help to improve the bottom line further and generate cash.

Our focus on various other avenues of Ancillary revenues such as Pre Reserved seating, enhanced buy on board offerings, sale of merchandise and other offerings through our website, night cargo operations and others will mean our ancillary revenues per passenger, which is around USD 8 per passenger today will go up in the quarters to come

Let me know take you through the details of our funds position for Jet Airways: Our cash position as at September was at Rs.6.4 billion. (US$ 121.5 Million) On the balance sheet date, our debt was Rs. 120 billion or US$ 2.3 billion. This number was US$ 2.6 billion in March 2012 and US$ 2.4 billion in June 2012. We have been steadily paying down debt – both aircraft related as well as Working Capital. By March 2013, we expect our debt balance to go down to US$ 1.96 billion and we would have repaid over US$ 600 mio of debt during this fiscal year. Shareholder's funds as of September 2012 were Rs. 10.4 billion (US$ 196.8 million.) The average cost of Debt for Jet airways is around 6%. Ladies and gentlemen, let me now open the call to questions.

Moderator Thank you very much sir. Participants we will begin the question and answer session. Anyone who has a question may enter * and 1. Our first question is from line of Mr. Mahantesh Sabarad from Fortune Equity, please go ahead.

Mahantesh Sabarad I had one query about your winter schedule. We note that your domestic winter schedule shows a 13.5% YoY drop in terms of departures. What is the winter schedule growth for the international departure?

K. G. Vishwanath It is in the high single digits.

Mahantesh Sabarad And in terms of number of seats for both of them?

K. G. Vishwanath For number of seats I can give you the number separately but domestic there is a drop by around 7% to 8% largely because we have reconfigured more of our JetLite aircraft from an All Economy into a 2-Class configuration and we have also pulled out of longer haul network routes to go into more shorter hauls. On international, we have pulled on certain long haul A330 routes and redeployed 737s onto them so the reduction in the ASK again will be around 10%-12%.

Mahantesh Sabarad So both are going to show an overall ASKM drop over last year?

K. G. Vishwanath Yes. That is correct.

Sudheer Raghavan But we should add that even though may be from a number of departures perspective we might see some drop because we pulled out a Johannesburg but we are reconfiguring the 777s and that we are instead of having a nine-a-breadth seating configuration in economy we are going to a 10-a-breadth seating configuration which will increase our number of economy seats by about 34 seats and that will help buttress the ASKMs. In addition to that, given that the ASKMs of those routes will go up, our breakeven seat factors are likely to come down and give us a better shot at improving our profitability on those routes.

Mahantesh Sabarad Does that come with a drop in yield this new seat configuration and the 777?

K. G. Vishwanath The average yield on the flight will go down purely because we have more economy seats as compared to what currently is. But overall the revenues per departure will go up.

Mahantesh Sabarad Assuming same load factor that is?

K. G. Vishwanath Yeah, we have 34 incremental seats to sell on the airplane.

Mahantesh Sabarad I got it. The second query I had was on the SFIS scheme wherein you have for the first time ever declared the incentive from the SFIS scheme amounting to 140 crores. Is there a prior period number in that and why were not we warned about such a large increase?

K. G. Vishwanath Under SFIS scheme , 10% of export earnings can be used to procure a license under the this scheme, which can be used to procure fuel, duty free (excise duty). We had this in the past but our setup was not possible to the extent that fuel was not allowed as a set up for, at least the procedural aspects of how we can set off the excise duty on fuel was not very clear. More recently we have some positive news in there. Some of the oil companies do want to discuss this with us in terms of how to procedurally make this work going forward. This license that we talk about is pertaining to the prior years and this is just one of the years of the past that we have taken credit for. There are two or three more years of licenses which are available with us

which we will take credit going forward. There is no cash inflow; however this will be used to set off against excise duty on fuel purchases made in the future.

Mahantesh Sabarad So what will be your recurring one quarter revenue under SFIS?

K. G. Vishwanath It is hard to say that purely because if you look at the utilization, once we get to work on this, with potentially IOCL, all of this can get utilized in less than three or four months.

Mahantesh Sabarad But I understand that there is validity for these SFIS schemes.

K. G. Vishwanath It is a 2-year validity.

Mahantesh Sabarad So it is only going to be a 2-year kind of back dated revenues that you can hope to get?

K. G. Vishwanath No basically this license pertains to our export earnings of the prior years. SFIS now is not available on passenger revenues. So to that extent incrementally getting SFIS licenses on the passenger revenues is going to be difficult but all the same we have roughly 700-800 crores worth of licenses pertaining to the prior years which we can technically use to procure fuel without paying any excise duty going forward.

Mahantesh Sabarad Okay. I think that answers my question. Thank you.

Moderator Our next question is from the line of Jamshed Dadabhoy from Citigroup, please go ahead.

Jamshed Dadabhoy Can you give us some sense in terms of your guidance on ASKs on the international ops going forward for both FY13 and FY14 given the fact that you all are cutting back on a lot of loss making routes?

K. G. Vishwanath The loss making routes that we have cut off pertains to two major routes – one is the Bombay-Johannesburg leg, the other one is Bru-JFK leg. In terms of all of the 737 flights that we have pulled out of, we are effectively redeploying them onto other more profitable 737 routes. For example, we have started our second frequency Kolkata-Bangkok, our fourth frequency Bombay-Dubai, second frequency Bombay-Kuwait, second frequency Bombay-Abu Dhabi so the 737s are very affectively getting redeployed on other profitable markets. At this point in time we are left with some A330 airplanes which are currently grounded, which we are looking to lease out over the next few weeks for a short term period.

Jamshed Dadabhoy Sir how many A330s are grounded?

K. G. Vishwanath Currently around 2 to 2.5 A330s are grounded.

Jamshed Dadabhoy And what sort of lease income should we expect on this?

K. G. Vishwanath One million USD per aircraft per month.

Jamshed Dadabhoy And when you lease them it will be for what? You are looking at 2-year leases or….

K. G. Vishwanath 12 to 18 months.

Jamshed Dadabhoy And last question from my side, you indicated some yield improvement on the domestic side through fuel surcharges. Could you give some sense on QoQ, how you expect your yields to move?

K. G. Vishwanath So we had two rounds of fuel surcharges in the domestic business – one in late August and one in early September of around 150 and 250 so totaling to around Rs. 400 per passenger. That is obviously going to have a full quarter impact in the current quarter but historically if you look at H2 yields versus H1 yield they are higher by roughly 8-odd percent purely because of the seasonality trend.

Sudheer Raghavan I think may be if I should add a point here, if you take and look at the appetite in the market to hold up yield or fairs rather despite an almost 10% fall in demand during the second quarter and capacity probably stayed constant. I do not think it fell much but demand fell by 10%, however, the yields held up, the fairs held up. So I think there was a reckoning in the market that the days of low yield travel cannot be sustained and it is going to leave a field of anemic airlines which is neither in the country's interest nor in the consumer's interest. So I think there is a strong will power to hold on to yields where possible. Going forward I see the trend continuing.

Jamshed Dadabhoy We have seen Jet's market share come down fairly substantially and now we have a situation wherein the LCCs are quite big. Do you see a situation that as the LCCs become bigger and bigger their incremental cost per ASK will tend to move up which is why fairs and yields will tend to sort of stabilize?

Sudheer Raghavan I think you should join the airline business. You hit the nail on the head. That is absolutely true and hence we saw a trend among the low cost carriers to try and hold up their fairs because continuing to do business the way we have done till now is simply not attainable anymore. So I think it is happening for the reasons that you mentioned. However, we are not terribly unphased by these market share shifts because largely price elastic market as ours if you put in capacity market share will go up with you. If you take off capacity market share will come down with you and if you watch the premiums between market share and capacity share it largely hovers between plus or minus 1% either way. That is a clear indication of an ultra-price sensitive market. So that is what you are seeing before eyes.

K. G. Vishwanath And as Sudheer mentioned earlier in the call, what we did in quarter-2 was more intentional in terms of getting out of routes which do not make cash for us and potentially redeploying those 737s into more profitable routes, which effectively brought down our capacity and therefore the market share.

Moderator Thank you. Our next question is from the line of Divyesh Agarwal from Bangalore Aviation, please go ahead.

Divyesh Agarwal I got three questions. First question is what are some of the factors that have driven your aircraft lease rentals to such high levels in this quarter in relation to previous quarters, subsequent quarters as well as your earlier quarter?

K. G. Vishwanath The lease rentals have gone up for two major reasons. We added six aircraft which were on ownership basis on the previous quarters which are now on a lease basis so effectively we did a sale and leaseback on them. We also added as compared to the last year 8 leased aircraft into the system, 6 of which were 737 800s and two of which were 737 900s and more importantly the rate of exchange impact. For the last year same quarter the rupee to dollar was largely at 45-46 to a dollar and this year it was more like a 55-56 so that is a 20-odd percent impact in terms of lease cost, which is 100% dollar denominated. So 20-plus percent is because of the rate of exchange impact, the balance is because of change in mix of owned versus leased as well as incremental leased aircraft that we got into the fleet.

Divyesh Agarwal Okay. I was even comparing to Q1 and there itself I think you have experience of 25%. You said you have added some new aircraft.

Divyesh Agarwal Coming to network, you were talking about international expansion. Munich airport has shown a flight from Bangalore to Munich, with a Jet Airways flight #151 or something. Could you comment on that? What are your plans? How is Jet Airways aligning with Lufthansa? Are you planning to go into Germany?

K. G. Vishwanath We are still evaluating. We have filed it as part of the schedule. The intent is to try and operate flights towards the end of winter schedule but not finalized at this point in time.

Moderator Thank you. Our next question is from the line of Rajni Khetan from HSBC Bank, please go ahead.

Rajni Khetan Just a couple of questions. First is, so I understood that lease rentals went up because you had some feel in these back transactions, then why did the interest expense also rise at the same time and that too considerably?

K. G. Vishwanath Interest expense has got two components, one is of course incrementally our cost of borrowing is at 13-14%. On certain of our existing loans given that they are floating, some of those rates also went up as well as the fact that the rupee to dollar moved by roughly 20%. So given that 50-60% of our interest cost is dollar denominated that also had an impact.

Rajni Khetan Right. But the interest costs were up even quarter-on-quarter. So is that because of more renewal of working capital loans, is that the….

K. G. Vishwanath That is correct. So the interest expense has also got some amount of financial charges and other arrangement fees given that there were rollovers of loans which is sitting as part of interest cost.

Rajni Khetan Right and in terms of your aircraft at the quarter-1 you had 120 and at the end of quarter-2 you had 116. So what happened to the four aircrafts, the difference?

Sudheer Raghavan We sold them off.

Rajni Khetan And where are the proceeds being recognized?

Sudheer Raghavan So they are shown as the line where you see the profit on sales and leaseback of aircrafts.

Rajni Khetan So you made 42 million on the sale of four aircrafts. And what aircrafts were these by the way?

K. G. Vishwanath So during the quarter we did sales of certain airplanes (737-700 and 800s) and sales and leaseback of certain airplanes. Overall numbers of airplanes, which we sold, were 3 in number. The numbers of airplanes which we sold and leased back were 4 in number. The number that you see in terms of profit on sales/leaseback is a combination of all of these transactions.

Rajni Khetan And just on your capacity expansion plans I understand that Thai Airways, the five 777s that you have leased out to Thai Airways will return next year. What do you plan to do with them and also if you could just give me a clear idea of how many fleet additions do you plan for this year and next year or decrease for that matter?

K. G. Vishwanath So for the balance part of this year we have four A330-300s joining the fleet and they will replace two A330-200s which leave the fleet. Next year as you mentioned we have the option of taking back five of the 777s which are currently leased out to Thai Airways. We have been talking to other airlines to see if there is any interest for any of them to take up some of these airplanes and we have plans to utilize at least a couple of them for next financial year.

Rajni Khetan Right and just may be the last one now, how has the traffic trend being in October? Are we still seeing declining trend in domestic traffic?

K. G. Vishwanath So the first half of October and typically first three weeks of October continue to be weak so our overall load factors for October in the domestic business is in the high-60s, low-70s. And in the international business it is in the mid to high-70s. But yields have held up very well in October despite the fact that the peak season only starts post 25th October.

Moderator Thank you. Our next question is from the line of Mr. Vineet Maloo from Birla Sun Life, please go ahead.

Vineet Maloo Just wanted to know why we are showing a loss in the line of sale and leaseback of aircrafts.

K. G. Vishwanath So the 737 800s which I mentioned to you did make profits for us but the 737 700s had lost market value on account of which we had to book some losses on those airplanes but nevertheless in terms of the cash profits that we had those were significantly higher as compared to the loan outstanding. So yes, indeed there were losses that we booked on the 737 700s which were three in number but in terms of the four 737 800s that we had we had profits.

Vineet Maloo Just to understand in terms of the aircraft that we have currently on books where we want to do sale and leaseback? So at what value we are carrying them compared to the market price today?

K. G. Vishwanath Currently if you look at the aircraft on the books their loan outstanding is roughly around $1.4-1.5 billion and the market value is around $2 billion so there is$500 million equity.

Vineet Maloo Some would have low, some would have higher so net-net you are still positive with this $500 million.

K. G. Vishwanath That is correct.

Vineet Maloo Secondly I just wanted to know why were load factors dipped internationally on a sequential basis from Q1 to Q2 significantly?

K. G. Vishwanath Q1 had very high levels of load factors in the Gulf routes and Q2 typically because of Ramadan there is a lull period in terms of most of the Gulf routes and that is the reason it was difficult for us to cancel our flights directionally. So overall if you look at it the numbers were weak but there was a conscious intent for us to keep yields higher and that is the reason why overall load factors are slightly low there.

Vineet Maloo So yields are higher because of two things. One, you said you are running more short hall route and secondly you said, you actually took pricing increases. Is that also why yields are higher on international routes?

K. G. Vishwanath Yes, we did that.

Vineet Maloo Okay. And what is the current debt total interest bearing debt on the balance sheet?

Sudheer Raghavan Our current debt as of September is roughly $2.3 billion.

Moderator Thank you. Our next question is from the line of Pravin Sahay from B&K Securities, please go ahead.

Pravin Sahay My question is related to domestic operations. So passenger load factor on a YoY even on the QoQ has been significantly down and even we had like the markets there we are on 25%, that has also gone down. So like is that we are continuing currently or we will see some significant upside within the seasonality in the business or so? Because that has gone down quite significantly to 65 levels, so what exact reason is behind that? Just in seasonality or…

K. G. Vishwanath We had mentioned earlier in the call that we had pulled out certain routes which were not making sense for us to operate and we kept yields consistently higher. So if you look at last year, I think you should also look at how our yields have moved Q1 versus Q2 last year versus Q1 and Q2 this year. Intentionally we had kept our yields up and we were willing to sacrifice on some points of load factor as well as the fact that we pulled out of some markets because of which our market shares went down. Going forward as we mentioned in the call, the forward bookings are looking very strong and at the beginning of November we have already booked up close to 40% on the domestic business where historically this number is more than 24-25% bookings at the beginning of the month. So we do expect Q3 onwards our loads to start picking up as well as yields given that it is peak time.

Sudheer Raghavan Unique to Jet Airways is the presence of what we have now started to call internally as our swing capacities, which are these JetKonnect flights which we can convert from the JetKonnect service offering to a full service offering literally overnight. So given the traction that we see in the forward bookings for November, December and the traditionally strong Q3 period we have decided to convert quite a substantial number of our JetKonnect services to the full services offerings which will result in higher yields and consequently higher revenues per flight. So the answer in all to your question is yes, we are seeing good enough traction for us to even make structural changes to our planes.

Pravin Sahay Okay. Second question relates to international ones, like on an international airplane the capacity has gone down, even the passenger number has gone down for the last quarter. But we are seeing quite a significant increase in the yields and as you had mentioned already like more of these routes you are now operating on cutting down the long haul destination so the increase in fares in the international front is quite significant like the yield we had to give 16,000 odd does that comparing with earlier it is some 13,000-odd. So what is the basic reason? Is it just the price hike on the international front?

K. G. Vishwanath With fare increase impact there is a mix change impact. There is also an impact of rate of exchange to a dollar given that some portions of our international tickets are booked outside of India. So it is a combination of all of these three things.

Pravin Sahay So can you tell us that what percentage is booked in international?

K. G. Vishwanath Around 35-40% is booked outside India and 60% is booked within India.

Moderator Thank you. Our next question is from the line of Jasdeep Walia from Kotak, please go ahead.

Jasdeep Walia I just wanted to find out if there are any developments on the debt side? Are domestic banks giving you incremental credit limits, etc.?

Ravi Shankar We have applied or accessed our working capital limits and which has been submitted to our consortium of banks. They are in the process of sanctioning these limits and we should be able to get those sanctions by the end of this month.

Jasdeep Walia What kinds of interest rates are being charged?

K. G. Vishwanath So it is anywhere between 13-14 in the case of rupee base and 7-8% in the case of a dollar based secured. So the blended rate would be somewhere around 10-11%.

Moderator Thank you. Our next question is from the line of Joseph George from IIFL, please go ahead.

Joseph George I have two questions. One is in relation to the SFIS income that you have recognized during the quarter of 139 crores. Could you give me a sense of how this is split between the two segments – international and domestic?

K. G. Vishwanath So it will be used to set off against domestic fuel.

Joseph George And the second question was in relation to JetLite, I noticed that the RPKM or the capacity for JetLite is coming off at a much higher pace compared to the standalone domestic operations. For example, if I get the number right, this quarter it was down from 32% YoY. Is it that the routes in the JetLite operations have been more loss making compared to Jet Standalone and hence you are cutting down on routes here at a much faster rate without corresponding deployment into other routes?

K. G. Vishwanath No, in fact there were a lot of lease expiries in the JetLite fleet which had come through in the current financial year. We needed to have inducted 737s more into Jet Airways because we had international 737 routes where we wanted to deploy them and that is the reason why incremental 737s in the current financial year came into 9W fleet. Next year is when we will start propping up the JetLite fleet because we have aircraft deliveries coming in. So we let leases expire did not extend them or even replace them. We got all the replacements into Jet Airways because we had better use for those airplanes in the 0 to 3-hour or 4-hour flying radius internationally.

Moderator Thank you. Our next question is from the line of Mahantesh Sabarad from Fortune Equity, please go ahead.

Mahantesh Sabarad I just wanted to understand you have reduced your debt from the March position by almost 2000 crores but your assets have also shrunk by a little over 1000 crores if I am right. Is that purely an affect of the sale of aircraft that you are doing?

K. G. Vishwanath The asset reduction is because of sale and leaseback. The loan reduction is because of sale and leaseback plus the working capital loans that we have repaid.

Mahantesh Sabarad Now you have certain deliveries for aircraft or you have outstanding orders for aircrafts which are to be delivered later in the year and you keep making these pre-delivery payments. How much of your balance sheet carries these pre-billings? What is the amount of pre-delivery payments that you have made thus far in the balance sheet?

K. G. Vishwanath Pre-delivery payments sitting in the balance sheet is roughly $30-odd million but in terms of the aircraft deliveries going forward we have 46 737 planes on order. So first 15 out of which we have already entered into sale and leaseback transaction with and for the aircraft delivering beyond those 15 you still do not have any pre-delivery payments due for them. So what we have is a very minimal payment that we have made for the 787s and some amount of payments that we have made for the 737, $30 million in total.

Mahantesh Sabarad Last quarter you had mentioned about reduction in expat pilots to about 50 by the year end? Is that target on? How many expat pilots do you have currently?

K. G. Vishwanath It began March 2012 with 207. As we speak that number is 107. March 2013 that number will go down to 59.

Mahantesh Sabarad And how much will those translate into a saving when you move into the FY14 year or FY13?

K. G. Vishwanath Full year impact of the reduction is roughly $36 million per annum.

Moderator Thank you. Participants that was the last question. I would now like to hand the conference over to Mr. Pratik Bhavishi for closing comments.

Pratik Bhavishi Thank you. On behalf of Tata Securities I would like to thank the senior management team of Jet Airways and also all the participants of this call for taking time out and understand more about the airline industry and Jet Airways in particular. Thank you all.

Moderator Thank you sir. Participants with that we conclude the conference. Thank you for joining us and you may now disconnect your lines. Thank you.