

Jet Airways Limited

CMP Rs. 483.0
Not Rated

Q1 FY09
Result Update

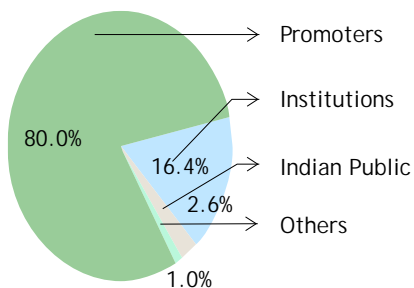
Stock Data

Bloomberg : JETIN.IN
Reuters : JET.BO
BSE Code : 532617
NSE Code : JETAIRWAYS
BSE Group : A

Stock Codes

Benchmark : BSE MID CAP
52 W High : 1049.8
52 W Low : 308.0
Mkt Cap : Rs. 41,679 Mn
Face Value : Rs. 10.0

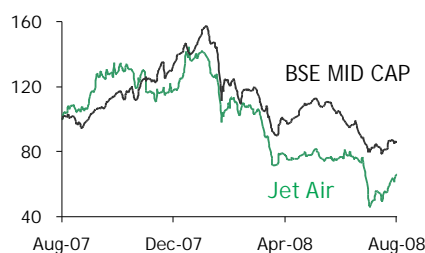
Shareholding Pattern (as on June 08)



Stock Returns

| | 1 Mth | 3 Mths | 6 Mths |
|--------|-------|--------|--------|
| Jet | 34.08 | -17.16 | -41.46 |
| BSEMID | 8.54 | -21.82 | -28.14 |

Price Comparison



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Q1 FY09 Standalone Performance Review

As expected, Jet Airways Ltd. reported very poor set of numbers for the first quarter ended June 2008. India's largest private sector airline saw its Operating Revenues increase marginally by -4% on a Q-o-Q basis. However, with the steep rise in global crude oil prices & the consequential impact it has had on the Aviation Turbine Fuel (ATF) costs, can be clearly seen from Jet's performance. The company witnessed its Fuel Costs rise by 42.5% from Rs. 10,802.1 MN. in Q4FY08 to Rs. 15,392.3 Mn. in Q1FY09. With more than quadruple jump in Selling & Distribution costs over the previous quarter, Jet reported a Operating Loss of Rs. 2,445.7 Mn. for Q1FY09 vis-a-vis an Operating Profit of Rs. 2,121.7 Mn. for Q4FY08. The airline reported a pre-exceptional Net Loss of Rs. 7,724.9 Mn. for the quarter ended June 2008.

During this quarter, the company has changed its method of charging depreciation on Narrow Body Aircrafts from Written Down Value (WDV) to Straight Line Method (SLM). The surplus arising on retrospective computation has aggregated to Rs. 9,158.7 Mn. that has been grouped under Extraordinary Item. Taking this into account, the airline company has reported a positive PAT of Rs. 1,433.8 Mn. for the quarter ended June 2008.

On a Y-o-Y comparison, Jet Airways reported a rise of 58.7% in Operating Revenues from Rs. 18,066.7 Mn. for Q1FY08 to Rs. 28,671.6 Mn. for Q1FY09. The company witnessed a significant rise of 156.7% in Aircraft Fuel Costs & almost 271% in Selling & Distribution Expenses for Q1FY09 over the same quarter last year. The company has also seen its Interest Cost more than double over that of the same quarter last year from Rs. 644.3 Mn. to Rs. 1,346.2 Mn. At pre-exceptional PAT levels, the airline suffered a Net Loss of Rs. 7,724.9 MN. for Q1FY09 vis-a-vis a Profit of Rs. 308.8 Mn. for Q1FY08. The EPS of the company increased from Rs. 3.58 for quarter ended June 2007 to Rs. 16.61 for the quarter ended June 2008, largely due to the Exceptional Item coming from the change in method of charging Depreciation.

Operational Highlights for Q1FY09

- System-wide Average Seat Kilometers (ASKMs) of 8,154 Mn., up 71.4% over Q1FY08;
- System-wide Revenue Passenger Kilometers (RPKMs) of 5,498 Mn., up 67.2% over Q1FY08;

- System-wide Passenger Load Factors (PLFs) achieved - 67.4% v/s 69.1% for Q1FY08;
- 3.15 Mn. Revenue Passengers carried, up 18% over Q1FY08;
- Domestic Operations accounted for 52% of Operating Revenues vis-a-vis 76% for the same quarter last year;
- International Operations accounted for 48% of Operating Revenues vis-a-vis 24% for the same quarter last year;
- The company incurred a cost of Rs. 309 Mn. towards idle aircraft capacity for the quarter, due to the delay in the start of its flights to Shanghai/San Francisco.

Company Profile

Jet Airways is India's largest private sector airline operating both domestic & international services. Jet Airways currently operates 385 flights daily flying to 62 destinations within India & across the globe. It operates a fleet of 85 aircrafts with an average fleet age of 4.3 years, making it the youngest aircraft fleet operator in the world.

Jet currently flies to 18 international destinations including New York (JFK & Newark), Toronto, Brussels, London Heathrow, Singapore, Kuala Lumpur, Colombo, Bangkok among others. It recently started operations to Shanghai & San Francisco. The airline further plans to launch flights to Dubai in August 2008 & to Saudi Arabia by October 2008, completing the first phase of its international expansion.

Since the acquisition of Air Sahara (renamed as Jet Lite) in April 2007, Jet Lite is a wholly owned subsidiary of the company. Jet Lite currently operates a fleet size of 24 aircrafts flying to 31 destinations within India & operating around 127 flights daily. It also flies to Colombo & Kathmandu.

Outlook going forward

The domestic aviation industry in India, which was characterized by huge growth rate over the past few years, is in a consolidation phase with airlines controlling & reducing capacity. Airlines are reportedly going slow on capacity induction & some airlines are pulling out of certain markets/areas. Rising inflation rates & increasing air fares have led to a slowdown in demand for air travel. With ATF prices in India rising every month on the trot for the past few months, including an increase in July & August, the airline companies are expected to have a tough time going forward. The aviation industry in India is expected to report huge losses for the current year. We believe that Jet Airways would not be an exception to this phenomenon, which can be seen in the first quarter results. We maintain our negative stance for the stock.

Jet Airways : Quarterly Standalone Financials

| Earnings Statement | | | | | | | | |
|----------------------------------|-----------|-----------|-----------|----------|----------|-----------|-----------|----------|
| YE March (Rs. Mn.) | Q109 | Q408 | Q-Q(%) | Q108 | Y-Y(%) | FY08 | FY07 | Y-Y(%) |
| Net Revenues | 28,671.6 | 27,599.0 | 3.9% | 18,066.7 | 58.7% | 88,111.0 | 70,577.8 | 24.8% |
| Gross Profit | 28,671.6 | 27,599.0 | 3.9% | 18,066.7 | 58.7% | 88,111.0 | 70,577.8 | 24.8% |
| Aircraft Fuel Expenses | 15,392.3 | 10,802.1 | 42.5% | 5,995.6 | 156.7% | 32,930.3 | 24,276.4 | 35.6% |
| Commission | 0.0 | 2,071.9 | | 1,285.6 | | 6,466.8 | 5,589.0 | 15.7% |
| Employee Remuneration & Benefits | 552.2 | 3,527.8 | 0.7% | 2,634.4 | 34.8% | 12,051.8 | 9,381.2 | 28.5% |
| Other Operating Expenditure | 8,998.9 | 8,386.0 | 7.3% | 5,060.8 | 77.8% | 25,792.0 | 18,832.9 | 37.0% |
| Selling & Distribution Expenses | 3,173.9 | 689.5 | 360.3% | 854.8 | 271.3% | 3,361.8 | 2,419.5 | 38.9% |
| Other Expenses | | | | | | | | |
| Total Expenditure | 31,117.3 | 25,477.3 | 22.1% | 15,831.2 | 96.6% | 80,602.7 | 60,499.0 | 33.2% |
| Operating Profit | (2,445.7) | 2,121.7 | | 2,235.5 | | 7,508.3 | 10,078.8 | -25.5% |
| OPM (%) | -8.53% | 7.69% | | 12.37% | | 8.52% | 14.28% | |
| Forex Gain/(Loss) | 0.0 | (110.6) | | 1,289.9 | | 2,307.7 | 0.0 | |
| Other Income | 319.9 | (218.2) | | 473.7 | -32.5% | 1,248.0 | 1,324.6 | -5.8% |
| EBITDAR | (2,125.8) | 1,792.9 | | 3,999.1 | | 11,064.0 | 11,403.4 | -3.0% |
| Aircraft Lease Rentals | 1,505.7 | 1,482.7 | 1.6% | 1,532.2 | -1.7% | 5,632.8 | 6,458.0 | -12.8% |
| EBITDA | (3,631.5) | 310.2 | | 2,466.9 | | 5,431.2 | 4,945.4 | 9.8% |
| Depreciation | 1,989.9 | 2,502.9 | -20.5% | 1,327.8 | 49.9% | 7,778.0 | 4,141.0 | 87.8% |
| EBIT | (5,621.4) | (2,192.7) | 156.4% | 1,139.1 | | (2,346.8) | 804.4 | |
| Interest | 1,346.2 | 1,549.2 | -13.1% | 644.3 | 108.9% | 4,927.5 | 2,401.5 | 105.2% |
| PBT | (6,967.6) | (3,741.9) | 86.2% | 494.8 | | (7,274.3) | (1,597.1) | 355.5% |
| Tax | 757.3 | (1,530.1) | -149.5% | 186.0 | 307.2% | (1,595.3) | 234.2 | |
| PAT before EI | (7,724.9) | (2,211.8) | 249.3% | 308.8 | | (5,679.0) | (1,831.3) | 210.1% |
| Extra-ordinary Income | 9,158.7 | 0.0 | | 0.0 | | 3,148.4 | 2,110.7 | 49.2% |
| Profit on Sale & Lease Back | 0.0 | 0.0 | | 0.0 | | 3,148.4 | 2,110.7 | 49.2% |
| Other EI | 9,158.7 | 0.0 | | 0.0 | | 0.0 | 0.0 | |
| Reported PAT | 1,433.8 | (2,211.8) | | 308.8 | 364.3% | (2,530.6) | 279.4 | |
| Equity Capital | 863.3 | 863.3 | | 863.3 | | 863.3 | 863.3 | |
| EPS | 16.61 | -25.62 | | 3.58 | 364.3% | -29.31 | 3.24 | |
| Ratio Analysis | | | | | | | | |
| Profitability | | | | | | | | |
| YE March (Rs. Mn.) | Q109 | Q408 | Q-Q(bps) | Q108 | Y-Y(bps) | FY08 | FY07 | Y-Y(bps) |
| OPM (%) | -8.53% | 7.69% | | 12.37% | | 8.52% | 14.28% | (575.9) |
| EBITDA (%) | -12.67% | 1.12% | | 13.65% | | 6.16% | 7.01% | (84.3) |
| EBIT (%) | -19.61% | -7.94% | (1,166.1) | 6.30% | | -2.66% | 1.14% | |
| PAT (%) | -26.94% | -8.01% | (1,892.9) | 1.71% | | -6.45% | -2.59% | (385.1) |
| Operational Parameters | | | | | | | | |
| YE March (Rs. Mn.) | Q109 | Q408 | Q-Q(bps) | Q108 | Y-Y(bps) | FY08 | FY07 | Y-Y(bps) |
| RM Consumed | 0.00% | 0.00% | 0.0 | 0.00% | 0.0 | 0.00% | 0.00% | 0.0 |
| Aircraft Fuel Expenses | 53.68% | 39.14% | 1,454.5 | 33.19% | 2,049.9 | 37.37% | 34.40% | 297.7 |
| Aircraft Lease Rentals | 5.25% | 5.37% | (12.1) | 8.48% | (322.9) | 6.39% | 9.15% | (275.7) |
| Commission | 0.00% | 7.51% | (750.7) | 7.12% | (711.6) | 7.34% | 7.92% | (58.0) |
| Employee Remuneration & Benefits | 12.39% | 12.78% | (39.3) | 14.58% | (219.2) | 13.68% | 13.29% | 38.6 |
| Other Operating Expenditure | 31.39% | 30.39% | 100.1 | 28.01% | 337.4 | 29.27% | 26.68% | 258.8 |
| Selling & Distribution Expenses | 11.07% | 2.50% | 857.2 | 4.73% | 633.8 | 3.82% | 3.43% | 38.7 |
| Other Expenses | 0.00% | 0.00% | 0.0 | 0.00% | 0.0 | 0.00% | 0.00% | 0.0 |
| Effective Tax Rate | -10.87% | 40.89% | | 37.59% | | 21.93% | -14.66% | |

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