



INDIA RESEARCH

Jet Airways

Rs398
NEUTRAL
RESULT NOTE
Mkt Cap: Rs34.4bn; US\$747m

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Result: Q2FY10

Comment: This can fly!

Key valuation metrics

Rs Mn	Net Sales	yoy chg (%)	Net profit *	yoy chg (%)	EPS (Rs)	yoy chg (%)	PER (x)
FY08	102,456	45	(6,539)	NA	(75.7)	(2441)	(5.3)
FY09	130,778	28	(9,197)	NA	(106.5)	41	(3.7)
FY10E	107,936	(17)	(11,592)	NA	(134.3)	26	(3.0)
FY11E	121,566	13	2,501	NA	29.0	(122)	13.7

KEY HIGHLIGHTS OF Q2FY10 RESULTS AND POST RESULTS CONFERENCE CALL HOSTED BY US

- Jet Airways reported numbers for Q2FY10, with consolidated revenues declining by 26% at Rs26.3bn (our estimates at Rs25.3bn), EBITDA loss of Rs736mn (estimates of loss at Rs546m) and net loss pre – exceptional at Rs5bn (estimates of loss at Rs4.6bn),
- Standalone revenues for Q2FY10 declined by 26% at Rs23.3bn, EBITDA of Rs443m and pre-exceptional net loss of Rs3.7bn, with domestic operations at a net loss of Rs3.6bn, international operations at a net loss of Rs231m. Exceptional expense of Rs345m from MTM derivatives resulted in a reported net loss of Rs4bn.
- For the quarter, Jetlite has reported a revenue decline of 29% at Rs3bn, EBITDA loss of Rs1.2bn. At the net level, Jetlite reported a loss of Rs1.3bn.
- The quarter included the impact aircraft grounding costs to the tune of \$3.5m.
- There was a strike by Indian pilots during the second week of September, which impacted 5 days of operations (8th September to 12th September 2009), which led to the cancellation of 1,294 domestic and 184 international flights. The estimated revenue loss on account of such strike was ~ \$16.0m
- Revenue from leased aircrafts to come off in H2FY10 – Revenues from international operations in the quarter include ~Rs2.5bn from lease incomes. However Sept onwards, 6 out of the 9 aircrafts currently on lease with various operators in the gulf is expected to come off.
- Balance sheet stretched - Jet reported consolidated gross debt at \$3.1bn (\$2.2bn is aircraft debt) and cash at \$75m. The current payment obligations amount to ~\$330m which includes repayment of debt, payment to creditors and pending obligation to SICCI towards Jetlite.
- Plans for capital infusion; ability to raise funds is a key moniterable – Jet Airway's plans to raise \$400m through sale of fresh shares to qualified foreign institutions; however the airline still needs to approval of FIPB and the Union cabinet. Further the airline plans to do a sale and lease back of ~8-10 aircrafts and generate ~\$80m (management expects to generate \$10-12m per asset, net of loan repayment). Jet also plans to infuse liquidity in its books through sale of its land bank. The ability for Jet to fund itself remains the key concern.

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The worst for aviation is clearly over. With no significant capacity additions and traffic returning back into the system (passenger traffic for the industry, reported a 31% increase yoy in the month of September), yields for the industry are expected to improve going ahead. With the macro-environment turning optimistic and the cost curve of the industry at it bare bones, we expect the cash losses of Jet to get limited, marking the beginning of a turnaround. However, with consolidated debt at \$3.1bn and payment obligations at ~\$330m, capitalization concerns continue to dominate. Jets ability to raise funds through a QIP, sale and lease back of assets and sale of it's land bank remains a critical moniterable going ahead. Maintain neutral.

Domestic - Operational parameters

Domestic	Q2FY10	Q2FY09	yoy change (%)
Number of Departures	24,647	27,730	(11)
ASKMs Mio	2,314	2,621	(12)
RPKMs Mio	1,614	1,753	(8)
Passenger Load Factor %	69.8	66.9	4
Revenue Passengers	1,910,000	2,048,397	(7)
Break Even S.F %	104.0	77.7	34
Gross Yield (in INR) incl.YQ	4,080	6,697	(39)

International – Operational parameters

International	Q2FY09	Q2FY10	yoy change (%)
Number of Departures	6,878	6,784	1
ASKMs Mio	4,600	5,795	(21)
RPKMs Mio	3,708	3,827	(3)
Passenger Load Factor %	80.6	66.0	22
Revenue Passengers	880,000	778,414	13
Break Even S.F %	82.5	86.0	(4)
Gross Yield (in INR) incl.YQ	12,068	18,459	(35)

Quarterly standalone, annual consolidated

Rs Mn	Q2FY09	Q3FY09	Q4FY09	FY09	Q1FY10	Q2FY10	FY10E	FY11E
Net Sales	31,213	30,228	24,657	130,778	23,712	23,250	107,936	121,566
%yoy	72	25	(11)	28	(17)	(26)	(17)	13
EBITDAR	(1,881)	3,578	5,140	2,101	3,910	2,459	15,981	28,082
EBITDAR	(6)	12	21	2	16	11	15	23
EBITDA	(3,505)	1,648	3,073	(8,329)	1,818	443	6,000	20,565
EBITDA	(11)	5	12	(6)	8	2	6	17
Depreciation	2,082	2,488	2,439	9,021	2,463	2,359	9,601	9,646
EBIT	(5,587)	(840)	634	(17,350)	(645)	(1,916)	(3,600)	10,919
Interest	1,565	2,059	2,410	8,023	2,436	2,365	9,617	10,044
Other Income	1,367	402	1,006	3,280	572	559	1,626	1,626
Profit before tax	(5,785)	(2,497)	(771)	(22,093)	(2,510)	(3,722)	(11,592)	2,501
Tax	(1,940)	(356)	865	(656)	0	-	-	-
PAT	(3,845)	(2,141)	(1,636)	(21,437)	(2,510)	(3,722)	(11,592)	2,501
%yoy	50	56	76	12	148			
PAT post exceptional items	(3,845.3)	(2,141.1)	529.2	(9,661.8)	(2,253.3)	(4,067.0)	(11,591.8)	2,500.8

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