

Transcript

Conference call of Jet Airways Ltd

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Presentation Session

Moderator: Good afternoon ladies and gentlemen. I am Shirley, moderator for this conference. Welcome to the conference call of Jet Airways Ltd. At this moment all the participants are in listen-only mode. Later, we will conduct a question and answer session. At that time if you have a question, please press * and 1 on your telephone key pad. Please note this conference is recorded. I would now like to hand over the conference to Mr. R. Sreesankar, Head-Institutional Equity of Tata Securities. Over to you sir.

R. Sreesankar: Thank you Shirley. Good afternoon ladies and gentlemen and a specific welcome to the management of Jet Airways. We have with us Mr. Sudheer Raghavan, Chief Commercial Officer and Mr. K. G. Vishwanath, Vice-President, in charge of Commercial Strategy and Investor Relations. Welcome to you gentlemen. We at Tata Securities have great pleasure in inviting everyone and organising and hosting the conference call for the quarter-ended March 31, '10 for Jet Airways. Over to you, Mr. Vishwanath and Mr. Raghavan.

K. G. Vishwanath: Thank you Sreesankar. Good afternoon ladies and gentlemen. Welcome to Jet Airways' fourth quarter result call. We will first go through the highlights of Jet Airways and Jetlite and then get into the Q&A. I hope all of you would have seen both the presentation and the press release that we have put up on our website. Let me take you through the key highlights and the industry scenario, after which Sudheer will take you through the detailed performance.

The Jet group maintained its leadership in the Indian aviation industry, which is 25.8% for the quarter-ended Mar10. The year for the aviation industry began on an ominous note infected by industry problems like high fuel prices, crippling over capacity and a global financial crises, which led to falling payloads and increasingly price sensitive market. Over the last two months, we have seen some of these trends reversing. The domestic air traffic market had seen very strong growth over the last few months, based on the recent traffic data. Airlines have

started to achieve high levels of seat factors, as well as the yield growth.

The industry overall grew by 21% in Q4 2010 as compared to Q4 2009 in terms of passenger carried. Our international operations have also grown from strength to strength over the last two months and we have consistently been achieving seat factors above 80% for the last two months. For Q4FY10, we achieved a seat factor of 81.6% versus 75.3% in Q4 last year. This has also led to a steady improvement in the operating margins for the international business. High yields, growth in traffic and cost efficiencies resulted in an improved EBITDAR margins for Jet. Our overall EBITDAR margins are at 23% in Q4FY10 versus 21% in Q4FY09.

Moving to the operational highlights for Jet Airways, we achieved a system-wide seat factor of 78.6% versus 71.7% in the same period, a year ago. Our overall yield as measured by revenue per revenue passenger kilometer is Rs3.65 as compared to Rs3.9 in the same period, a year ago. This is due to the increased proportion of the international operations, which is around 56% of the top line for the quarter. We also had a positive impact on account of the Jet Airways Konnect services that we started in May09.

During this quarter, our domestic capacity, as measured by ASKMs increased by 11.6% as compared to Q4 last year, which reflects the growing impact of Jet Airways Konnect. As a whole, Jet Airways showed a profit of Rs586 million or US dollars 13 million versus a profit of Rs 530 million or US dollars 10.4 million for the same period last year. The breakdown of this number shows a profit of Rs 556 million or US dollars 12.4 million for the domestic operations and a profit of Rs 30 million or US dollars 0.7 million for the international operations.

The buoyancy in demand continues at a healthy pace. This coupled with a stable business scenario and a steady GDP growth is an ideal environment for yields to go up from the current levels. In the quarter-ended Mar10, the domestic and international traffic for Jet Airways grew by 26% and 31% respectively with the onset of a more favourable environment in the aviation industry around mid 2009. As the tide turned, Jet was well-equipped to consolidate its gains on all fronts.

The key operating highlights for the quarter in the case of Jetlite are as under: Revenues for the period was Rs 4,675 million or US dollar 104 million and profit after tax was

Rs.1.66 billion or US dollar 37 million as compared to a loss of Rs.1.3 billion or 25.9 million dollars for Q4FY09. The EBITDAR in the business was 1 billion or close to 23 million dollars, which gives us a margin of 25.6% significantly higher than the 5.3%, which we achieved in Q4 of 2009.

Let me now hand over to Mr. Sudheer, who will take you through the results in great detail.

Mr.Sudheer:

Thank you, Vishwanath. Once again good afternoon ladies and gentlemen. I am very proud to say that the turnaround of Jet Airways group is the result of constant product innovation, stringent cost management, marketing and fiscal prudence as well as the hard work and dedication and commitment of our people. To elaborate further on the dedication and commitment of our people, I would like to share some statistics with you.

In Q4FY10, we managed to reduce our staff per aircraft by 15% and I think that is a considerable achievement. In terms of available seat kilometer per staff, Q4FY10 over Q4FY09 produced an improvement of 28.4%. When I look at the revenue earned per staff in Q4FY10 over the same quarter in previous year, it improved by 46% and the EBITDA per staff also improved by 61%. This is the testimony to the commitment and dedication of our people who took on the extra challenge without asking for additional resources. I will also then go on to say our unique ability to develop some unique solutions like the recent introduction of Jet Airways Konnect Select, a new premium cabin offering on Jet Konnect flights, is a prime example of a carrier that is able to undertake strategic initiatives as a direct response to dynamic market requirement.

I will also like to add that this is the demonstration of a mind set in Jet Airways, where we are not tied by dogma. We listen to what the market needs and we are able to respond in a timely manner to address the market's need. Another thing that I would like to add is the pace at which we responded or we respond to crisis situation like the recent volcanic ash. That is the clear indication of how Jet is able to act actively in such situations and provide solutions to customers, without compromising safety. Now when you put this two together, I would like to underscore the point that Jet is not only capable of analysing the situation, developing clients, but more importantly executing solutions in a timely and effective manner. I am pretty proud of that achievement by our team.

Now going forward, the buoyant global economic environment coupled with the relaxation of governmental and corporate travel restrictions result in an upswing in air travel demand. Jet Airways is therefore perhaps the best poised to benefit from the growth, because we have a flexible suit of products to address any of the changes in market condition. In the quarter ending Mar10, the domestic and international traffic for Jet Airways grew by 26% and 31% respectively with the continued buoyancy in the Indian domestic environment. The industry load factors have also moved up to the load of mid 70 range over the last few months.

Let me just spend a bit of time giving more details about our domestic performance. The domestic market has shown a revival in demand and the traffic increase for the quarter-ending in Mar 31, '10 was 21% for the industry. We grew 26% against this 21%. The industry's capacity increased by 8% for the fourth quarter versus the same period a year ago. Jet Airways achieved a load factor of 72.9% for the quarter, while Jetlite achieved a load factor of 75.9%. The average fuel rate in Q4 for our domestic operations was Rs.40.2 per litre, which is higher than Q3FY10 rates by 2% and higher than the Q4FY09 rates by about 35%.

The domestic capacity for Jet Airways for Q4 is higher by 11.6% as compared to the same period a year ago, due to the introduction of Jet Airways Konnect services from May09. The domestic EBITDAR margin was 23% in Q4FY10 compared to 17% in Q4FY09. Our domestic operations as a whole showed a pre-tax profit of Rs.556 million or US dollars 12.4 million versus a pre-tax profit of 1.12 billion or US dollars 22.1 million for the same period last year.

Now moving on to international, we have had a record seat factor on our international routes for the last few months. Over time, we have grown to become a strong network carrier in this part of the world. With a significant presence in the domestic routes as well as connections to the high volume destinations in the Indian subcontinent, we have been able to increase our seat factors in the international operation. This is also reflecting in the high operating margins.

The share of international total revenues to the total revenue is 56% for the quarter. Our average seat factors for the key international routes in Q4 are the US 84%, UK routes 90%, the Asean routes 78%, Gulf 73% and the Saarc routes at 75%. We are increasingly adding short

haul routes which improve our network connectivity and contribute to the overall network revenues. More recently, we have added a short haul route on the Middle East region and a long haul route on the Africa region with Trivandrum-Damman-Trivandrum and Bombay-Johannesburg-Bombay respectively.

The EBITDAR margin on the international operation was 23% for Q4FY10 and was 24% for Q4F09. Our international operations as a whole showed a pre-tax profit of Rs.30 million or 0.7 US dollar million versus a pre-tax profit of Rs.273 million or US dollar 5.4 million for the same period last year. These results, I must add, include a negative impact of aircraft on ground of Rs.532.77 million or 11.8 US dollar million for the quarter. We expect this excess capacity to be completely leased out by May-end.

Let me now spend a few moments to update you on Jetlite's operations. The operating results of Jetlite for the fourth quarter are an achieved seat factor of 75.9% versus 69.1% for the same quarter last year, revenues of Rs.4.7 billion and in US dollar that is 104.1 million versus Rs.3.3 billion or US dollars 65.9 million in Q4FY09, EBITDAR of Rs.1 billion or US dollars 23.2 million in Q4FY10 versus Rs.165 million or US dollars 3.3 million in Q4FY09.

Jetlite achieved an EBITDAR margin of 26% this quarter versus 5% in the same period last year. Profit after tax was Rs.1.7 billion or US dollars 37 million versus a loss of Rs.1.3 billion or US dollars 25.9 million in Q4FY09. Now revenue per kilometer/RPKM was Rs.4 in Q4FY10 versus 3.5 in the same quarter last year.

Turning to the current quarter in the outlook, my friends, domestic air traffic has seen a reviving trend over the last few months based on recent traffic data. Airlines have achieved high levels of seat factors as well as yield growth. The industry traffic grew by 21% in Q4FY10 as compared to Q4FY09.

We are receiving healthy seat factors for April and May going forward. The trends for the next few months look healthy and the capacity situation has been under control for the last few months. Jet Airways Konnect has seen significant traction and has helped us regain and hold our tough spot in the industry by a healthy margin. It has also resulted in higher revenues and load factors overall. We are seeing a premium demand revival and this is expected to continue over the next few quarters. From May 20, '10, we introduced Konnect Select, a new premium service in Jet Airways Konnect aircraft and I want to underscore here

this is again a reflection of our ability to watch the market's needs and react swiftly and flexibly to address what the market is telling us.

On the international routes, we are able to achieve seat factor of over 80% for the last few months and are seeing consistent growth in operating margins. We have been successful in adapting to market realities and I have been able to lease out excess capacity for medium term. As of May-end this year, all of our excess white body aircraft would have been leased out. Our cost initiatives are starting to see good results and we have been able to achieve lower cost per available seat kilometer/ASKM with the exception of fuel, while we continue to focus on premium traffic and improvements in revenues per departure. On the Jetlite front, all of our CRJ aircraft are in the process of being returned to the lessor and by September we will have an all B737 fleet in Jetlite.

Let me close by addressing the balance sheet and our funding position. Our cash position as of March was Rs.7.7 billion or US dollars 172 million. On balance sheet date, debt was Rs. 137 billion or US dollars 3.05 billion. While shareholders' funds were Rs.26.42 billion or US dollars 588 million. Now ladies and gentlemen, we are open to take your questions.

Question and Answer Session

Moderator:

Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone key pad and wait for your turn to ask the question. If your question has been answered before your turn and you wish to withdraw your request, you may do so by pressing the # key. I request the participants to press * and 1 for your questions.

First question comes from Mr. Miten Lathia of HDFC Mutual Fund.

Miten Lathia:

Good afternoon sir. Three questions. One is what would be the cause for a sharp decline in our selling and distribution expenses on a YoY basis. Second one, we usually book Cenvat credit in quarter four, it seems to be missing in this year, any specific reason for that. And third one, what would be the difference if at all there is a number there, what would be the difference between the replacement value of our fleet and the book value of our fleet.

K. G. Vishwanath:

I will take the questions in reverse order. The difference between the replacement value and the book of the fleet is

around 600 to 700 million dollars at this point in time. On the question on Cenvat credits, we will wait to see what is going to come out in terms of the service tax rules given that now passenger revenues are also going to be subject to service tax.

In terms of your question on selling and distribution, we have been taking a very hard look at all of our line items, cost line item, which includes our GDS expenses as well as any kinds of incremental commissions that we are paying to agents and corporates alike. So we have over time been able to negotiate these agreements downwards, which is one reason for which our selling and distribution expenses have gone down over time. Secondly, there is a very strict and tight control on advertising and other marketing expenses which we have not spent over the last three quarters.

Miten Lathia:

Is it fair to assume that selling and distribution expenses, especially on the domestic side, are representative of what things will be in the future.

K. G. Vishwanath:

There are two things which will drive this of course. One is the proportion of booking, which comes through in India as a point of sale and countries outside of India and obviously there will be a rate differential in terms of commission. In the given quarter, more sales came on points outside India. Obviously, the commission rate is zero there. To the extent those sales made in India, you will have a 3% commission charge.

Miten Lathia:

That's it, if there is more, I will come in queue.

Moderator:

Thank you sir. Next comes from Mr. Anirudh Dutta from CLSA.

Anirudh Dutta:

Hi good afternoon everybody. Few questions, could you give an update on your fund raising plans and the progress on the sale and lease back of aircraft if you are planning to do anything in the forthcoming financial year and on the same issue, what is the status of development of the BKC properties.

K. G. Vishwanath:

In terms of the BKC properties, we are just about wrapping up the agreement with one of the leading real estate developers and that should come out in the open in the next one or two weeks, at which point in time we will announce it. In terms of sale and lease back, we have got firm proposals from two or three lessors by which we would be in a position to cover at least 10 out of the 20 aircraft, that is the 737s that we are talking about. Within the next

one or two months the whole process will get started. In terms of the QIP, of course there is still some more clarification which we are expecting from FIPB, given that the earlier clarification was conditional to some extent. Once that comes through, we should be in a position to go through with the QIP offer.

Anirudh Dutta:

On the sale and lease back, what I understood was there were some issues related to the Sahara deal because of which they required court permission. So is that done. And what is the status of the Sahara case itself. Has there been any progress in the last three months.

K. G. Vishwanath:

The Sahara case, which was due to come up for hearing in the last week of April, unfortunately has been postponed to the first week of July and it is on the fifth and sixth of July that this case is going to be heard now. But having said that, in relation to any approvals or permission to be sought from the high court, I do not think there should be an issue at all to the extent we believe that any such action is going to be incrementally benefiting to the organisation. I don't think the high court will have any issue on that.

Anirudh Dutta:

In this quarter, you have reported some other operating income as exceptional income. Could you support the nature of this. Similarly, the non-operating revenue under the domestic markets has increased.

K. G. Vishwanath:

The non-operating revenue under the domestic markets has increased largely because of two reasons. One is there has been a writeback of some provisions, which we have made in the past on account of doubtful debts which has been written back and there are some reductions in the liabilities for personnel cost like gratuity and leave encashment. Lastly because of the number of headcount which is reduced, we have written those two back.

Anirudh Dutta:

In the international business, what is the...

K. G. Vishwanath:

That is the mark-to-market.

Moderator:

Thank you sir. Next question comes from Jamshed Dadabhoy from Citi Group.

Jamshed Dadabhoy:

Hi sir. Could you shed some light in terms of what your expectation is for the domestic industry's capacity growth for FY11 or FY10. That is how many planes were there in the industry as of FY10 end and how many modules are expected to be added both for Jet Airways and for the industry as a whole I mean broadly.

- Mr.Sudheer:** Let me take that one. This is Sudheer here.
- Jamshed Dadabhoy:** Yes sir.
- Mr.Sudheer:** Capacity, we expect is above 5% to 6%. Growth, I think the domestic market fleet size is in the area of about 200 to 240 aircraft. From the information we have, we expect the industry to add about 15 aircraft. Okay, collectively I think this is a relatively measured induction of capacity unlike...rather irrational exuberance in the years of the past, where capacity was added to the market at a very feverish pace. We are comfortable with this induction rate and we believe this new capacity will be reasonably well absorbed by the increasing demand. Hence, we do not see an adverse pressure on use.
- Jamshed Dadabhoy:** Then sir, if you could look at this from another perspective--in terms of the total seats which are there in the industry broadly for FY10, there would have been about 44 million seats.
- Mr.Sudheer:** Yes around that.
- Jamshed Dadabhoy:** And do you think this seat number will also go up by 5% or will it be truly extended up 10% or 15%, given that a lot of carriers like yourselves moved to Jet Konnect kind of business model in the second and third quarter of last year.
- Mr.Sudheer:** Let me preface my answer by saying that if you look at the industry and what has happened in the industry, it is the Jet Airways group that has been innovative in introducing new products like Jet Konnect etc. You do not see similar initiatives by other carriers in India. Consequently, I would say that we induce capacity, the configurations are not going to be any different from what they have today. So taking that in perspective, we think the number of seats will probably go up by about anywhere from 7% to 8%, but certainly not the league of the deans. Okay, so that.
- K. G. Vishwanath:** The incremental is largely because of the full area of impact of all the initiatives, which have been undertaken last year.
- Jamshed Dadabhoy:** So that means basically the seat should be about close to 48 and 49 million at the very maximum.
- Mr.Sudheer:** In that zone, yes.
- Jamshed Dadabhoy:** Okay. That means for the industry as a whole the load factor should improve.

- Mr.Sudheer:** And that trend is beginning to show in most of the carriers.
- Jamshed Dadabhoy:** Fair enough and sir in terms of business class traffic, could you give some sense of what your load factors were in business class in 4Q versus 2Q, or 1Q of this fiscal.
- Mr.Sudheer:** In the earlier, we were hovering, like some others in the industry do, in the region of about 35% to 40% depending on the routes. Now, we have seen the traction pick up in the business class segment and hence the reason for us to introduce our Konnect Select product even in the Jet Airways Konnect aircraft. So today our seat factors in the business class cabin, of course they vary from time of departure and routes etc, but on an aggregate basis it is around 55%. So there has been an improvement from where it was in the previous two quarters to where we are today.
- K. G. Vishwanath:** And even on the Konnect Select, which we introduced just about two weeks ago, they have already seen seat factors climbing to close to 50% in the front segment.
- Jamshed Dadabhoy:** Thank you. I will come back if I have more questions.
- Moderator:** Thank you sir. Next question comes from Mr. Saurabh Das from Sundaram BNP.
- Saurabh Das:** Good afternoon to everybody and thanks for the opportunity. First quick question on the international route, you just mentioned load factors on the various routes, if you can broadly give us a sense of what is the revenue breakdown for each of segments, the US, UK, Asia, Gulf, and Saarc.
- K. G. Vishwanath:** The US is around 25%, UK is another 25%, Asean and Saarc contribute to 25% and the Gulf is the rest.
- Saurabh Das:** Okay. So broadly equally split between all and just impact on the Irish volcano issue we, I guess, compensated by increased use thereafter, but if you can broadly give us a sense of what has been the overall impact.
- K. G. Vishwanath:** It is very difficult to put a number in terms of what the overall impact is, lastly because some amount of the domain that we would have lost on that day, would have rebooked the latter flights, but on a broad level, what we will be only able to give you a loss on account of fixed cost of aircraft on the ground for the 6 or 7 days, which we estimate to be closely around 4 to 5 million dollars.

Saurabh Das: Cumulative? Thanks for this and on the outlook on the use on the international routes, especially the Gulf routes, what is your view on how it is panning out in this quarter and how is the holiday season going, given the uncertainties in travel, especially towards Europe.

Mr.Sudheer: If I may just take that question. Sudheer here.

Saurabh Das: Sure.

Mr.Sudheer: As a broad statement, we have seen better traction of yields in the domestic markets because the market has strengthened as we set earlier in this quarter by 21% and we also had been able to beat that margin by about 26%. So, we are seeing better yield in the domestic market, having said that in the international market, it is really a mixed situation and let me explain to you why.

We have seen an improvement in the business class traffic on the international routes and if I might just highlight we have even a first-class product on the London route. We used average during the very bad situation in the global economy; we used to average anywhere between 18% to 20% seat factor, first-class border cabin on the London routes. Now that has fixed up to about 50% to 55% that is an incredibly positive sign for us. In the business cabin, the seat factors on the ultra long haul routes as well as the Asean routes are in the region of about 75%.

So we have seen the traction in the business class as in the corporate travel and business class product. However, in the economy cabin as usual and not unexpected, it is a very price-sensitive market, you move up at a very, very, very slow phase with the economy has to stabilize and remain stable for a long period of time and then for it to propel a higher demand for economy product and only then you can see an appreciable increase in economy use. So that is the current situation and so long as we do not have bidders out of Europe or wherever and we see the global economy stabilising in various parts of the world. I expect the economy yields also to track upwards but not as the same gradient as the business class use.

Saurabh Das: Okay, but very generally on the fourth quarter levels, we would see almost 10% to 15% increase in yields on an average for the company as a whole for the first quarter of this year.

K. G. Vishwanath: It will be hard to comment because again the impact on account of this volcanic ash would have some impact. To some extent, we have made it up by selling higher fares,

but having said that we would have also lost some good demand at high levels on account of that. So we cannot comment on that at this point in time.

Mr.Sudheer:

If I may just also add a bit more you see, increasingly Jet Airways is becoming a network player, meaning we not only carry passengers from India to other parts of the world and from other parts of the world to India, we carry a lot of passengers through India from one part of world to another part of the world. So in airline parlance it is known as sixth freedom traffic that is very vulnerable to all kinds of external factors.

Let me give you an example what is happening in Thailand, it is not helping back-end traffic from Europe and UK to Thailand as you probably know Thailand is a very huge tourist attraction. So what is happening in Bangkok will not help, nonetheless, we have been tracking load factors on our services to Bangkok, which is largely fed by our flights from the UK and Europe. The flight loads from Bombay and Delhi to Bangkok are holding, we have some weakness on the flight from Calcutta to Bangkok because that is largely trader traffic. It is very, very vulnerable something like what is happening in Bangkok today.

Saurabh Das:

Sure and just one quick question on the domestic front, we read a lot of reports on AirAsia being a lot more aggressive in India now. What showed quick sense on first AirAsia and the other airlines getting in to India and ensure, you know, calculation on overall seat availability in India can actually see an upside.

Mr.Sudheer:

I would not want to go into specifics of it but, but all I know is this competition from such segment is an absolute reality in our life. There is no point wishing it away, because it is going to be here and it will stay, the question is what do we do about it and we have ably demonstrated that we can take this on and when by introducing a product like Jet Konnect. The Indian aviation market had a major switch from the full service product to the low fare product during the economic downturn and we were able to respond and regain our position.

We do not see why we will not be innovative enough to address these kind of threats that may come from outside of India but I cannot tell you, what percentage my yield you will drop or what percentage of my market will drop. We are flexible, we have solutions, we can rapidly deploy to address these issues. There is no reason we do not sit on dogma like "We will not deploy Konnect overseas". We have the freedom to do any of those things.

- Saurabh Das:** Yes absolutely and on overall proportion of our domestic ASKM dedicated to Jet Konnect, which was around 65% to 66% in the previous quarter, what is it in the 4th quarter?
- Mr.Sudheer:** Still the same.
- Saurabh Das:** In terms of our total debt, how much is dollar denominated and whether all of it is hedged.
- K. G. Vishwanath:** Close to 2/3rds of our debt are dollar denominated. At this point in time, we have left those positions open, so we do not have any currency hedges, but if we look at our P&L, we have a natural hedge in that close to 30% of our top line as 36% of our cost are dollar denominated, so we are only exposed to the extent of 6% on that score.
- Saurabh Das:** Right. This is on the P&L side and then on the balance sheet did you mention that all of the debt is open.
- K. G. Vishwanath:** Unhedged, correct.
- Saurabh Das:** And on that I guess we have gained substantially in the previous quarter.
- K. G. Vishwanath:** Yeah. We believe that in the short to medium term the rupee will appreciate vis-à-vis the dollar and that's largely the reason to keep it unhedged.
- Saurabh Das:** Perfect, thanks and all the very best.
- Mr.Sudheer:** Thank you.
- Moderator:** Thank you sir. Next question comes from Mr. Nikhil Vora from IDFC SSKI.
- Nikhil Vora:** Just one thing on the international part, if we look at the numbers for the last three to four quarters actually we are clocking passenger load of close to around 80%, which usually means that we are on full capacity right now. Why is the yield not really increasing proportionately given that on international we are at 80% and yield increases seem to be subdued at less than 10% during the same period, so is there something which one can really do to increase yields out there.
- Mr.Sudheer:** As I have replied to the earlier question, the detraction we are seeing is in the front end and if you look at the overall capacity in the front end, be it first or business class it may be around 15% to 16% of our total capacity and the remaining 85% of our capacity is still extremely price

sensitive and there is a lot of capacity that is going off the market that has yet proved to be, shall I say, exuberant. So, unless and until the economy stabilises and remains stable for a fairly long period of time, people are likely to watch their purses and hence remain very, very price elastic. So to try and drive up yields in the back end will be a challenge. However, the contribution from the front end, which contributes only about 16% of our total capacity is improving.

K. G. Vishwanath:

And that has also shown in terms of how the revenue per RPK is gone up, Nikhil. If you look at the first quarter, our revenue per RPK was 2.68. It went down slightly to 2.66 in quarter two but quarter three onwards we are at 2.82 and then quarter four, despite it being only the second best after the quarter three, you still maintain yields at 2.83, which means that the business class numbers are starting to show up and impact the yield positively.

Nikhil Vora:

Okay, got it. Just one more thing, is there new thought of now starting to scale up the international operation, which had gone into some amount of backburner for the last couple of years in terms of new market.

K. G. Vishwanath:

We have started one route to the Middle East. We are still looking to find out spare aircraft time from the existing number of aircraft that we have. For an example, if we have 2 aircraft, which go into Singapore and Hong Kong in the morning and then stay there for the whole of the day and then return back only in the evening. We are looking to see if we can improve the utilisation of those aircraft and cull out new sectors out of that than add new craft in the fleet.

So, at least for the next 3 or 4 quarters, we are not looking to add incremental long haul aircraft to the fleet. What we will do is, we will wait for the aircraft that we have dry leased, which come back starting Jun11, at which point in time, we will look at incremental sectors.

Mr.Sudheer:

If I may just add to Vishi's answer, my friends I have been in this business for about 29 years, as a rule of thumb, new international routes, especially the long haul routes, take at least about 18-24 months to gestate.

Nikhil Vora:

Right.

Mr.Sudheer:

We do not believe we have the luxury of launching routes that take 18-24 months to gestate. So, we would be absolutely careful about where we are launching new routes. We will not launch new routes purely for the

purpose of expanding because today in the financial situation we are in prudence, outweighs, exuberance for growth. So if we identify routes, where we might be able to, shall I say gestate and mature within a significantly shorter period of time; we will launch the routes. Otherwise, we will not launch the routes purely for expansion purposes.

Nikhil Vora:

That's good to hear. Just lastly can we just have some market share figures for international operations specifically UK and US.

K. G. Vishwanath:

US is actually a very, very fragmented market. So there are 17 carriers operating to India and US. So our capacity and market share is in the low-to-high single digit and our market share is higher than our capacity share. In terms of the UK routes, we are close to 35% of the total market even higher than BA or Virgin or Air India on that route. One more interesting fact is that on the UK-Bangkok route and where we are an indirect carrier given that both BA and Thai Airways are the home carriers, we have a significant market share and we are around 37% to 38% of the total market there. So increasingly on most of the routes, we are either #1 or #2 in terms of the market shares that are prevalent in the existing scenario.

Nikhil Vora:

Singapore is how much.

K. G. Vishwanath:

Which one.

Nikhil Vora:

Singapore is how much.

K. G. Vishwanath:

Singapore, we are at around 22% to 23%.

Nikhil Vora:

Okay.

Mr.Sudheer:

You see my friends, our network should also be today may be characterised as follows: If you take a look at India, our location accounts for about 30% of the world's population within about 5-hour radius we account for about 30% of the world's population. There is absolutely no reason why India and major Indian airports cannot be global aviation hubs just like Dubai and just like Singapore, Hong Kong, or London. There is no reason why we cannot be a hub.

So, our network planning today is designed or missioned to develop a significant volume of through force using our network connectivity, so that is our design principle for network planning at this point in time. So, increasingly you will find as capturing traffic from say Africa that really wants to flow to China, so we are trying to create a hub in India using our key gateway cities of Mumbai, Delhi, Chennai,

Kolkata and including Bangalore, and Hyderabad now, so that is our design, shall I say, principles for network development.

Nikhil Vora: Just one more thing, just assuming that there is again certain delays in financing ourselves through the equity route or otherwise, is our growth plans incrementally from here on, dependent on capital raising, external, or it can be self-financed internally?

K. G. Vishwanath: Very largely it will be self financed, in terms of new aircrafts that we are adding, as I have mentioned earlier we have postponed most of our orders and the new aircrafts, which get delivered are only starting in fiscal 2012-'13. We still have a flexibility in terms of doing a sale and lease for those aircraft to the extent we are not strong from a balance sheet standpoint or from an incremental debt standpoint. The aircraft, which we have leased out currently to Turkish and Thai are the aircraft, which will come back in the next 2 years, which will be deployed for the new international businesses, so in terms of incremental capital requirement for funding aircraft, it is negligible or even zero for the next 12 or 18 months.

Nikhil Vora: Okay great. Thank you and all the best to you.

Moderator: Thank you sir. Next question comes from Mr. Sachin Gupta from HSBC Securities.

Sachin Gupta: Hi. Good afternoon. Just one question, in this quarter, we have seen operating lease income kind of going up and I know that three aircraft have been leased out to Thai Airways the income of which will flow in the Q1, just wanted to get some sense how much, is the lease income that you are expecting FY11.

K. G. Vishwanath: You can calculate per every aircraft it is around 1.4 million dollars per month. We have four aircraft being leased out for the whole of the year and three aircraft, which will be leased out for 10 months of the year.

Sachin Gupta: Okay. Thank you very much.

Moderator: Thank you sir. I request the participants to press * and 1 for your questions. First follow-up question comes from Mr. Anirudh Dutta from CLSA.

Anirudh Dutta: No. My questions are answered. Thank you very much.

Moderator: Alright sir. Sir, we have one question from Mr. Nishit Master from ING Investment Management.

- Nishit Master:** Hello sir.
- K. G. Vishwanath:** Hi.
- Nishit Master:** Just wanted you to give a brief profile of our debt and our bankers.
- K. G. Vishwanath:** Largely, our debt is aircraft related or dollar denominated, those are debts, which have been guaranteed by the US Exim Banks and by the European ECAs and funded by banks like Barclays, Standard Chartered and Citi Bank. In terms of our rupee loans, we have working capital term loan, which is based on our credit card realisation and that is through State Bank of India, Punjab National Bank, and Bank of India.
- Nishit Master:** Okay and sir that amount would be.
- K. G. Vishwanath:** The total working capital loans are around 3,500 to 4,000 crores and the overall aircraft-related debt is around 10,000 crores.
- Nishit Master:** Thank you very much.
- Moderator:** Thank you sir. Next question comes from Mr. Shiladitya Dasgupta from ICICI Prudential.
- Shiladitya Dasgupta:** Good afternoon everybody.
- K. G. Vishwanath:** Hi.
- Shiladitya Dasgupta:** Just one small question out of this 93 crores other income on domestic, what is the extent of writebacks.
- K. G. Vishwanath:** It is around 35 crores.
- Shiladitya Dasgupta:** Okay thank you so much.
- Moderator:** Thank you sir. Next question comes from Mr. Jamshed Dadabhoy from Citi Group.
- Jamshed Dadabhoy:** Vishi just some more clarity requirement on balance sheet please. You said total debt in Jet Airways is 13,700 crores right?
- K. G. Vishwanath:** Yes.
- Jamshed Dadabhoy:** And, if you add JetLite debt, how much is it worked out in total?

- K. G. Vishwanath:** JetLite is around only 500 crores?
- Jamshed Dadabhoy:** 500 crores long-term?
- K. G. Vishwanath:** Yes, long-term as in another two years of maturity.
- Jamshed Dadabhoy:** Okay. What is your debt repayment schedule looking like FY11, FY12, and FY13?
- K. G. Vishwanath:** Around 1,000 crores every year.
- Jamshed Dadabhoy:** For three years? Okay, thanks Vishi.
- Moderator:** Thank you sir. I request the participants to press * and 1 for your questions. There are no further questions. Now, I hand over the floor to Mr. R. Sreesankar for closing comments.
- R. Sreesankar:** Thank you Shirley. Let me take this opportunity to thank the management of Jet Airways especially Mr. Sudheer Raghavan and Mr. K. G. Vishwanath and also all the participants who participated in this call and I hope that everybody found it extremely useful. Thank you very much Vishu, thank you very much Mr. Raghavan, and thank you all the participants.
- Moderator:** Thank you sir.
- R. Sreesankar:** Thank you Shirley.
- Moderator:** Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

Note: 1.This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.