J.P.Morgan

Asia Pacific Equity Research
02 December 2010

Jet Airways (India) Ltd.

Strong tailwinds

Initiation
Overweight
JET.BO, JETIN IN
Price: Rs805.35
Price Target: Rs1,090.00

- **Initiate with Overweight, PT of Rs1090:** Our PT implies 35% upside potential from current levels. JETIN is the leading private carrier in India with a domestic market share of 26.2% and also has strong international operations connecting 24 international destinations.
- **Yields accentuated by recovery in premium travel:** JETIN is reconfiguring its seats by adding back premium seats reconfigured to economy during the FY09 downturn. This is accentuating yields, which are already trending up in a favorable economic environment – current domestic yields are still 17% below historical peak levels.
- **Jetlite turning around, competitive threat to international operations abating**: Acquired LCC Jetlite (erstwhile Sahara Airlines) is likely to break even in FY12E aided by restructuring of operations. International operations, which are highly profitable, are likely to continue to see strong growth over the next two years - imminent threat from KAIR has receded with KAIR scaling back on international growth plans. We estimate EBIDTAR CAGR of 15.8% over FY10-FY13E.
- **Balance sheet improving**: JETIN has recently restructured its debt, resulting in annual interest savings of Rs850MM. It is also looking to sell its land in Mumbai, for which it may receive Rs5-5.5B – a potential upside trigger not factored into our estimates. We estimate gearing to decline from 4x in FY10 to 2.6x by FY12E.
- **Price target, valuation, key risks**: Our Sep-11 PT is based on 8x FY12E EV/EBITDAR, a 14% premium to its Asian airlines peer group and a 10% discount to Chinese airlines. We believe the premium to Asian airlines is justified, given stronger growth prospects, debt restructuring, and better long-term growth potential offered by the Indian market. Key risks include slowdown in traffic, increase in aviation fuel prices, a delay in debt restructuring, and an unfavorable outcome of litigation with Sahara Group.

India
Airlines

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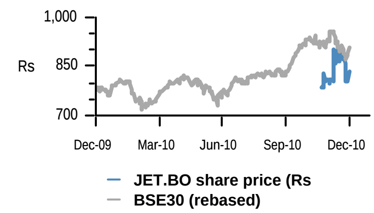
Price Performance



	YTD	1m	3m	12m
Abs	6.5%	3.0%	6.5%	6.5%
Rel	-6.5%	5.5%	-2.5%	-8.9%

Jet Airways (India) Ltd. (Reuters: JET.BO, Bloomberg: JETIN IN)

Rs in mn, year-end Mar	FY09A	FY10A	FY11E	FY12E	FY13E
Adjusted EPS (Rs)	-246.31	-69.82	30.22	94.16	92.89
EPS growth (%)	263.9%	-71.7%	-143.3%	211.6%	-1.4%
Revenue	130,779	118,764	143,962	168,309	179,186
Net Profit	-21,264.8	-6,027.7	2,609.0	8,129.4	8,019.3
DPS (Rs)	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	27.6%	-9.2%	21.2%	16.9%	6.5%
EBITDA	22,305	10,623	18,725	24,400	22,640
EBITDA margin	17.1%	8.9%	13.0%	14.5%	12.6%
P/E (x)	-3.4	-12.0	27.7	8.9	9.0
P/BV (x)	2.0	2.1	2.1	2.1	1.9
EV/EBITDA (x)	7.1	19.2	10.7	7.4	7.2
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Shares O/S (mn)	86
Market cap (Rs mn)	69,529
Market cap ($ mn)	1,515
Price (Rs)	805.35
Date Of Price	30 Nov 10
Free float (%)	17.3%
3-mth trading value (Rs mn)	650.3
3-mth trading value ($ mn)	14.2
3-mth trading volume (mn)	1.0
BSE30	19,850
Exchange Rate	45.89
Fiscal Year End	Mar

Source: Company data, Bloomberg, J.P. Morgan estimates.

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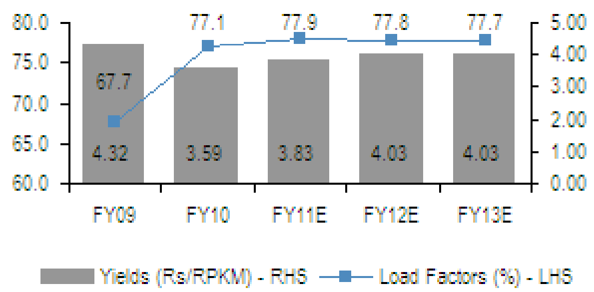
Company Description

Jet Airways (India) Limited is an Indian air taxi service operator engaged in transportation of people, cargo and other related services. The company operates over 380 flights daily to 63 destinations within India and overseas. Jet operates with a fleet of 88 aircraft, which includes 10 Boeing 777-300 ER aircrafts, 12 Airbus A330-200 aircraft, 52 Boeing 737-400/700/800/900 aircraft and 14 ATR 72-500 turboprop aircraft. The company also offers various other air travel-related services such as online reservation and booking and mobile ticketing, interactive voice response-based payment and ticketing, different types of check-ins based on convenience for passengers, airport lounges, and baggage clearance services.

Load factors (%) **Yields Rs/RPKM**



Source: J.P. Morgan estimates.

EPS: J.P. Morgan vs. consensus

Rs	J. P. Morgan	Consensus	vs. Cons
FY11E	30.2	40.9	-26%
FY12E	94.2	91.9	2%
FY13E	92.9	122.5	-24%

Source: Bloomberg and J.P. Morgan estimates.

P&L sensitivity metrics

FY11E	EBITDAR impact (%)	PAT impact (%)
Passenger Load Factors (%)	78%	
Impact of each +1% increase	6%	21%
Yields (Rs/RPKM)	3.83	
Impact of each +1% increase	4%	16%
ATF price (Rs/litre)	36.6	
Impact of each +1% increase	-2%	-6%

Source: J.P. Morgan estimates.

Fuel Sensitivity table

	EBITDAR (Rs MM)	% Change	PAT (Rs MM)	% Change
-5%	37974.6	*7.9*	10454.4	*28.6*
-4%	37446.7	*6.4*	9991.1	*22.9*
-3%	36883.6	*4.8*	9527.7	*17.2*
-2%	36320.5	*3.2*	9064.3	*11.5*
-1%	35757.4	*1.6*	8592.8	*5.7*
Base Case - Rs36.6 /litre	***35194.3***	***0.0***	***8129.4***	***0.0***
1%	34631.2	*-1.6*	7666.0	*-5.7*
2%	34068.1	*-3.2*	7194.5	*-11.5*
3%	33504.9	*-4.8*	6731.2	*-17.2*
4%	32941.8	*-6.4*	6267.8	*-22.9*
5%	32413.9	*-7.9*	5804.4	*-28.6*

Source: J.P. Morgan estimates.

PT and valuation analysis

Our price target of Rs1090 is based on EV/EBITDAR of 8.0x on FY12E EBITDAR, a premium of 14% to its Asian airlines peer group and a 10% discount to Chinese airlines.
Jet Airways is currently trading at 7.4x FY12E EV/EBITDAR, an 8% premium to Asian carriers.

Key risks to our rating and price target include a slowdown in domestic passenger growth, delay in de-levering of balance sheet, increase in competitive intensity, shortage of skilled workforce and any changes in regulations.

Table 1: JETIN vs. Indian peers valuation comparison

	Rtg	Ccy	Price	P/E		P/BV		EV/EBITDA		EV/EBITDAR*		EPS Growth (%)		ROE (%)	
Airline				2010E	2011E	2010E	2011E	2010E	2011E	2010E	2011E	2010E	2011E	2010E	2011E
Jet**	OW	INR	805.4	26.6	8.6	3.5	2.5	9.7	7.4	8.6	7.5	130%	575%	7.7%	24.1%
Kingfisher**	OW	INR	66.8	nm	11.9	nm	nm	46.8	6.3	13.0	7.4	nm	nm	nm	12.0%
Spicejet**	OW	INR	82.2	12.4	12.5	3.4	3.4	11.8	8.6	8.5	6.3	325%	-1%	36.5%	26.9%
Asian sector Average				11.4	10.6	2.1	1.7	8.4	6.8	8.1	6.9	177%	21%	22.5%	18.5%

Source: Bloomberg, company reports, J.P. Morgan estimates. *EV/EBITDAR has been adjusted for the capitalization of aircraft operating leases. **For Spicejet, Jet Airways and Kingfisher, 2010E indicates year ending Mar-2011 and 2011E indicates year ending Mar-2012. Valuations are as on COB 30/11/2010.

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Figure 1: Jet Airways domestic route map

Source: Company website.

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Investment thesis

Initiate coverage with OW rating and PT of Rs1090 based on 8x FY12E EV/EBITDAR

We initiate coverage on Jet Airways with an Overweight rating and price target of Rs1090 based on 8x FY12E EV/EBITDAR. Jet Airways is the leading private carrier in India with domestic market share of 26.2% and also has strong international operations, connecting 24 international destinations.

Pickup in premium travel demand bodes well for yields

JETIN is benefiting from the recent pickup in premium travel demand. While its yields are improving given improvement in operating environment, they are being further accentuated by increasing loads for business class seats. As a result, JETIN is converting part of its economy seats to premium seats. This is likely to drive a sharp pickup in its yields, which are already benefiting from strong demand and tight industry capacities. Historically, Jet's average domestic yields have been at a 5%-10% premium to other full-fare players like KAIR.

Jetlite is expected to break even by FY12E. International operations remain highly profitable

We expect its low-cost brand Jetlite (erstwhile Sahara Airline) to break even in FY12E. Jet is in the process of restructuring the Jetlite operations and as a result load factors and margins are improving. We estimate EBITDA margins for Jetlite to improve from -6.8% in FY10 to 12% by FY13E. JETIN's international operations, which are highly profitable, are likely to continue to see strong growth over the next two years. The imminent threat from KAIR, which started its international operations in FY09, seems to be receding, with KAIR looking to go slow on its international fleet expansion.

Debt restructuring to help reduce gearing and interest cost

JETIN is in the process of reducing its debt and interest costs through various initiatives like the sale of noncore assets, refinancing of high-cost debt and sale and leaseback of owned aircraft. It has already replaced Rs16B its INR-denominated debt to USD-denominated debt, which will help cut interest costs. In addition, it is looking to sell its land in central Mumbai to a leading real estate developer, which could aid further reduction in debt and interest cost. While we have factored in aircraft sale and leaseback into our estimates, we are not capturing the potential land sale into our estimates and price target. If the land sale were to happen by end FY11E, it would add 6% to our FY12E EPS estimates and 6% upside potential to our price target.

Table 2: Key assumptions and earnings sensitivities

	Base Case Assumption	Change in assumption	Impact on FY12E net profit (%)
Domestic load factor (%)	74.0	+/-1%	+/-7.2%
Domestic Yields (Rs/RPKM)	5.76	+/-1%	+/-5.5%
International load factor (%)	80.0	+/-1%	+/-7.4%
International Yields (Rs/RPKM)	3.0	+/-1%	+/-5.8%
Jetlite load factor (%)	78.0	+/-1%	+/-1.9%
Jetlite Yields (Rs/RPKM)	4.4	+/-1%	+/-1.6%
Fuel price (Rs/litre)	36.6	+/-1%	+/-5.7%
Group unit cost per ASK (Rs)	3.6	+/-1%	+/-19.4%
Aircraft maintenance cost (Rs/flying hour)	20000	+/-1%	+/-0.9%
Aircraft, landing, navigation charges (Rs/departure)	65000	+/-1%	+/-1.3%
Average Interest cost (%)	6.5	+/-1%	+/-10.6%
US/INR FX rate (Rs)	44.5	+/-1%	+/-4.6%
Effective tax rate (%)	25.0	+/-1%	+/-1.3%

Source: J.P. Morgan estimates.

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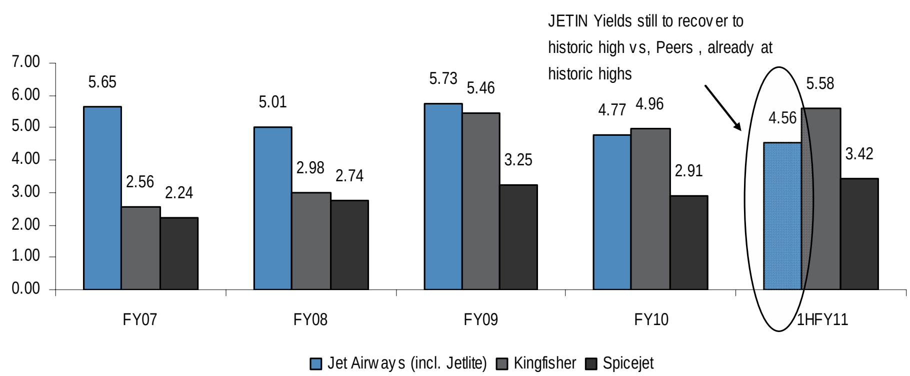
Positive drivers

Yield improvement being accentuated by pickup in premium travel demand

Private market leader benefiting from revival in premium travel demand

JETIN is the market leader amongst the domestic private operators with a market share of 26.2%. It is benefiting from a pickup in premium travel demand, both on its domestic and international leg. While its yields are improving, given an improvement in the operating environment, they are being further accentuated by increasing loads for business class seats. Jet had reconfigured its seating on two-thirds of its domestic fleet by converting premium seats to economy seats in response to the industry downturn in FY09. Over the last three to four quarters, demand for premium travel has revived and Jet has started reconfiguring its seats by adding back premium seats. This is likely to drive a sharp pickup in its yields, which are already benefiting from strong demand and tight industry capacities. Historically, Jet's average domestic yields have been at a 5%-10% premium to other full-fare listed players like KAIR.

Figure 2: JETIN domestic yields vs. KAIR and vs. SJET



Source: Company presentations.

Jetlite operations likely to turn around by FY12E

Jetlite operations expected to turn around by FY12E

JETIN acquired Jetlite operations (formerly Sahara Airlines) in FY08. Jetlite is positioned as a low-cost brand. It has since then been working on integrating the acquired fleet and restructuring its operations. Jetlite's old fleet of CRJ aircrafts are being retired and the company is converting it to an all Boeing fleet. In addition, fleet efficiency and on-time performance are being improved. The quality of on board food has been improved and seats have been refurbished. In addition, 9W code has been put on all Jetlite aircraft to enable it to sell its seats through the GDS system. This has helped JETIN to alter the mix of traffic on Jetlite and, according to management, almost 25% of Jetlite traffic now comes from the JETIN international network. As a result, load factors on Jetlite have increased consistently and margins have started to improve. We estimate EBITDA margins for Jetlite to improve from 6.8% in FY10 to 12% by FY13E.

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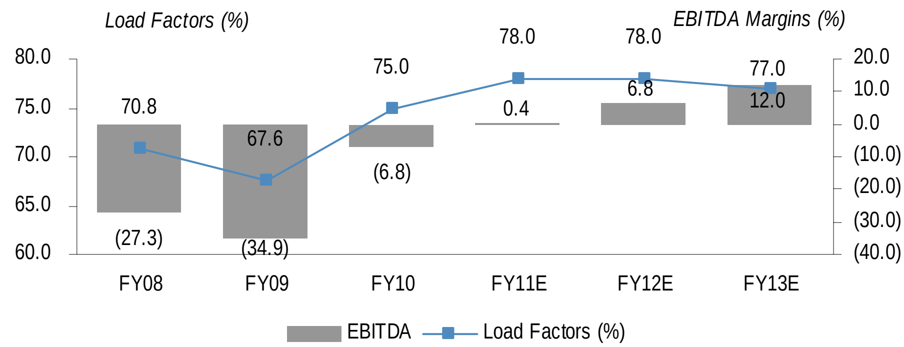
Figure 3: Jetlite load factors (%) and EBITDA margin (%) trend



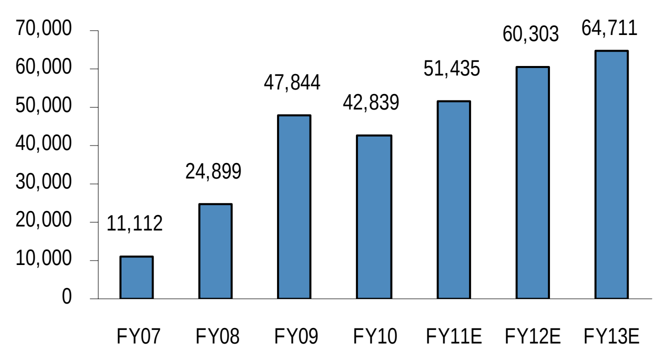
Source: Company presentations, J.P. Morgan estimates.

KAIR's curtailment of plans to expand on international routes bodes well

Imminent threat of competition on international routes receding

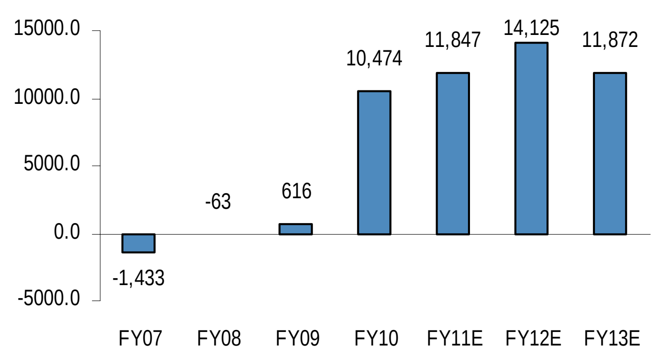
JETIN is the second largest international operator out of India after government owned carrier Air India. It stated its international operations in FY05 with direct flights to London. It currently flies to 24 international destinations, with major routes including Middle East, South Asia, New York, London, Milan, Brussels, Johannesburg and Toronto. JETIN has steadily enhanced its international operations the year, which have now become highly profitable. In FY10, international operations contributed 95% to JETIN's total EBITDA. While we estimate EBITDA contribution from international operations to decline to 58% by FY12E, it will nevertheless remain the most profitable segment of JETIN's operations. KAIR's international entry could have provided a formidable challenge to JETIN's. However, we believe that KAIR is unlikely to expand its international fleet over the next 2-3 years given its balance sheet challenges. Such a scenario bodes well for Jet and we estimate that its international margins are likely to remains strong in the near term. A key threat to Jet's international operations could emerge from Air India though. Air India's Boeing 787 dream-liner deliveries are expected to commence in 2012.

Figure 4: JETIN international operations revenue trends



Source: Company presentation, J.P. Morgan estimates.

Figure 5: JETIN international operations EBITDA trends



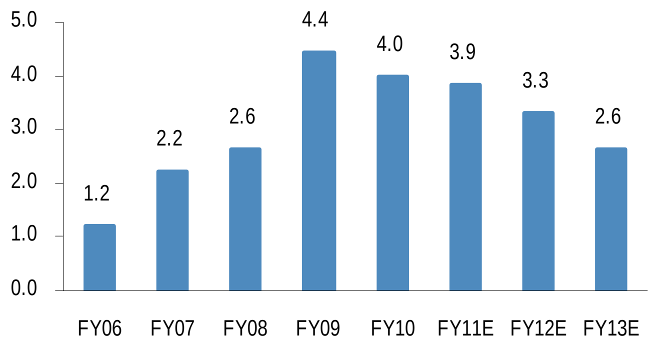
Source: Company presentation, J.P. Morgan estimates.

Debt restructuring, sale of land and sale and leaseback of aircraft will help reduce gearing and interest

Balance sheet de-levering to improve cash flows

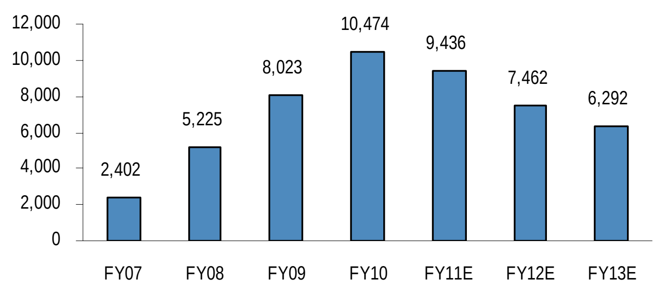
JETIN is in the process of reducing its debt and interest costs through various initiatives like sale of non-core assets, refinancing of high cost debt and sale and leaseback of owned aircraft. As a result of these exercises, we expect JETIN's interest costs to reduce by Rs850MM on an annual basis. The company has recently refinanced Rs16B of its INR-denominated debt to USD-denominated debt. The USD-denominated debt is at an average interest cost of 6.8% vs. the INR debt interest at 12.3%. It is likely to convert another Rs5B of IND debt in to USD debt over the next few months. In addition JETIN is looking to sell and lease back aircraft, which will release cash and allow it to pay back debt. JETIN has 20 Boeing 737 aircrafts on its book which can sell and lease back. We assume that JETIN will be able to sell and lease back 9 of its aircraft over FY12E-FY13E. We estimate that the sale of aircraft will cumulatively add Rs8.3B of cash over FY12E-FY13E, which JETIN will use to further retire debt. We estimate JETIN's interest cost to decline from Rs10.5B in FY10 to R7.5B in FY12E and Rs6.3B in FY13E.

Figure 6: JETIN net gearing trend (x)



Source: Company reports, J.P. Morgan estimates.

Figure 7: JETIN interest obligation trends (Rs MM)



Source: Company reports, J.P. Morgan estimates.

Sale of land in Mumbai could provide upside to our estimates

Further upside from potential sale of land

JETIN is looking to close a deal with a leading real estate developer for the land it owns in central Mumbai. According to management, this deal will entail an upfront payment of Rs5B-Rs5.5B to Jet in addition to 250,000 sq. ft. of developed commercial space which JETIN will have the right to lease or sell. Management expects to conclude this deal over the next 2-3 months. We have not accounted for any such potential deal into our estimates for Jet. If it is able to execute this deal, it should be a potential positive stock trigger and also lend upside to our estimates and price target. We enumerate below impact on profits and our PT if this deal were to happen. We assume Rs5B upfront payments at end FY11E and do not assume any potential developed space into our analysis.

Table 3: Impact on gearing, profitability and target price from potential land sale in FY12E

	FY12E	Post land sale	% change
Total Debt (Rs MM)	114803.9	109803.9	-4.4
Gearing (Rs MM)	3.3	3.2	-3.0
Interest (Rs MM)	7462.3	6887.3	-7.7
PAT (Rs MM)	8129.4	8560.6	5.3
EPS (Rs)	94.16	99.16	5.3
Target Price (Rs)	1090	1151	5.6

Source: J.P. Morgan estimates.

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Key risks to our rating and price target

Key risks include a slowdown in passenger traffic, increase in oil prices, unfavorable outcome of litigation with Sahara Group and unfavorable currency movements

Lower-than-expected passenger demand

Jet Airways has seen a strong pickup in load factors over the last few months, driven by a rise in traffic demand and tight supply. We expect load factors to remain high; however, higher-than-expected supply could result in load factors declining. In addition, any one-off events such as terrorist attacks could lead to a sharp fall in passenger traffic. According to our estimates, every 1% decline in load factors for Jet Airways would adversely impact FY12E earnings by 20.5%.

Jet kerosene price increase over USD105/bbl could adversely impact our estimates

Jet Airways' earnings are highly sensitive to oil prices. Our fuel assumptions for Jet are based on Singapore jet kerosene US$100/bbl for FY11E and US$105/bbl for FY12E. Higher oil prices would have an adverse impact on earnings. We estimate that every 1% increase in ATF prices would adversely impact JETIN's FY12E earnings by 5.7%.

Unfavorable outcome of litigation with Sahara Group

Sahara Group, from whom JETIN acquired Sahara Airlines, has filed an application in court to recover Rs99.9B from JETIN on account of deductions made by JETIN from the purchase consideration on account of income tax demand notices in respect to Sahara Airlines. Sahara Group has sued JETIN to recover these tax deductions as well as filed claims for breach of purchase agreement. Any unfavorable ruling from the court is likely to have an adverse impact on operations and valuations for JETIN.

Weaker INR, given US$-denominated costs and debt

Around 60% of Jet Airways' revenues are US dollar denominated and a large portion of costs such as ATF, lease rentals and aircraft maintenance charges are US dollar denominated. In addition, its debt for purchase of new aircraft will also likely be US dollar denominated. Depreciation of INR against the USD would result in foreign exchange-related losses and have an adverse impact on our earnings estimates.

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Valuation and share price analysis

JETIN is trading at an 8% premium to its Asian peer group on FY12E EV/EBITDAR

Jet Airways is currently trading at 7.4x FY12E EV/EBITDAR, an 8% premium to Asian carriers. On an EV/EBITDA basis, it is currently trading at 7.4x FY12E EV/EBITDA, a 9% premium to its Asian peer group.

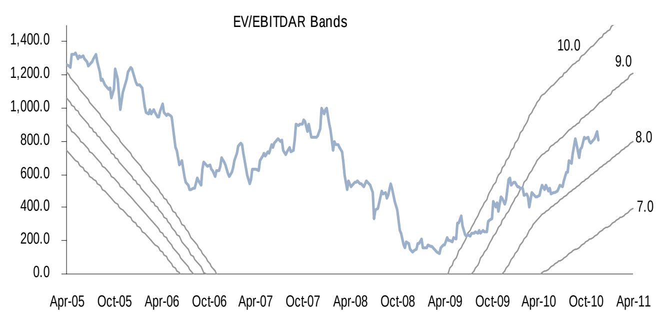
We base our target price on FY12E EV/EBITDAR multiple, which is a common measure of valuations in the airline industry. Our price target is based on 8.0x one-year forward EV/EBITDAR multiple, at a premium of 14% to Asian airlines peer group and a 10% discount to Chinese airlines. We believe the premium is justified, given strong long-term growth potential offered by the Indian market.

Table 4: Jet Airways Valuation based on EV/EBITDAR multiples

FY12E EBITDAR (Rs MM)	35,194.3	
Target EV/EBITDAR Multiple (x)	8.0	At a premium of 14% to Asian peer group
Enterprise Value (Rs MM)	281,554.2	
(-) 7x Lease Rentals Capitalisation (Rs MM)	75,558.0	FY12E
(-) Net Debt (Rs MM)	111,805.5	FY12E
Equity (Rs MM)	94,190.6	
NOSH (MM)	86.3	
Target Price (Rs)	1,090.0	

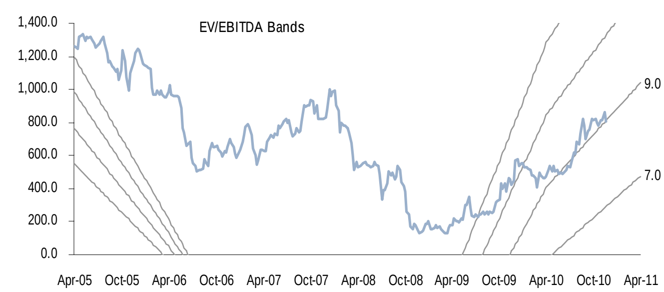
Source: J.P. Morgan estimates.

Figure 8: JETIN EV/EBITDAR bands (x)



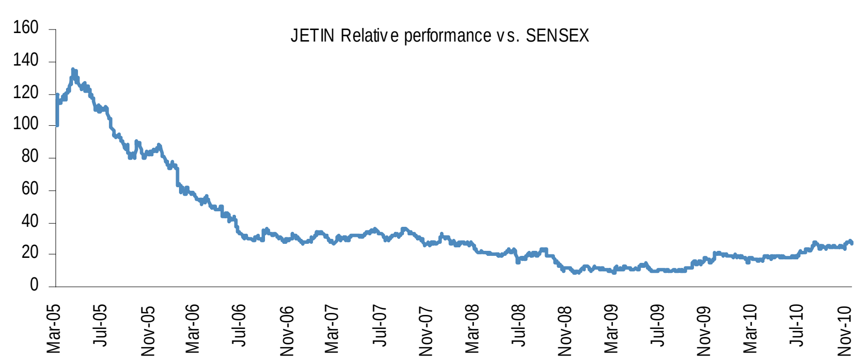
Source: Company reports, J.P. Morgan estimates.

Figure 9: JETIN EV/EBITDA bands (x)



Source: Company reports, J.P. Morgan estimates.

Figure 10: Jet Airways relative stock performance vs. BSE SENSEX (Base-Mar-05)



Source: Bloomberg.

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Table 5: Jet Airways vs. Asian peer group

	Rtg	Ccy	Price	P/E		P/BV		EV/EBITDA		EV/EBITDAR		EPS Growth (%)		ROE (%)	
Airline				2010E	2011E	2010E	2011E	2010E	2011E	2010E	2011E	2010E	2011E	2010E	2011E
Jet	OW	INR	805.4	26.6	8.6	3.5	2.5	9.7	7.4	8.6	7.5	130%	575%	7.7%	24.1%
Kingfisher	OW	INR	66.8	nm	11.9	nm	nm	46.8	6.3	13.0	7.4	nm	nm	nm	12.0%
Spicejet	OW	INR	82.2	12.4	12.5	3.4	3.4	11.8	8.6	8.5	6.3	325%	-1%	36.5%	26.9%
Indian Average				19.5	11.0	3.4	2.9	22.8	7.4	10.0	7.1	227%	287%	22%	21%
Air Arabia	NR	AED	0.78	11.8	9.9	0.7	0.7	7.9	5.9	7.5	6.4	-32%	20%	6.3%	6.8%
AirAsia	NR	MYR	2.65	9.5	8.4	2.2	1.7	8.7	7.3	8.6	7.3	25%	13%	26.3%	22.4%
Air China - H	OW	HKD	10.12	10.2	10.0	2.8	2.3	10.0	8.9	9.7	8.7	nm	3%	31.8%	23.7%
Air New Zealand	NR	NZD	1.38	13.1	8.7	0.9	0.9	3.1	2.6	4.3	3.8	nm	50%	6.9%	10.5%
All Nippon Airways	N	JPY	296.0	nm	24.8	1.5	1.4	9.0	6.7	8.5	6.8	nm	nm	-1.7%	6.3%
Asiana	NR	KRW	9400	4.7	4.6	1.5	1.2	5.5	5.4	5.9	5.8	nm	3%	40.0%	27.7%
CAL	N	TWD	24.35	8.3	10.4	2.1	1.8	9.0	8.5	8.6	8.2	nm	-20%	27.8%	20.0%
Cathay	OW	HKD	22.65	8.2	9.1	1.7	1.6	6.4	6.4	6.4	6.5	nm	-10%	24.3%	17.7%
Cebu Air, Inc	OW	PHP	125.50	12.7	10.0	4.7	3.2	9.7	7.7	9.2	7.6	nm	28%	54.2%	39.5%
China East - H	N	HKD	4.58	9.7	10.2	3.8	2.7	9.4	9.1	9.0	8.8	nm	-4%	70.1%	28.8%
China Sthn - H	UW	HKD	5.67	9.4	11.2	1.9	1.6	10.0	9.9	9.2	9.1	nm	-17%	25.1%	15.1%
EVA	N	TWD	34.70	7.8	9.0	2.3	1.8	8.2	8.2	8.0	8.0	nm	-13%	34.0%	23.7%
KAL	N	KRW	71000	8.1	7.5	1.5	1.2	7.4	7.3	7.4	7.3	nm	8%	19.8%	18.1%
MAS	NR	MYR	2.09	nm	16.1	1.9	1.7	16.8	7.9	16.8	7.9	nm	nm	4.9%	12.8%
Qantas	OW	AUD	2.63	16.6	8.7	0.9	0.9	4.1	3.9	4.7	4.4	nm	90%	5.7%	10.3%
SIA	OW	SGD	15.42	16.8	11.4	1.3	1.2	4.7	3.9	5.0	4.3	nm	48%	7.7%	10.8%
THAI	NR	THB	55.00	10.0	10.1	1.5	1.3	6.1	5.0	6.2	5.1	nm	-1%	16.9%	13.2%
Tiger	NR	SGD	1.89	18.6	12.7	5.2	3.7	17.7	11.3	12.3	9.8	480%	47%	nm	32.9%
Virgin Blue	N	AUD	0.43	18.3	8.8	1.0	0.9	5.4	4.2	5.9	5.0	235%	109%	5.6%	10.3%
Asian sector Average				11.4	10.6	2.1	1.7	8.4	6.8	8.1	6.9	177%	21%	22.5%	18.5%

Source: Bloomberg, company reports, J.P. Morgan estimates. Consensus estimates for non-rated companies. *EV/EBITDAR has been adjusted for the capitalization of aircraft operating leases.
**For Spicejet, Jet Airways and Kingfisher, 2010E indicates year ending Mar-2011 and 2011E indicates year ending Mar-2012. Valuations are as on COB 30/11/2010.

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Company description

Jet Airways (India) Limited is a leading private airline operator. It operates over 380 flights daily to 63 destinations within India and overseas. It has a fleet of 88 aircraft, which includes 10 Boeing 777-300 ER aircrafts, 12 Airbus A330-200 aircraft, 52 Boeing 737-400/700/800/900 aircraft and 14 ATR 72-500 turboprop aircraft.

In 2007, Jet Airways acquired low-cost carrier Sahara Airlines and changed its name to Jet Lite. Jet Lite operates a fleet of 25 aircraft, comprised of 18 Boeing 737 series and seven CRJ 200 series. It flies to 28 domestic destinations and two international destinations (Kathmandu and Colombo), operating an average of 110 flights a day. Jet Airways also started its own low-cost service, "Jet Konnect" in mid-2009-10 to compete with low-cost carriers and maintain its market share. Jet has since than converted about 65% of its domestic capacity to a low-cost carrier model.

Jet Airways (together with Jet Lite) had a domestic market share of 25.7% and international market share of 33.9% for FY10.

Management background

Jet Airways commenced operations in 1993, founded by Chairman Mr. Naresh Goyal. Currently, day-to-day operations are managed by Mr. Nikos Kardassis, CEO, Mr. Saroj K. Datta, ED, Capt. Hameed Ali, COO, and Mr. M. Shivkumar, Sr. VP-Finance. As of end of March-2010, Jet Airways had five independent directors on its board out of eight.

Shareholding trend

As of the end of Sep-2010, promoter shareholding in the company was 80%, and FII holdings were 7%. Shareholding trends over the past three years are enumerated below.

Table 6: Jet Airways shareholding trends (%)

(in %)	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Promoter holding	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0
Public shareholding														
Institutions	16.6	16.8	16.9	16.5	16.4	16.2	13.8	10.3	12.3	12.3	15.9	15.2	15.6	16.8
Mutual Funds	2.2	3.0	2.8	2.7	2.6	2.4	5.0	3.1	3.9	3.7	4.8	5.2	5.9	6.5
Financial Insti.	0.5	0.3	0.4	0.5	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Insurance Co	4.1	3.5	3.3	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.0
FIIs	9.7	9.9	10.5	10.1	10.3	10.4	5.3	3.8	5.0	5.2	7.7	6.7	6.4	7.1
Non-Institutions	3.3	2.8	2.9	3.4	3.5	3.6	5.8	9.3	7.3	6.5	3.9	4.4	4.2	3.0
Corporates	0.6	0.4	0.6	0.9	0.9	1.0	2.3	5.9	3.3	2.5	1.0	1.1	1.3	0.6
Individuals	2.7	2.4	2.3	2.5	2.6	2.7	3.5	3.5	4.0	4.0	2.9	3.3	2.9	2.4
Others	0.2	0.5	0.1	0.1	0.1	0.1	0.5	0.4	0.4	1.2	0.2	0.4	0.2	0.2
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: BSE website.

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Financial Analysis

Strong pickup in earnings in FY10-FY13E

We estimate net profits to increase from Rs2.6B in FY11 to Rs8.0B in FY13E

We estimate a strong pickup in earnings for JETIN in FY10-FY13E. We estimate net profits to increase from Rs2.6B in FY11E to Rs8.0B in FY13E. We estimate an increase in passenger capacity by 39% and yield improvement of 12% over FY10-FY13E. We are assuming load factors will remain stable at 78% during FY11E-FY13E with rising demand met with an increase in capacity. We forecast EBITDA margins to improve from 8.9% in FY10 to 12.6% in FY13E, driven by operating leverage and improving efficiencies.

Figure 11: JETIN EBITDA trends FY07-FY13E

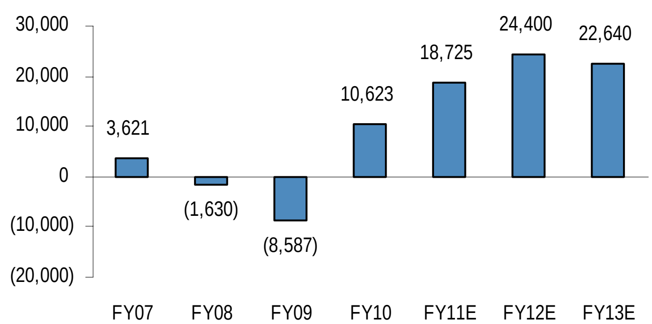
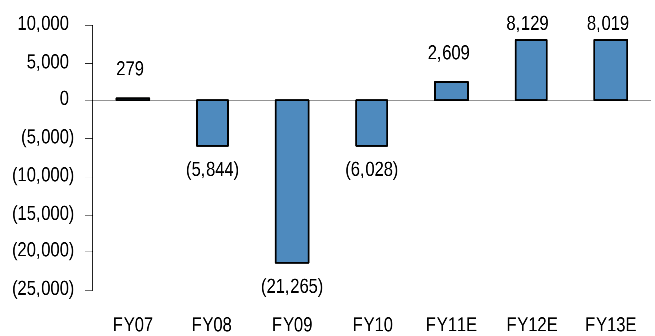


Figure 12: JETIN PAT trends FY07-13E

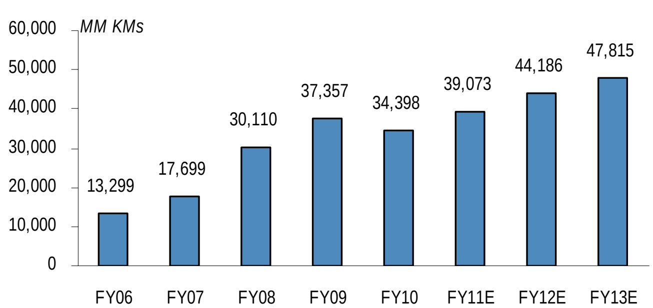


Source: Company data, J.P. Morgan estimates

Revenue CAGR of 15% over FY10-FY13E

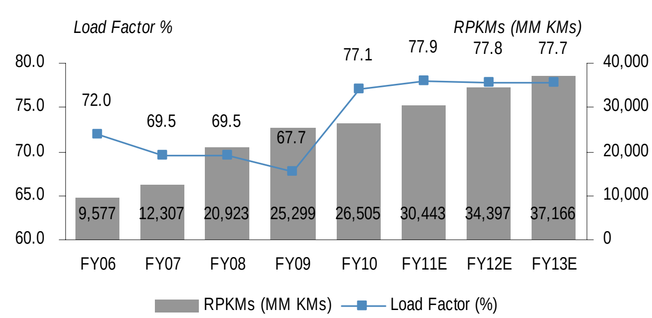
We forecast a CAGR of 15% in revenues over FY10-FY13E. We expect revenue growth will be driven by 12% CAGR in RPKMs and 3.9% CAGR in yields over the same period.

Figure 13: Jet Airways ASKMs trend FY06-FY13E



Source: Company reports and presentations, J.P Morgan estimates.

Figure 14: Jet Airways RPKMs and load factor



Source: Company reports and presentations, J.P Morgan estimates.

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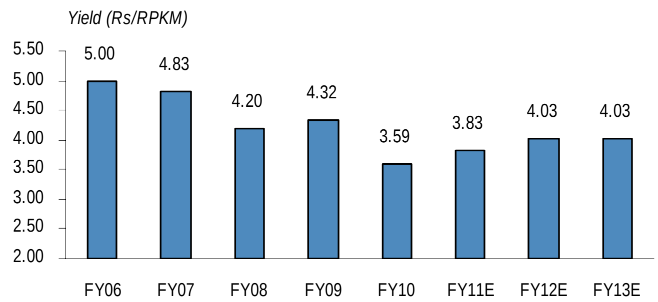
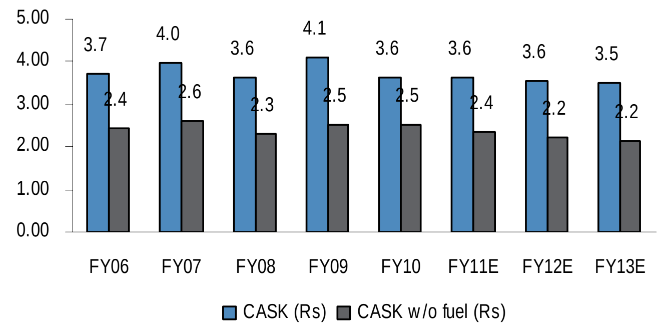
Figure 15: Jet Airways yield (Rs.RPKM) trends FY06-FY13E



Source: Company reports and presentations, J.P Morgan estimates.

Figure 16: Jet Airways CASK trends FY06-FY13E



Source: Company reports and presentations, J.P Morgan estimates.

Improvement in EBITDAR margins to be driven by improvement in yields and turnaround of Jetlite operations

EBITDAR CAGR of 16% over FY10-FY13E

We forecast EBITDAR CAGR of 16% over FY10-FY13E and forecast margins to improve by 50bps to 19.2% over the same period. We estimate margin improvement will be driven by yield improvement and turnaround of Jetlite operations.

Table 7: Key revenue and cost assumptions (Rs/ASKM)

(in Rs/ASKM)	FY09	FY10	FY11E	FY12E	FY13E
Passenger Revenues	3.1	2.9	3.7	3.8	3.7
% YoY	*0.1*	*(7.1)*	*26.5*	*3.4*	*(1.6)*
Other Operating revenues	0.4	0.6	0.6	0.5	0.5
Total Revenues	3.5	3.5	4.3	4.3	4.2
Operating Costs	3.7	3.1	3.2	3.3	3.3
% YoY	*7.9*	*(15.7)*	*2.0*	*1.6*	*0.5*
Lease Rentals	0.3	0.3	0.3	0.2	0.2
Variable Lease rentals	0.1	0.1	0.1	0.1	0.1
Fuel cost	1.6	1.1	1.2	1.3	1.4
Employee Costs	0.4	0.4	0.4	0.4	0.4
Landing, Navigation & Other Airport Charges	0.3	0.3	0.3	0.3	0.3
Aircraft Maintenance charges	0.3	0.2	0.2	0.2	0.2
Other Operating Costs	0.8	0.7	0.7	0.7	0.7
Costs including depreciation & Net Interest	4.1	3.6	3.6	3.6	3.5
% YoY	*12.0*	*(11.3)*	*(0.3)*	*(1.4)*	*(1.1)*

Source: Company reports and presentations, J.P Morgan estimates.

Earnings sensitive to load factors, yields and oil prices

We enumerate below earnings sensitivity for Jet Airways to load factors, yields and oil prices.

We estimate every 1% change in load factors would impact FY12E EBITDAR and PAT by 6% and 21%, respectively.

Table 8: FY12 EBITDAR and FY12 PAT Sensitivity to changes in passenger load factors

		EBITDAR (Rs MM)	% Change	PAT (Rs MM)	% Change
	-5%	25199.1	*-28.4*	-203.2	*-102.5*
	-4%	27205.2	*-22.7*	1463.3	*-82.0*
	-3%	29176.0	*-17.1*	3129.8	*-61.5*
	-2%	31182.1	*-11.4*	4796.4	*-41.0*
	-1%	33188.2	*-5.7*	6462.9	*-20.5*
Base Case - 77.9%		*35194.3*	*0.0*	*8129.4*	*0.0*
	1%	37200.3	*5.7*	9795.9	*20.5*
	2%	39206.4	*11.4*	11462.5	*41.0*
	3%	41212.5	*17.1*	13129.0	*61.5*
	4%	43183.4	*22.7*	14795.5	*82.0*
	5%	45189.4	*28.4*	16462.1	*102.5*

Source: J.P. Morgan estimates.

We estimate every 1% change in yields would impact FY12E EBITDAR and PAT by 4% and 16%, respectively.

Table 9: FY12 EBITDAR and FY12 PAT sensitivity to changes in yields (Rs/RPKM)

		EBITDAR (Rs MM)	% Change	PAT (Rs MM)	% Change
	-5%	27381.1	*-22.2*	1625.9	*-80.0*
	-4%	28929.7	*-17.8*	2926.6	*-64.0*
	-3%	30513.4	*-13.3*	4227.3	*-48.0*
	-2%	32062.0	*-8.9*	5528.0	*-32.0*
	-1%	33645.7	*-4.4*	6828.7	*-16.0*
Base Case - Rs3.83/RPKM		*35194.3*	*0.0*	*8129.4*	*0.0*
	1%	36742.8	*4.4*	9430.1	*16.0*
	2%	38326.6	*8.9*	10730.8	*32.0*
	3%	39875.1	*13.3*	12031.5	*48.0*
	4%	41458.8	*17.8*	13332.2	*64.0*
	5%	43007.4	*22.2*	14632.9	*80.0*

Source: J.P. Morgan estimates.

We estimate every 1% change in oil price would impact FY12E EBITDAR and PAT by 2% and 6%, respectively.

Table 10: FY12 EBITDAR and FY12 PAT sensitivity to changes in ATF price

		EBITDAR (Rs MM)	% Change	PAT (Rs MM)	% Change
	-5%	37974.6	*7.9*	10454.4	*28.6*
	-4%	37446.7	*6.4*	9991.1	*22.9*
	-3%	36883.6	*4.8*	9527.7	*17.2*
	-2%	36320.5	*3.2*	9064.3	*11.5*
	-1%	35757.4	*1.6*	8592.8	*5.7*
Base Case - Rs36.6/l		*35194.3*	*0.0*	*8129.4*	*0.0*
	1%	34631.2	*-1.6*	7666.0	*-5.7*
	2%	34068.1	*-3.2*	7194.5	*-11.5*
	3%	33504.9	*-4.8*	6731.2	*-17.2*
	4%	32941.8	*-6.4*	6267.8	*-22.9*
	5%	32413.9	*-7.9*	5804.4	*-28.6*

Source: J.P. Morgan estimates.

Gearing to decline, operating cash flows to remain strong

We expect gearing to decline from 4x in FY10 to 2.6 by FY13E

We expect gearing to decline from 4x in FY10 to 2.6 by FY13E. We assume that JETIN would sell and lease back 5 aircraft in FY12E and 4 aircraft in FY13E, which will aid debt reduction. In addition, the company is looking to sell its land parcel in central Mumbai, which could fetch Rs5-5.5B. We have not incorporated the land sale

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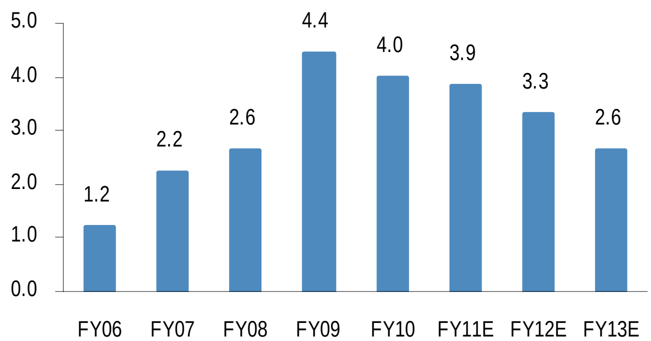
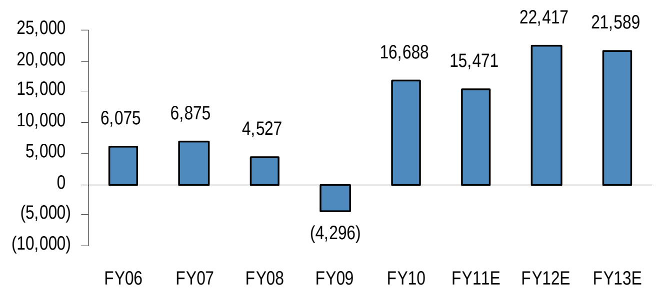
into our estimates. We estimate operating cash flows will pick up from Rs16.7Bin FY10 to Rs21.6B in FY13E.

Figure 17: Jet Airways net debt-to-equity trend (x)



Source: Company reports, J.P. Morgan estimates.

Figure 18: Jet Airways operating cash flow trend (Rs MM)



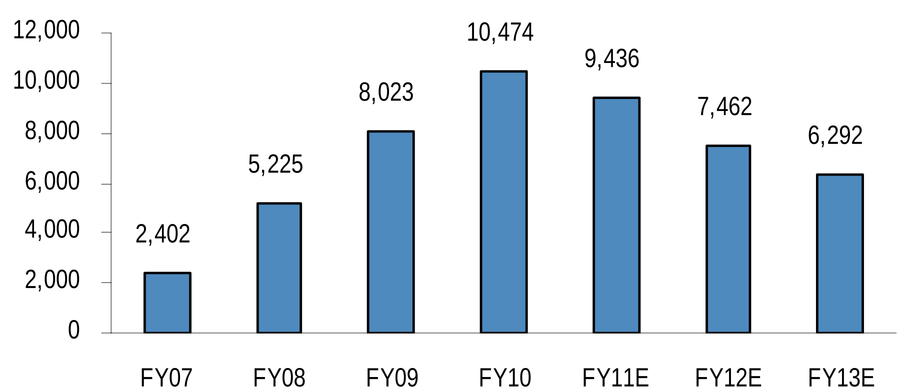
Source: Company reports, J.P. Morgan estimates.

Debt refinance to aid reduction in interest cost

Interest cost to decline from Rs10.5B in FY10 to Rs6.3B by FY13E

JETIN has recently refinanced Rs16B of its INR-denominated debt to USD-denominated debt, reducing the interest cost on refinanced debt from 12.3% to 6.8%. This should lead to annual interest savings of Rs850MM. We estimate JETIN's interest cost to decline from Rs10.5B in FY10 to R7.5B in FY12E and Rs6.3B in FY13E.

Figure 19: JETIN Interest cost trend FY07-FY13E



Source: Company reports, J.P. Morgan estimates.

Potential equity infusion of US$400MM could have upside to our price target

Further reduction in gearing from potential capital raising

JETIN is looking to raise up to US$400MM through a qualified institutional placement (QIP). The fund raising exercise is contingent upon a clearance from FIPB as the current 80% shareholding of the promoters is deemed as foreign shareholding (held through overseas entities), and is higher than the mandated foreign limit of

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49%. We have not factored this into our estimates, but if JETIN were able to raise this equity, it would be able to further reduce its gearing and interest cost. We enumerate below potential changes to our earnings forecasts and forecasted gearing levels assuming infusion of an additional US$400M raised by end FY11E.

Table 11: Potential equity dilution, gearing and EPS under different QIP prices

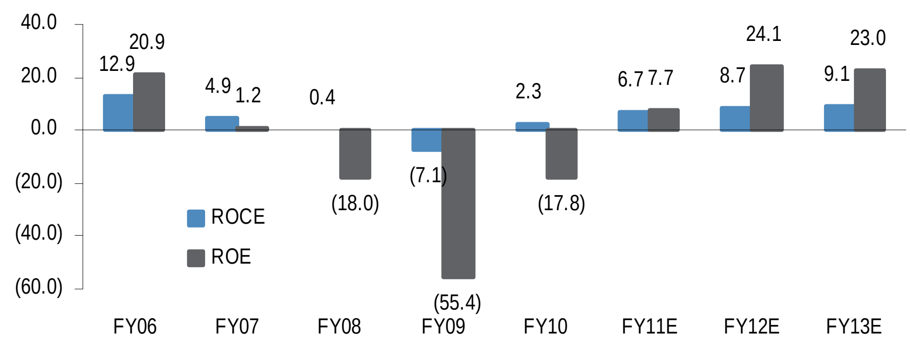
QIP Issue Price Rs	Additional shares issued MM	Potential Dilution %	Gearing	EPS (Rs)	EPS % change *
800	22.5	20.7	1.8	82.8	-12.1
850	21.2	19.7	1.8	83.8	-11.0
900	20.0	18.8	1.8	84.7	-10.0
950	18.9	18.0	1.8	85.6	-9.1

Source: J.P. Morgan estimates, * % change from FY12E JPM estimates of Rs94.16

Capital efficiency ratios to improve on rising profitability

We expect ROCE to improve from 2.3% in FY10 to 9.1% by FY13E and ROE to improve from -17.8% in FY10 to 23.0% by FY13E.

Figure 20: Jet Airways ROCE and ROE trend



Source: Company reports, J.P. Morgan estimates.

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Table 12: JETIN domestic operating parameters and income statement

	FY09	FY10	FY11E	FY12E	FY13E
ASKMs (MM)	10297	9900	11,971	14,097	15,016
RPKMs (MM)	6884	7085	8,858	10,431	11,112
Passenger SF (%)	66.9	71.6	74.0	74.0	74.0
Operating revenue (Rs/RPKM)	6.76	5.25	5.54	5.76	5.76
% YoY change	17.0	-22.3	5.5	4.0	0.0
Rs MM					
Passenger revenues (Rs MM)	46,517.3	37,199.5	49,068.0	60,093.8	64,012.9
% YoY	*-6.0*	*-20.0*	*31.9*	*22.5*	*6.5*
Other Operating Revenues	8033.7	6500.5	8574.5	10501.2	11186.0
% of Passenger revenues	17.3	17.5	17.5	17.5	17.5
Total Revenues	54551.0	43700.0	57642.5	70594.9	75199.0
% YoY	*-5.3*	*-19.9*	*31.9*	*22.5*	*6.5*
Expenditure					
Employees Remuneration & Benefits	7492.0	6665.0	7664.8	8584.5	9443.0
Aircraft Fuel Expenses	20572.0	12785.0	18021.1	21940.9	23678.7
Selling & Distribution Expenses	5963.0	5359.0	5888.2	6610.3	7041.4
Other Operating Expenses	18714.0	12978.0	14512.0	19538.4	21124.4
EBITDAR	1810.0	5913.0	11556.5	13920.8	13911.4
EBITDAR Margin	*3.3*	*13.5*	*20.0*	*19.7*	*18.5*
Aircraft Lease Rentals	*5140.0*	*4386.0*	*4747.3*	*4972.8*	*5854.8*
EBITDA	-3330.0	1527.0	6809.3	8948.0	8056.6
EBITDA margin	*-6.1*	*3.5*	*11.8*	*12.7*	*10.7*

Source: Company presentation, J.P. Morgan estimates.

Table 13: JETIN international operating parameters and Income statement

	FY09	FY10	FY11E	FY12E	FY13E
ASKMs (MM)	21355	19342	22,233	24,826	26,640
RPKMs (MM)	14560	15555	17,787	19,861	21,312
Passenger SF (%)	68.2	80.4	80.0	80.0	80.0
Operating revenue (Rs/RPKM)	3.29	2.75	2.89	3.04	3.04
% YoY change	10.2	-16.2	5.0	5.0	0.0
Rs MM					
Revenues (Rs MM)	47,844	42,839	51,435	60,303	64,711
% YoY	*92.2*	*(10.5)*	*20.1*	*17.2*	*7.3*
Other Operating Revenues	12372.8	17519.8	17629.0	17825.9	16653.8
% of Passenger revenues	*25.9*	*40.9*	*34.3*	*29.6*	*25.7*
Total Revenues	60217.0	60359.0	69063.8	78129.0	81365.1
% YoY	*97.6*	*0.2*	*14.4*	*13.1*	*4.1*
Expenditure					
Employees Remuneration & Benefits	6612.0	5600.0	5600.0	6160.0	6776.0
% YoY Change	*143.0*	*-15.3*	*0.0*	*12.0*	*12.0*
Aircraft Fuel Expenses	28577.0	18732.0	23590.2	28709.0	32120.0
Selling & Distribution Expenses	5019.0	4490.0	5400.7	6331.8	6794.7
Other Operating Expenses	17404.0	17132.0	18673.9	19981.1	20980.1
EBITDAR	2605.0	14405.0	15799.1	16947.1	14694.3
EBITDAR Margin	*4.3*	*23.9*	*22.9*	*21.7*	*18.1*
Aircraft Lease Rentals	1989.0	3931.0	3951.6	2822.4	2822.4
EBITDA	616.0	10474.0	11847.5	14124.7	11871.9
EBITDA margin	*1.0*	*17.4*	*17.2*	*18.1*	*14.6*

Source: Company presentation, J.P. Morgan estimates.

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Table 14: Jetlite operating parameters and income statement

	FY09	FY10	FY11E	FY12E	FY13E
ASKMs (Million)	5,705	5,156	4,869	5,263	6,158
RPKMs (Million)	3,855	3,865	3,798	4,105	4,742
Passenger SF (%)	67.6	75.0	78.0	78.0	77.0
Operating revenue (Rs/RPKM)	3.88	3.90	4.21	4.42	4.42
% YoY change	14.7	0.3	8.0	5.0	0.0
Rs MM					
Revenues (Rs MM)	14,968	15,055	15,977	18,135	20,946
% YoY	*10.3*	*0.6*	*6.1*	*13.5*	*15.5*
Other Operating Revenues	1,041.3	99.8	1,278.2	1,450.8	1,675.7
% of Passenger revenues	*7.0*	*0.7*	*8.0*	*8.0*	*8.0*
Total Revenues	16,009.0	15,155.0	17,255.2	19,585.5	22,621.7
% YoY					
Expenditure					
Employees Remuneration & Benefits	1,738.2	1,504.0	1,729.6	1,643.1	1,725.3
Aircraft Fuel Expenses	9,385.0	6,066.0	6,934.0	8,561.2	9,568.4
Selling & Distribution Expenses	1,058.1	1,129.0	1,198.3	1,269.4	1,466.2
Other Operating Expenses	6,116.7	4,206.0	4,206.0	3,785.4	3,974.7
EBITDAR	(2,289.0)	2,250.0	3,187.3	4,326.4	5,887.1
EBITDAR Margin	*(14.3)*	*14.8*	*18.5*	*22.1*	*26.0*
Aircraft Lease Rentals	3,300.9	3,274.0	3,118.6	2,998.8	3,175.2
EBITDA	(5,589.9)	(1,024.0)	68.8	1,327.6	2,711.9
EBITDA margin	*(34.9)*	*(6.8)*	*0.4*	*6.8*	*12.0*

Source: Company presentation, J.P. Morgan estimates.

Table 15: Jet Airways consolidated income statement

Rs MM	FY09	FY10	FY11E	FY12E	FY13E
Revenues	130,779.0	118,763.5	143,961.5	168,309.5	179,185.8
Operating Expenses	(128,937.2)	(96,549.5)	(113,418.6)	(133,115.2)	(144,692.9)
EBITDAR	1,841.8	22,214.0	30,542.9	35,194.3	34,492.9
EBITDAR Margin	*1.4*	*18.7*	*21.2*	*20.9*	*19.2*
Lease Rentals	(10,428.6)	(11,590.8)	(11,817.4)	(10,794.0)	(11,852.4)
EBITDA	(8,586.8)	10,623.2	18,725.5	24,400.3	22,640.5
EBITDA Margin	*(6.6)*	*8.9*	*13.0*	*14.5*	*12.6*
Depreciation	(9,020.9)	(9,690.7)	(9,798.3)	(9,517.0)	(9,244.8)
Interest	(8,022.5)	(10,473.7)	(9,436.3)	(7,462.3)	(6,292.3)
Other Income	3,709.6	3,617.1	3,255.4	3,418.2	3,589.1
Profit Before tax	(21,920.6)	(5,924.1)	2,746.3	10,839.2	10,692.4
Tax (expense)/Income	655.8	(103.6)	(137.3)	(2,709.8)	(2,673.1)
PAT	(21,264.8)	(6,027.7)	2,609.0	8,129.4	8,019.3
Exceptionals	11,650.7	1,825.9	0.0	0.0	0.0
PAT (Reported)	(9,614.1)	(4,201.8)	2,609.0	8,129.4	8,019.3
FD EPS	*(111.4)*	*(48.7)*	*30.2*	*94.2*	*92.9*
Pre-exceptional EPS	*(246.3)*	*(69.8)*	*30.2*	*94.2*	*92.9*

Source: Company reports, J.P. Morgan estimates.

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Table 16: Jet Airways consolidated balance sheet

Rs MM	FY09	FY10	FY11E	FY12E	FY13E
Shareholders Funds	34,183.9	33,710.6	33,710.6	33,710.6	36,053.3
Share Capital	863.3	863.3	863.3	863.3	863.3
Convertible share warrants	0.0	0.0	0.0	0.0	0.0
Reserves and Surplus	14,697.6	14,697.5	14,697.5	19,242.5	25,365.2
Revaluation Reserve	18,623.0	18,149.8	18,149.8	13,604.8	9,824.8
Minority Interest	0.0	0.0	0.0	0.0	0.0
Loan Funds	166,340.0	142,803.9	134,803.9	114,803.9	96,803.9
Secured Loans	50,363.9	43,065.6	43,065.6	33,065.6	23,065.6
Unsecured Loans	115,976.1	99,738.3	91,738.3	81,738.3	73,738.3
Deferred payments towards acquisition	2,750.0	1,375.0	1,375.0	1,375.0	1,375.0
Deferred tax liability					
TOTAL	203,273.9	177,889.5	169,889.5	149,889.5	134,232.2
Fixed Assets	169,519.1	147,886.7	139,421.5	126,826.0	115,374.4
Gross Block	188,449.8	180,110.2	182,110.2	179,565.2	177,785.2
Less: Depreciation	25,501.6	35,558.0	45,356.3	54,873.3	64,118.1
Net Block	162,948.2	144,552.2	136,753.9	124,691.9	113,667.1
CWIP	6,570.9	3,334.5	2,667.6	2,134.1	1,707.3
Goodwill on Consolidation	18,723.9	18,723.9	18,723.9	18,723.9	18,723.9
Deferred Tax Asset					
Investments	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Current Assets, Loans and Advances	42,942.9	39,063.2	36,096.9	39,395.2	41,251.0
Inventories	6,963.1	6,975.2	7,665.0	8,961.3	9,540.4
Sundry Debtors	8,075.3	8,764.9	8,889.3	10,392.7	11,064.3
Cash and Bank Balance	14,662.0	8,264.0	4,965.2	2,998.4	2,502.2
Other current assets	0.0	0.0	0.0	0.0	0.0
Loans & Advances	13,242.5	15,059.1	14,577.3	17,042.8	18,144.1
Less: Current Liabilties & Provisions	41,125.2	45,199.3	39,158.8	41,732.2	42,117.1
Current Liabilties	38,917.1	43,333.2	37,479.3	40,220.7	40,756.7
Provisions	2,208.1	1,866.1	1,679.5	1,511.5	1,360.4
Net Current Assets	1,817.7	(6,136.1)	(3,061.9)	(2,337.0)	(866.0)
Profit and Loss account	12,213.2	16,415.0	13,806.0	5,676.6	0.0
Total	203,273.9	177,889.5	169,889.5	149,889.5	134,232.2

Source: Company reports, J.P. Morgan estimates.

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Table 17: Jet Airways consolidated cash flow statement

Rs MM	FY09	FY10	FY11E	FY12E	FY13E
PBT	(10,269.9)	(4,098.2)	2,746.3	10,839.2	10,692.4
Direct Taxes paid/ Refund	(829.7)	(742.9)	(137.3)	(2,709.8)	(2,673.1)
Depreciation	9,020.9	9,690.7	9,798.3	9,517.0	9,244.8
Change in Working Capital	1,728.2	4,638.2	(6,373.0)	(2,691.8)	(1,967.2)
Other Non Cash Items	(3,946.0)	7,200.6	9,436.3	7,462.3	6,292.3
Operating Cash Flows	(4,296.5)	16,688.4	15,470.6	22,416.9	21,589.3
Capex	(10,516.0)	(620.4)	(1,333.1)	(1,466.5)	(1,573.2)
Proceeds from sale of assets	10,870.4	5.8	0.0	4,545.0	3,780.0
Change in Investments	(872.9)	12.4	0.0	0.0	0.0
Other Investing Activities	(9,074.3)	2,779.7	0.0	0.0	0.0
Cash flow from Investing	(9,592.8)	2,177.5	(1,333.1)	3,078.5	2,206.8
Change in Debt	19,621.0	(11,439.2)	(8,000.0)	(20,000.0)	(18,000.0)
Equity Issued	0.0	0.0	0.0	0.0	0.0
Dividends Paid	0.0	(0.1)	0.0	0.0	0.0
Interest Paid	(8,778.3)	(10,184.9)	(9,436.3)	(7,462.3)	(6,292.3)
Other					
Cash Flow from Financing	10,842.7	(21,624.2)	(17,436.3)	(27,462.3)	(24,292.3)
Change in Cash	(3,046.6)	(2,758.3)	(3,298.8)	(1,966.9)	(496.2)
Cash at Beginning of the Year	17,708.6	11,022.3	8,264.0	4,965.2	2,998.4
Cash at End of Year	14,662.0	8,264.0	4,965.2	2,998.4	2,502.2
Add: Escrow account					
Cash as reported in Balance sheet	14,662.0	8,264.0	4,965.2	2,998.4	2,502.2

Source: Company reports, J.P. Morgan estimates.

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Jet Airways (India) Ltd.: Summary of Financials

Income Statement					
Rs in millions, year end Mar	FY09	FY10	FY11E	FY12E	FY13E
Revenues	130,779	118,764	143,962	168,309	179,186
% change Y/Y	53.7%	(9.2%)	21.2%	16.9%	6.5%
Gross Profit	29,725	46,961	58,024	65,793	67,739
% change Y/Y	-6.0%	58.0%	23.6%	13.4%	3.0%
EBITDA	22,305	10,623	18,725	24,400	22,640
% change Y/Y	426.9%	-223.7%	76.3%	30.3%	-7.2%
EBIT	-17,608	933	8,927	14,883	13,396
% change Y/Y	82.5%	NM	857.3%	66.7%	NM
EBIT Margin	-13.5%	0.8%	6.2%	8.8%	7.5%
Net Interest	-8,022	-10,474	-9,436	-7,462	-6,292
Earnings before tax	-21,921	-5,924	2,746	10,839	10,692
% change Y/Y	195.4%	-73.0%	-146.4%	294.7%	-1.4%
Tax	656	-104	-137	-2,710	-2,673
as % of EBT	3.0%	1.7%	5.0%	25.0%	25.0%
Net income	-21,265	-6,028	2,609	8,129	8,019
% change Y/Y	263.9%	-71.7%	-143.3%	211.6%	-1.4%
Shares outstanding	-	-	-	-	-
EPS (reported)	(246.31)	(69.82)	30.22	94.16	92.89
% change Y/Y	230.0%	(211.0%)	(143.3%)	211.6%	(1.4%)

Cash flow statement					
Rs in millions, year end Mar	FY09	FY10	FY11E	FY12E	FY13E
PBT	-21,921	-5,924	2,746	10,839	10,692
Depr. & amortization	9,021	9,691	9,798	9,517	9,245
Change in working capital	1,728	4,638	-6,373	-2,692	-1,967
Other	-3,946	7,201	9,436	7,462	6,292
Cash flow from operations	-4,296	16,688	15,471	22,417	21,589
Capex	354	-615	-1,333	3,079	2,207
Net Interest	-8,022	-10,474	-9,436	-7,462	-6,292
Other	-9,074	2,780	0	0	0
Free cash flow	-3,942	16,074	14,138	25,495	23,796
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	19,621	-11,439	-8,000	-20,000	-18,000
Other	-8,778	-10,185	-9,436	-7,462	-6,292
Dividends paid	0	-0	0	0	0
Beginning cash	6,945	3,898	1,140	-2,159	-4,126
Ending cash	14,662	8,264	4,965	2,998	2,502
DPS	0.00	0.00	0.00	0.00	0.00

Balance sheet					
Rs in millions, year end Mar	FY09	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	14,662	8,264	4,965	2,998	2,502
Accounts receivable	8,075	8,765	8,889	10,393	11,064
Inventories	6,963	6,975	7,665	8,961	9,540
Others	13,242	15,059	14,577	17,043	18,144
Current assets	42,943	39,063	36,097	39,395	41,251
LT investments	1,000	1,000	1,000	1,000	1,000
Net fixed assets	169,519	147,887	139,421	126,826	115,374
Total Assets	244,399	223,089	209,048	191,622	176,349
Liabilities					
Short-term loans	0	0	0	0	0
Payables	38,917	43,333	37,479	40,221	40,757
Others	2,208	1,866	1,679	1,512	1,360
Total current liabilities	41,125	45,199	39,159	41,732	42,117
Long-term debt	166,340	142,804	134,804	114,804	96,804
Other liabilities	2,750	1,375	1,375	1,375	1,375
Total Liabilities	210,215	189,378	175,338	157,911	140,296
Shareholders' equity	34,184	33,711	33,711	33,711	36,053
BVPS	395.95	390.47	390.47	390.47	417.60

Ratio Analysis					
Rs in millions, year end Mar	FY09	FY10	FY11E	FY12E	FY13E
Gross margin	22.7%	39.5%	40.3%	39.1%	37.8%
EBITDA margin	17.1%	8.9%	13.0%	14.5%	12.6%
Operating margin	(13.5%)	0.8%	6.2%	8.8%	7.5%
Net margin	-16.3%	-5.1%	1.8%	4.8%	4.5%
Sales per share growth	27.6%	(9.2%)	21.2%	16.9%	6.5%
Sales growth	53.7%	(9.2%)	21.2%	16.9%	6.5%
Net profit growth	263.9%	-71.7%	-143.3%	211.6%	-1.4%
EPS growth	230.0%	(211.0%)	(143.3%)	211.6%	(1.4%)
Interest coverage (x)	1.07	1.01	1.98	3.27	3.60
Net debt to equity	251.6%	399.1%	385.2%	331.7%	261.6%
Working Capital to Sales	(18.3%)	(23.2%)	(14.5%)	(12.4%)	(11.2%)
Sales/assets	0.57	0.51	0.67	0.84	0.97
Assets/equity	7.15	6.62	6.20	5.68	4.89
ROE	13.5%	(17.8%)	7.7%	24.1%	23.0%
ROCE	8.2%	0.5%	5.2%	9.4%	9.5%

Source: Company reports and J.P. Morgan estimates.

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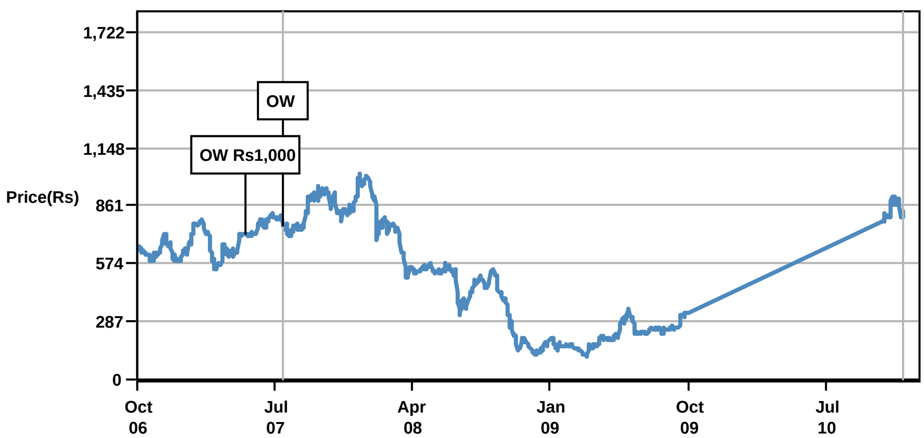
Jet Airways (India) Ltd. (JET.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
03-May-07	OW	721.50	1000.00
19-Jul-07	OW	761.45	--

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
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