

"Jet Airways Limited Q2F15 Results Conference Call"

November 10, 2014







MANAGEMENT: MR. CRAMER BALL- CEO, JET AIRWAYS LIMITED Mr. Raj Sivakumar-Chief Commercial Officer, Jet

AIRWAYS LIMITED

MR. N. RAVICHANDRAN-VP-FINANCE, JET AIRWAYS LIMITED MR. ABHIJIT DASGUPTA-VP-PLANNING & ALLIANCES, JET

AIRWAYS LIMITED

MR. GAUTAM ACHARYA-VP-AEROPOLITICAL, GOVERNMENT

AND INTERNATIONAL AFFAIRS, JET AIRWAYS LIMITED

MODERATOR: MR. MAHANTESH SABARAD-DEPUTY HEAD-RESEARCH,

SBICAP SECURITIES LIMITED



Moderator

Ladies and gentlemen, good day and welcome to the Jet Airways Q2 FY15 Results Conference call hosted by SBICAP Securities Limited. As a reminder, all participants' 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 '*' followed by '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mahantesh Sabarad from SBICAP Securities. Thank you and over to you, sir.

Mahantesh Sabarad

Good afternoon. On behalf of SBICAP Securities, I welcome you all to the Jet Airways post results conference call. We have the senior management team from Jet Airways with us for the call. We have with us Mr. Cramer Ball – CEO, Mr. Raj Sivakumar – Chief Commercial Officer, Mr. N. Ravichandran – VP-Finance; Mr. Abhijit Dasgupta – VP-Planning & Alliances; and Mr. Gautam Acharya – VP, Aeropolitical – Government and International Affairs. I am sure all of you are eager to hear the management speak. So, without wasting much time, I now handover the floor to Mr. Ball of Jet Airways. Over to you, sir.

Cramer Ball:

Thank you and good afternoon everyone. I will take you through a high level summary of the quarter two results and just touch on how we fare not only QoQ but versus last year and as a roll up for the first half. Ravichandran, VP Finance, will then take you through some detail and then we can answer any questions at the end of the summary.

Importantly, what this quarter shows us is that we are on track to deliver our three-year turnaround and what is pleasing about this quarter is we see the consistency in the results from quarter one to quarter two and then rolling up into the first half. Moreover, from an EBT level quarter one, YoY were up about 26%, with EBT level quarter two, YoY were up 96%. Rolling up to a full first-half, YoY result of an improvement on ~78%, and what is very encouraging on top of that or as a subset of that is, we have seen 89% improvement in EBITDA H1 this year versus previous year. So, that is very-very important as we look at how our businesss is performing. And then, when you look at the parameters around that and what is driving that, we are seeing total revenue improvement of 13% QoQ for the first quarter and then we see total revenue improvement of almost 14% for Q2. Revenue improvement is driven by improved yield as which was almost 2% in Q1 and then in Q2 we have seen around ~6% improvement in yield. We have also witnessed improvement in the load factor. We have seen the load factor in Q1 improve on a consolidated level with 2.3% and then we see more than a 1% improvement in the load factor in Q2. And also encouraging what we are seeing is the drive for economies, the drive for cost improvement started by us and we see almost a 4% improvement in our cost per ASKin Q2. And what is important as a subset of that is most of that is driven by non-fuel cost improvement. So we are seeing benefit in the fuel price but the vast majority of that, three quarters of that, is actually driven by non-fuel cost which is very important. Another factor which is encouraging for us is our cash generated from operations. Now this wasn't in the press release, but we are seeing for the first half that our cash from operations improve from a burned previous year of over 300 crores to positive almost 200 crores in the first half of this year. Or



positive \$32 million and that is important because what it says is that, fundamental change in our business is driving a cash positive business and that is very important.

Some other areas of the first half I would just like to touch upon. We have repaid almost 300 million in the loans in the first half. In this quarter, we saw the ICRA downgrade from BB to D rating then we saw an upgrade 28 days after and we are very confident as we speak to ICRA this week that will see a further rating improvement. We have a consolidated our master brand as we talk internally and what does that mean? That means consistency across our business. One brand which is Jet Airways. We are on track to deliver full service across our domestic business from 1 December. We are on track to deliver and train all our customer facing staff with what we call "Guest First" training. So as I mentioned the focus on our business, the focus on our operation is intense and we are seeing that coming through in the results. So well it is never enough, certainly the indications the strategies that we are employing are delivering and not only one quarter in isolation, we are talking quarter on quarter rolling up to the first half of the year.

Now Ravichandran is going to take you through the detail data, Ravi.

N. Ravichandran:

Thank you Mr. Ball. Good afternoon! My name is N. Ravichandran and I am the VP Finance of Jet Airways India Limited. Good afternoon to everyone. Let me just quickly take you through the key operating and financial highlights for the group and later I will deal with the performance highlights as well. Jet group performance, this is for both Jet Airway and Jet Lite we put together. Compared to the same quarter of the previous financial year, Jet Airways financial performance improved by 95.7% or INR.9557 million. The net loss last year for the same quarter was INR.9985 million versus INR. 428 million for this quarter. Revenue improved 13.7%. Passenger revenues improved 13.9% and cargo revenues upped 10.5%. Seat factor for the same quarter is up by 1.2% points, we achieved to 78.6% versus 77.4% in the previous year. EBITDAR of INR.4490 million versus INR.15 million last year's same quarter or EBITDAR margin of 8.8% in Q2 fiscal 15 versus 0.03% in Q2 FY14.

Operational highlights for Jet Airways, domestic and international put together. Passenger carried from 4.23 million in Q2F14 to 4.37 million Q2F15, an increase of 3.2%. Overall seat factor increased to 79.1% in Q2F15 from 78.2% in the same quarter last year. Overall yields as measured by revenue per passenger kilometer as common addressed as RPK has gone up by 6.4% as compared to the same period in FY14. During the quarter Jet Airways capacity as measured by ASKM which is available seat kilometers increased by 9.1% as compared to Q2 last year. RPK increased by 10.2% when compared to same quarter last year. RASK which is revenue per available seat kilometer increased by 6.7% as compared to Q2 last year. Block hours have increased by 5.2% as compared to Q2 last year showing substantial increase in operations.

On a standalone basis Jet Airways showed EBITDAR of INR. 4941 million equivalent to US\$80 million or 10.4% EBITDAR margins. Profit after tax was INR. 699 million equivalent

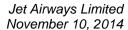


to US\$11.3 million for Q2 FY15 as compared to a loss after tax of INR. 8910 million equivalent to US\$142 million for the same period last year.

Operational highlights for Jet Lite. Overall, seat factor increased to 72.3% in Q2F15 from 69.8% in the same quarter last year. Overall yields have gone up 8.4% as compared to the same period in FY14. Revenue per available seat kilometer RASK increased by 16.6% when compared to Q2 FY14. Let me just explain in detail the Jet Airways domestic operations, the share of our domestic revenues in total revenue is 37.1% for the quarter. Domestic revenues are INR. 18366 million equivalent to US \$297.4 million, up by 15.6% on a year on year basis. Domestic operations in Jet Airways achieved a load factor of 70.7%, the domestic capacity as measured by available seat kilometers ASKM decreased by 6.8% as compared to Q2 FY14. RASK increased by 17.7% when compared to same period last year driven by average fare improvement of 13.6% achieved through better corporate penetration.

Moving to international, the share of international total revenues to total revenue is 62.9% for the quarter. The total international revenues are INR.31,155 million equivalent to US \$504.5 million up by 20.5% as compared to Q2 of last year. ASKM went up by 17.8% when compared to Q2 of last year. Block hours increased by 18.5% as compared to that of last year showing a substantial increase in our international operations. Revenue per available seat kilometers went up by 2.2% year on year basis. Revenue per passenger kilometers went up by 4% on year on year basis. The average seat factors for key international routes for Q2 FY15 were as under. UK (routes) were 87.8% versus 84.6% last year same quarter, ASEAN routes were 81.3% versus 77.5% last year, Gulf routes were 82.2% versus 83.5% last year, SAARC routes were 76% versus 74.9% last year, the Abu Dhabi gateway routes clocked 74.9% versus 80.9% last year, the Brussels gateway clocked 87.5% versus 86.2% last year, lastly Europe was 71% which commenced this year in the month of May. During the quarter ended 30th September 2014 the company has recognized a surplus of INR. 3050 million equivalent to US \$49.2 million and other income of INR. 1020 million equivalent to US \$16.5 million in relation to the transfer of Jet Privilege frequent flyer program undertaking to Jet Airways Private Limited. During the same quarter, profit on sale and lease back of aircraft and (engine) during the quarter and half year ended 30th September was INR. 635.7 million equivalent to US \$10.3 million.

Moving to Jet Lite operations. Achieved seat factor of 72.3% as compared to 69.8%, revenues were 3,219 million equivalent US \$52.1. Jet Lite revenue per kilometer went up by 8.4%. The new international routes frequencies introduced during this period were as under. Mumbai to Dubai the fifth frequency commenced on the 14th of October by B737-800 service. Mumbai to Colombo second frequency got introduced on the 5th of November again by (B737-800) service. Bangkok to Ho Chi Minh city on the 5th of November by B737-800 service. Mumbai to Doha second frequency commenced on the 5th of November again by B737-800 service. Mumbai to Bangkok third frequency commenced on the 5th of November by again B737-800 service. Cochin to Dubai again commenced on the 5th of November by B737-800 service. Very soon we will be commencing our Lucknow and Goa service to Abu Dhabi round trip effective 14th November 2014. I will take you through now the details of fund position for the Jet group.





Our cash and cash equivalent position as of end September 14 was INR. 16.04 billion equivalent to US\$259.8 million. As on 30th September 2014 overall debt on our balance sheet is INR. 97.9 billion or US\$1.5 billion. The details in particular or in rupee terms in specific are 9,794.6 crores translating to US\$1.586 billion. The total loan amount repaid during the quarter has been INR. 10,058 million equivalent to US\$163 million of this aircraft loan was amounting to 1,264 million equivalent to US\$21 million. And the other loans, non-aircraft loans were INR. 8,794 million which is equivalent to US\$142 million. Turning to the current quarter and the outlook Q3 is expected to show strength due to holiday season and as such we will show improvements in yields and seat factors. The forward booking trends for the quarter are encouraging because of network expansion plans for additional flights primarily to Gulf. In-line with our early announcements of uniform single brand all guest traveling on our service on or after 1st December 2014 will enjoy the full service experience on board all flights across the domestic network.

We are on track to deliver "Guest first" training program across our various customers touch points to ensure the highest quality of service on board. Combined with various product improvements through substantial investments in both fleet and ground assets we are confident that this would deliver the highest customer service levels for our guest. Brent crude has softened in the recent past and the benefits of the same are expected to start accruing in Q3 the current quarter assuming the trend continuous. We continue to explore opportunities to replace high costing debt with cheaper costing debt resulting in reduced interest expenditure. Ladies and gentlemen let me now open the call to questions.

Moderator

Thank you very much. We will now begin the question and answer session. The first question is from the line of Niraj Mansingka from Edelweiss Capital. Please go ahead.

Niraj Mansingka:

Sir I wanted to know this quarter onwards you have stopped giving us the details of domestic and international separately, any specific reason you had stopped that?

Cramer Ball:

We were seeing a business change and we have increasing flows between domestic and international and therefore resulting in increasing contribution from one to the other. So therefore it is very difficult to split out and in a purest form attribute all the revenues and cost to one or the other. So that is the reason why we have gone down that path.

Niraj Mansingka:

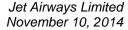
Okay. Can you give some color on how your revenue to RPKM faired in the last quarter and how do you see that trend right now on a Y-o-Y basis.

Cramer Ball:

Sorry, can you just repeat the question again.

Niraj Mansingka:

Can you give us what was the revenue per RPKM on your both international and domestic so that we can understand the trend between these two. And how you see it moving to Q3 and Q4 as the booking it shows





Abhijit Dasgupta:

Hi, this is Abhijit I will take this question. I will give you a comparison for revenue per ASK which is effectively revenue per available unit of capacity. Let's go through domestic international and an overall total level. On domestic our revenue per ASK is up 18.6% versus last year. On international, our revenue per ASK is up 2.2% versus last year, and this increase has come on top of a nearly 18% increase in capacity so it is an increase on unit revenue on an increased capacity. From our first half versus last year same time, domestic RASK is up 13%, 12.7% to be specific. On international it is up 5% versus same half last year. On an overall level what this translates to is a revenue per ASK increased on 7.8% overall for quarter on quarter same time last year and a revenue per ASK increase of 7.1% versus half on half, versus last year.

Niraj Mansingka:

Okay. I had two more questions. One was on your other expenses, if you see the trend last few quarters other expenses broadly moved from almost Rs.12 billion a quarter to right now it is at almost Rs.14 to Rs.15 billion a quarter range. We have seen one or two quarters of exceptional other expenses being there. Can you share us some thoughts that despite your total aircraft not increasing in a number where do you see this other expenses stabilizing because that has been it seems in over last two years a big pain on the profitability.

N. Ravichandran:

Okay. Let me take this Ravichandran. The other expenses that you see increased during the quarter has been primarily because of this Jet Privilege the miles purchase cost. As you may know the program got hived off and to a new entity effective 21^{st} of April the whole impact since the program is sitting outside which otherwise was sitting within the airline and the company was accounting the incremental cost of these miles on a marginal cost basis. Soon after it's separation into a separate company it has been dealing with arm's length on commercial terms. So the purchase price of those miles are predominantly the major factor contributing to the increase in the other expenses which is again offset by higher amount, a shade higher than this cost on the revenue line items because of the incremental revenues that it has fetched us.

Niraj Mansingka:

Okay. I will come back to the queue. Thank you.

Moderator

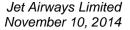
Thank you. The next question is from the line of Dhanesh Mistry from Tata Mutual Fund. Please go ahead.

Dhanesh Mistry:

Just few questions, I had a question on the other expenses but slightly different. Actually if you want to see Q2 FY15 versus Q2 FY14 on a standalone basis your other operating expenses kind of were flat versus your revenues moving up and block hours have also moved up. So how should we see this going forward, is it a one of thing or are these cost efficacies which you guys have worked on should we assume going forward that this is the kind of expenses that would remain?

N Ravichandran:

Yes. In terms of the outlook probably It is likely to go down further as you rightly said in terms of the various cost saving measures that the company has embarked on and certain other operational efficiencies which are likely to accrue to the company as we move ahead. Some of





them have already fructified various initiatives in terms of the procurement the joint procurement program that we have launched with Etihad and its partner airlines. And certain other savings in terms of improvement on the efficiencies are also likely to yield good results. You have rightly said that it is almost flat as compared to the 30th September 13 versus the amount that we have clocked in September 14. Moving forward this is likely to be slightly on a downward trend.

Dhanesh Mistry:

And if you are free to share, what could be the kind of initiatives you said in terms of cost cutting, just to understand?

Cramer Ball:

I think that will remain flat that is very important when we look at the increased operating environment so we are operating our aircraft more efficiently so we are utilizing the assets better which is very important and the other thing is, there is a significant focus on driving more efficiency than driving more cost savings into the business. So that will be fundamental areas such as engineering through how we procure and what we are saying is with our group economies scale the savings are starting to pull through the P&L. So we are going to see its benefits continue to flow. So that is major contracts we are seeing a drive for improve efficiency in the overheads. So it is the real key line items that will be our focus going forward and that have been our focus and as you see the economics and efficiency starting to flow through they are coming through the P&L and cost number.

Dhanesh Mistry:

Alright. And if I made just one more question, if I were to look at your monthly data especially in the last few months we are seeing that international passengers have really increased somebody pointed out in the call as well. 17.5% growth and actually on month on month that has been how it is especially in this year. So is there a consolidated strategy now to kind of focus more on the international market because if I see the numbers of flights parse they have also reduced on the domestic front but just wanted your sense on that. That how do you see this evolving?

Cramer Ball:

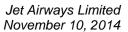
It is very simple we are network carrier, we have a built in flexibility in our business so what does that mean, that the narrow body is in particular we are moving to one standard configuration so 12 business class 156 seats in economy so what that gives us is the flexibility to operate either domestic or intentional. So very simple answer to your question, we will fly where it is commercially most advantageous so where it is profitable we will mobilize the assets whether that be domestic or international.

Dhanesh Mistry:

Alright. So this can very easily move back to domestic if the domestic piece looks lot more interesting to you.

N. Ravichandran:

Yes. I just want to add one very quick point if you track the activities that we have done over the last six months. Everything whether it is the common brand, whether it is standardization of spec and whether it is the uniformity of service across the board, we are putting in place the building blocks to make our operations as flexible and as consistent as possible so that we are





able to optimize resource utilization and do all the things in be background that gives us a more optimal network deployment.

Dhanesh Mistry: Understood. And if you do not mind can I squeeze in one more? The cash from the Jet

Privilege program which we book today in the P&L have we received the cash?

N. Ravichandran: Yes. We received the cash.

Dhanesh Mistry: In previous year or this quarter?

N. Ravichandran: It was received actually in the last quarter of last financial year as an advance.

Dhanesh Mistry:

Dhanesh Mistry: Okay, thank you very much gentlemen and wish you the very best of luck.

Moderator Thank you. The next question is from the line of Pravin Shah from B&K Securities. Please go

ahead.

Pravin Shah: Would you please guide us what is your hedging policy because the maximum for expenses are

in foreign denomination would you please give some detail over there.

N. Ravichandran: As you would have known in the financial highlights, our international revenues are growing, if

you would have seen the share of our international revenue to the total revenue for the quarter has risen to almost 63% so this by itself is providing a natural hedge to a greater extent to our foreign exchange obligations and we are able to manage that. Both in terms of managing our operating or close our debt servicing. As of now we do not have any formal hedging policy approved by the board, but soon or later as we move on probably we might look at it at the later

point in time.

Pravin Shah: Okay. So you said 63% of revenue from international operations but I do not think it is entirely

booked from outside, how much is, can you give segregation like how much ticket book from

outside out of this international operation?

N. Ravichandran: 60% would be from outside the country and 40% would be ex India. Pravin Shah:

Okay, fine. And would you please give a detail of your leased aircraft how many aircraft lease to other airlines and how many we own currently in our fleet of 114 aircraft

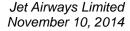
consolidated numbers.

Gautam Acharya: Hi, this is Gautam Acharya. The total number of aircraft that have been subleased by Jet

primarily are wide-bodied aircraft and the number currently stands at 9 and of the aircraft that

we have within our fleet we have a total of 114 aircraft so that leaves us with 105.

Pravin Shah: Out of 114, 105 is the leased one.





Gautam Acharya: No. The number of aircraft that we have that are on finance lease with us the total number is

24.

Pravin Shah: Sir, I just asked how many we owned and how many are on lease rental.

N. Ravichandran:

Gautam Acharya: Yes. 24 are owned and 90 are leased. The 114 we quoted was for both the airlines put together

out of which 24 is owned.

Pravin Shah: Out of this 9 wide-body aircraft which we have leased is to whom like Thai Airways and

Etihad, can you give segregation?

Gautam Acharya: It is both to Turkish and Etihad

Pravin Shah: Okay. So which one these the Boing 777 or Airbus 330?

Gautam Acharya: The aircraft that are left with Turkish are the A330-200 and the aircraft on sublease to Etihad is

a mixture of Airbus 330-200 and Boing 777-300 ER.

Pravin Shah: Okay, great. And just a last question on the expenses side. On the expenses side it is feeling in

distribution cost, if I will just check the Y-o-Y it is increasing quite significantly continuous

from the last quarter. So would you please give some detail like why it is so?

N. Ravichandran: Primarily this is due to higher volume of sales and higher segment booking which has led to

higher GDS cost for us and also the credit card commission which has been accounted here. As you may know the GDS cost go by the segment booking and this would include the forward segment bookings as well. Where we have seen a quantum jump and this has resulted in higher cost. And this is offset by an equivalent increase in revenue, as you would have heard earlier Mr. Ball mentioned that the revenue has grown and the RASK has improved to a greater extent

and this has led to these kind of higher selling and distribution cost.

Moderator Thank you. The next question is from the line of Rajani Khetan from HSBC. Please go ahead.

Rajani Khetan: First one is just comparing Jet Lite and Jet Airways performance, Jet Lite does appear to be a

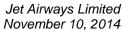
drag and if I just compare the capacity that you had in Jet Lite just in terms of fleet. It very sensibly cut its capacity by 50% over the last two years. So, I just wanted to understand how much more deep can you go in cut in Jet Lite capacity without putting at risk its flying rights

and its slot at the airport?

Abhijit Dasgupta: The single brand approach that we are taking from 1St December onwards effectively makes

our customer facing side for Jet Lite and Jet Airways consistent and the same. The kind of resource deployment that we will settle for in Jet Lite is something that we are working

through. And we will make the appropriate announcements when we are ready but from a





customer facing standpoint starting 1st of December the way that we are treating our network becomes consistent across both operating permits.

Cramer Ball:

I think I would like to add to what Abhijit said; we need to look at it from a group basis and it is important to make sure that from a group we are efficient and we are driving cost across the group. So importantly that the customer sees if you like one product so the confusion goes away, but where we have opportunities is to drive efficiencies at the backhand at the operational level.

Rajani Khetan:

Sure. If I may just add to that question, what I am trying to get at is, I totally understand you aligning the customer facing part of the whole service. But is it possible for you to sort of cut out the whole backend of Jet Lite and merge it into Jet Airways main brands without losing the AOC, let's put it this way.

Cramer Ball:

We are working on a number of options that is what we are looking to make sure the business is efficient so, as soon as we have more detail we will let you know.

Rajani Khetan:

Okay sure. If I will just move on the to the next question just wanted to get your sense working though numbers we charge about 30% of the average revenues as fuel surcharges. I just wanted to understand when fuel price let say moves or drops 20%, lets say, how do your fuel surcharges increase? Can you just walk me through how does it move?

Raj Sivakumar:

Let me try taking that question. First of all when it comes to the domestic environment the 20%, I think it is really 28% from June reduction in the ATF has not been transferred to the airlines. So what the airlines sees is much smaller reduction compared to what the market is trading at. Having said that, fuel surcharge is a component of the fares and we are trying to be industry competitive and we monitor the fares and we monitor the fuel surcharges. So all it is like I said a component of the fare and we track this as industry moves our aim is to stay competitive.

Rajani Khetan:

Sure. So there was no external party telling apart from your competitors dictating what fuel surcharges should be or how should they move when fuel prices move, is that right?

Raj Sivakumar:

No. These are all based on publicly available data. The competitors file the fares. We monitor the competitive action on a daily basis. And we identify our own pricing strategy based on where the market is.

Rajani Khetan:

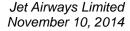
Okay. Just a third one, how much is your total revenues is USD denominated and of the fuel price that you pay, how much is again USD which you actually charge in USD and you pay those cost in USD for fuel.

Raj Sivakumar:

Can you repeat the question please.

Rajani Khetan:

What percentage of your total revenues is in USD and what percentage of your total fuel cost do you get invoiced in USD?





In terms of percentage, it is approx.. 50-51% of our revenue is in USD and approx.. 32-35% of our fuel expense is invoiced in

USD. But if you are interested in looking, understanding the exact quantum of it we can share

that with you offline. **N. Ravichandran:** Yes. We will share that with you offline.

Rajani Khetan: Okay, great and I guess just the last one. In your presentation you mention an exchange

fluctuation loss, but I do not see that in the filing that you have done with the exchange so can I

just sort of reconcile?

N. Ravichandran: Unrealised and realised exchange loss (net) is grouped under "Other Expenses" for the quarter

ended 30th September, 2014 similar to treatment given in previous quarter. Hence you are not able to see it separately. **Rajani Khetan:** I am sorry, I do not understand that. So you were saying this should be realized right, the one that 894 million that you are recording in your

P&L?

N. Ravichandran: That is realized. Yes.

Rajani Khetan: Then how does it not form a part of your exchange filing?

N. Ravichandran: As mentioned earlier, unrealised and realised exchange loss (net) is grouped under "Other

Expenses" for the quarter ended 30th September, 2014 similar to treatment given in previous

quarter. Hence you are not able to see it separately.

Rajani Khetan: Okay. And just one last very quick one. Gain on the sale of Jet Privilege how have you

classified that gain between other income and exceptional?

N. Ravichandran: The 305 crores is an upfront based on the commercial understanding that the company has

reached with Jet Privilege Private Limited. because there are several agreements revolving around the whole transaction and as per the terms of these agreements 305 crores was to be accounted upfront and additionally there is a gradual accrual of this income over a period of time as an when we accomplish certain terms that are specified in these commercial agreements. 102 crores were out of that is accruing for the quarter which has been accounted under the head other income. As we move on every quarter based on the performance as defined in those commercial agreements there will be a gradual release out of the surplus and

which will be accrued over a period of time.

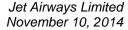
Moderator Thank you. The next question is from the line of Devesh Agarwal from Bangalore Aviation.

Please go ahead.

Devesh Agarwal: I wanted to focus a little bit more on operation and I wanted to, just focused a little bit on what

your international network plans are going forward? You have deployed a lot of narrow bodies in the regional international market, you did commence Paris. So is the Paris flight now breaking even or you still have the ways to go? What are your plans to go beyond Abu Dhabi because you do enjoy I think Fifth Freedom Rights at Abu Dhabi. So just thought I will get a

quick overview from you on your overall international network plans.





Abhijit Dasgupta:

Firstly to answer your question on Paris. Paris we are seeing seat factors pickup. We are starting to get slowly towards the 80% occupancy levels. The winter peak season is coming up especially in the inbound direction. We do expect these kind of long haul operations to take six to eight months to stabilize before we can focus on consistent returns but we are seeing Paris trend well. In terms of operations beyond Abu Dhabi, currently we do have a couple of narrow-body extensions beyond Abu Dhabi that serve to support feed from our growing India Abu Dhabi presence. In terms of long haul operations beyond Abu Dhabi as you know we need to get pass some current regulatory constrains before we can start relooking at that plan with of course appropriate lead times.

Devesh Agarwal:

What I was meaning sir, I do understand the United States is right now a no-go for you. What I was thinking is what about North Africa, Turkey, Southern Europe things like that ex-Abu Dhabi which are say within the reach of your narrow-body also.

Cramer Ball:

It is important that we get to a steady state and currently we are looking at the opportunities, so nothing is really off the table but it needs to make economical sense. And the way we look at that is I am right in conjuncture with our partners whether be direct family parents or beyond. So there is Africa, there is US, there is Europe, Southeast Asia, and there is domestic. So all this is on the tale but very important that we stabilize our business, we keep on seeing the strategy that we are implying come through and then we look at expansion.

Devesh Agarwal:

If you remember you were talking about reconfiguration of your 737 fleet to 12/156, how is the progress going? What percentage of your fleet now are 737 you said 113 are the total number of aircrafts, so how many 737 out of that at least at the batch 800s?

Abhijit Dasgupta:

So our reconfig project Devesh is on track to get fully implemented by January of next year. I think there are about 12 aircrafts of our 800 fleet left, which is all programmed in to get reconfigured by January next year. So our reconfig consistent product will be done in terms of spec by January.

Devesh Agarwal:

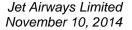
Okay. And partly this is a little bit of a follow up on what Rajani was asking is that one of the constant issues in earlier times was the brand confusion between Jet Lite, Jet Konnect, and Jet and now that you all are embarking on a single brand are your aircraft also undergoing a repainting of the liveries to have a common branding as they are getting reconfigured?

Abhijit Dasgupta:

Eventually, yes. But to program aircraft for maintenance time in terms of livery repainting is a longer term exercise. We do not to want unnecessarily park too many assets on the ground to start doing this but yes eventually we will have a consistent livery as well.

Devesh Agarwal:

Okay, very good sir. And just to understand a little bit now your wide-body operations. You said that you right now have nine aircraft that are sub-leased basically to TK and to EY. TK seems to have only 8332s and EY has a combination of 332s and 77Ws. How many 77Ws are with EY right now?





Abhijit Dasgupta: If you are talking about the quarter-ending statement that we made at the end of the quarter

which was end of September, there were three 330 and three 777 with TK, there were two 330s

and two 777 with EY.

Devesh Agarwal: Sir three with TK and three 777 okay?

Abhijit Dasgupta: At the end of September 2014 there were three 777s and three 330s with Turkish. There were

two 777s and two 330s with Etihad but there was on in transition back from TK which is the net number of 9. As of today which is November, there are only three 330s left with Turkish, there are four 777s currently with EY and two 330s with EY and we are in process of

transitioning a fifth 777 to EY on a short term lease.

Devesh Agarwal: Okay. So let me understand because I was going through your timetable and all of a sudden I

noticed originally you used to have three 777s deployed on the India to London routes and you had two 777s deployed to Hong Kong but now your Hong Kong as per your timetable seems to

show a 330 so I was just trying to wonder where your 777Ws are being deployed now?

Abhijit Dasgupta: So Devesh Hong Kong has always alternated between 777s and 330s when we had the 777s

they were deployed on Hong Kong but we are optimizing those Hong Kong's to settle at 330s especially once we start moving towards enhanced US operations that will require additional

777s.

Devesh Agarwal: Okay. And last question sir, I noticed that you still basically park your aircraft so effectively

you have almost one A330 on the ground because you are parking two aircraft for close to 12 hours each at Hong Kong. Have you all been able to work out a better strategy of aircraft

utilization than just leaving it parked for the day at Chek Lap Kok.

Abhijit Dasgupta: Yes Devesh we are working on something that will improve the utilization of those aircraft but

without going into too much detail there are connecting factors especially related to the Bombay airport integration that will mean that that improvement could step wise have to wait

till middle of summer next year.

Devesh Agarwal: Okay sir. And to save time can I request for a breakup of the operations separately to be

emailed to me offline because as you were responding to questions I noticed one of you said RASK domestic was up 18.6% and then again you said RASK was up 12.7% so I got a tad

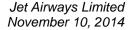
confused. If you can just give me a breakup of the thing by email I will be very obliged.

Abhijit Dasgupta: So Devesh just to confirm Domestic RASK up by 18.6% is for Quarter and 12.7%

improvement is for H1.

Moderator Thank you. We will go to our next question is from the line of Vineet Maloo from Birla Sun

Life. Please go ahead.





Vineet Maloo: On your balance sheet there is an item called other long term liabilities which is gone up from

325 crores to some 1400 odd crores at the end of September. So could you just elaborate what

exactly does this relates too?

N. Ravichandran: This is primarily due to inclusion of part amount out of the total consideration that we realized

from the transfer of this program, the credit of which is going to be accrued over a period of time. As I mentioned earlier there are certain commercial terms agreed to in this separation that took place. And there is a gradual release of this over a period of time, until such time it

accrues this amount of the un-accrued credits are parked here.

Vineet Maloo: So how will we accommodate for it in the P&L?

N. Ravichandran: It has been accounted as other income.

Vineet Maloo: The complete amount?

N. Ravichandran: No, can I draw your attention to Note #5d of this Clause-41 results which explains how this

sale consideration has been accounted for. Basically to explain that 305 crores is the upfront surplus which has been accounted as a profit and shown as an exceptional item and 102 crores has been accounted as an income under the head other income and the balance amount of 1123

crores has been shown as carried forward under the head the liabilities.

Vineet Maloo: Okay. But what is the corresponding adjustment on the asset side for this then. The sale is for

cash consideration right, so all the cash has been realized?

N. Ravichandran: Yes. All the cash has been realized in the last quarter of the last financial year that is in March

'14.

Vineet Maloo: Okay. So it was realized in March '14, then how come this entry comes only after the March?

No. Ravichandran: No. If you have seen our quarter one disclosure we had said that although the transaction was

consummated, on 21st April we were in the midst of reviewing our agreements because there are couple of agreements that revolves around the whole transaction and we were reviewing them and post satisfaction of certain conditions as mentioned in the agreement. The credits are being accrued in the quarter. There are conditions attached to certain performance criterion and this release will happen although the money is realized upfront and parked as a liability in our balance sheet the release of it to the P&L happens over a period of time upon accomplishment

of those conditions.

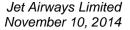
Vineet Maloo: I understood that part and maybe I will get back to you offline on this. Second I just missed the

figure on your debt part when you were explaining in the beginning. Can you please tell me

what is your consolidated debt as of now?

N. Ravichandran: As we mentioned to you earlier the consolidated debt in rupee terms is 9,794.6 crores as of 30th

September.





Moderator Thank you. The next question is from the line of Nirbhay Mahavar from Rare Enterprises.

Please go ahead.

Nirbhay Mahawar: In the opening remark of the call you mentioned that you are seeing some kind of signs of

turnaround in terms of higher RASK, higher passenger route, as well as lower fuel cost. So would it be fair to expect that industry will be in black at operating level in the second half or

your company will be in black at operating level?

Cramer Ball: At EBITDA we will expect that we will be breaking even at EBITDA level. So we expect this

trend to continue and certainly at operational level a lot of focus from the revenue and quality of revenue segmentation of our business, segmentation of the customer, and a lot of focus on

the cost and as well as the efficient use of our assets.

Nirbhay Mahawar: So far as competitive intensity in the industry is concerned are you seeing that peak

competition is behind us in terms of price wars going on in industry?

Cramer Ball: I am sure you are talking about domestic?

Nirbhay Mahawar: Yes I am talking about domestic as well as international.

Cramer Ball: Sure. As I compare markets all around the world and what we need to be able to do is compete

and if you look at the previous quarter that is passed, there is lot of competition in that market. So there was crazy pricing domestically and we manage to deliver the result that we did. So our focus is making sure that we can pay, making sure we are relevant in the market. I would like to hope that there is some sort of rationality comes back to the marketing in terms of pricing because quite clearly pricing has been in the domestic market in particular is very-very challenging. So there needs to be our belief some rationality in the domestic business. It is hard to make a comment what the competition is doing, we would like to think that there is some more rationality back in the market that we will compete, and we believe we can deliver good

results regardless of the competition.

Moderator Thank you. The next question is from the line of Niraj Mansingka from Edelweiss Capital.

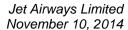
Please go ahead.

Niraj Mansingka: Do you see some one-offs again coming in after the launch on the 1st December?

Cramer Ball: Very minor, Niraj, and it is all being factored in to our budget, in our cash flow so very minor.

Importantly, what we are seeing and the feedback we are getting from our decision to move all the domestic business to full service and brand consistency, it is that the feedback from the customers being very positive. So the corporates are saying finally what we buy, what we pay for and what we are going to get delivered across our network will be consistent and that is the positive sign to us. So that is very-very encouraging and we will be able to see some benefit

flowing through.





Niraj Mansingka:

I agree to that. I am always positive on that lines, the only thing I had was generally we have seen lots of one-offs being reported as expense for the company in the past few quarters. So I was just worried on that count that will you be again see another round of one-offs coming because of the launch of and what would be the quantum approximately can you give some color on that?

Cramer Ball:

I am glad for the concern you rose. As I said there will be number of one-offs but particularly around the product and so we are looking at the reconfiguration but that is not relating to the brand rollout and this refurbishment work that is going on. So in the context of things it is relatively minor.

Niraj Mansingka:

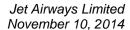
There is another question that I had on the crude prices. If you see last quarter average of brent was close to \$102 and a quarter before that was \$109.8 almost a fall of 7.5 to 8%. And if you look at your fuel cost as a percentage on a sequential terms, for entire company actually it went up from 38.5% to 38.7%. So are we going to see any impact of fuel cost reduction because you did not book upfront tickets with fuel cost being built in there at all or could you explain us how your foreign fuel prices reflect in the higher lower or margin for the company?

Abhijit Dasgupta:

So let me take that in a couple of pieces. One what the increase of percentage of fuel as a percentage of total is, I would consider it to be a good thing that means we are doing even better on non-fuel cost than on fuel cost so that is what is causing most of the change in terms of fuel as a percentage of total. Point #two, I think your question was related to whether we are passing that benefit, what level of that cost improvement is going into dilution of average fares. I think the two are relatively disconnected right now as Cramer mentioned it is a very heavily competitive market, there is lot of capacity out there, and our focus is to compete aggressively with what is out there and I do not think it is directly connected to fuel price improvements. And yes to whatever extent fuel cost continues to improve it will continue to have an impact on an improving bottom line but as Cramer indicated in the beginning of the call a lot of our cost improvements have come in non-fuel cost. Which is where we have focused so that in terms of delivering the value of operational efficiency.

Niraj Mansingka:

No. Abhijit my question was this that, you actually saw 7% fall in fuel prices and if you are moving flight it is obviously getting more revenues as well. And as the fuel prices goes down assuming that the cost per liter or the number of liters of fuel consumed per kilometers almost the similar range. Actually the cost of the fuel should actually go down as a percentage of revenues but that is not coming up here. So secondly you also book upfront revenue when you book tickets on an advanced basis. So obviously you do not refund them to customers so it has to get reflected somewhere in the numbers. So my thought process that I was having is that, if the competition increased so much that your cost of fuel has a percentage of revenue has gone up and obviously which implies that probably the market is more competitive on Q2 versus Q1. I understand the seasonality of the business but I was just indicated to that thought process, so I still not able to correlate why a fall in fuel prices shouldn't have caused a fall in fuel cost as a percentage of revenues?





Raj Sivakumar:

Hi this is Raj, I will try to take this question. Firstly, we are looking at Q2 here. The benefits have started flowing over the course of the quarter and like Ravi mentioned we are going to see a bigger effect of the fuel drop decline in the upcoming quarter and quarters hopefully. Secondly, what is to be remembered is that the airlines were never being passed the full quantum of the fuel price reduction. So while the fuel price itself went down by upwards of 20%, what got moved to the airlines was only close to 11%. So that never happened and we never saw the full benefit of the fuel price decline especially when it comes to our domestic traffic. Thirdly, I do not think it is entirely appropriate to look at fuel cost as a price of the total revenues. I tried to explain that the fuel surcharge is essentially one fair component of the overall fare. So we compete in a market place, our overall fare moves in conjunction with what the industry does and whether it is a base fare, whether it is a fuel surcharge we are just our fares to base on what the market is selling? So while they may be loosely correlated to expect a title correlation and what it actually has is probably inappropriate.

Moderator

Thank you. As there are no further questions, I would now like to hand over to Mr. Mahantesh Sabarad for his closing remarks.

Mahantesh Sabarad

Thank you. I thank the management of Jet Airways for sharing their thoughts and peacefully answering the questions in this call. May I hand over this to Mr. N. Ravichandran for any closing comments?

N. Ravichandran:

Thank you very much. Thanks all for participating, if you have any more questions we would be more than happy to answer them offline, you can send it to our email ids will be more than happy to share the information. Thank you very much and thanks once again for participating over the Q2 post results call. Thank you everyone. Thank Mahantesh. Our deepest thanks to SBI Capital Securities Limited for supporting us on the call.

Moderator

Thank you all, on behalf of SBICAP Securities Limited that concludes today's conference. Thank you for joining us and you may now disconnect your lines.