

Analyst & Advisor: Abhishek Jain
www.stocksidea.com
+91-98260-41144

*Stocks idea
Equity Research*

Jet Airways India Ltd— BUY—267—INR

Sector — Aviation
Regd.Off.— S. M. Centre, Andheri-Kurla Road, Andheri(E), Mumbai-400059
Listed — NSE, BSE.

Company overview—

Jet Airways is the leading Private airline company in India. After a varied experience and training with airlines such as Lebanese International Airlines and Royal Jordanian Airlines, Naresh Goyal founded Jetair Limited in 1974 with the aim of providing sales and marketing representation to foreign airlines in India. By 1992, Jetair had become one of India's largest GSAs. Seizing the new opportunities in a liberalized economy, Jet Airways (India) Limited came into being on April 1st 1992 with its first flight operating on May 5th 1993 on the Mumbai-Ahmedabad-Mumbai sector. Indian aviation industry is, today, over 50 years old. For more than 40 of these years it was monopolized by the State owned Indian Airlines. In 1992, Government announced its open skies policy, allowing the entry of private airlines. Company has an unbeatable record of on time flights and providing world-class frequent flyer benefits to its customers, through its alliances with British Airways, KLM Royal Dutch Airlines and Northwest Airlines. Company was the first airline in India to receive the World Travel Market Global Award, the world's premier global travel event in London. Company has also won the H&FS Domestic Airline of the Year Award four times and Citibank Diners Club chose it as India's best domestic airline for excellence in service. By doing rapid expansion in the network, company earned the prestigious Air Transport World Award 2001 for Market Development. Company makes every effort to provide service of the highest standard to its customers, both on ground and in-flight, that's why it is the most favorable airline of business class customers. Jet Airways is one of the few airlines in the world to receive the ISO 9001 certification for our in-flight services.

Products & Services—

Jet Airways has achieved this pre-eminent position by offering a high quality of service and reliable, comfortable and efficient operations. Jet Airways is the market leader in Indian private airline segment and attained this brand in a short span of around 12 years. Customer satisfaction with the brand is always very high, reflected in customer loyalty with the airline through its rapidly growing Frequent Flyer Program, Jet Privilege. Airline has promoted several domestic tourist destinations through its distribution and connectivity networks. While building traffic to these destinations, it has also contributed to the growth of employment and businesses connected to the tourism sector, quite apart from substantial foreign exchange earnings. These achievements are even more noteworthy in the environment of the lack of infrastructure and facilities such as terminals, lounges, warehouses and hangars, the high cost of aviation turbine fuel and the different and high levels of local taxes in many states.

Jet Airways operates over 180 flights daily to 45 destinations across the country including London (Heathrow), Kuala Lumpur, Singapore, Colombo and Kathmandu. Company has the youngest fleet of aircraft in India, consisting of the modern Airbus 340-300E, Boeing 737-400/700/800/900 and the ATR 72-500.

Jet Airways plans a major staff cut, due to the prevailing economic meltdown. Currently, Jet's employee strength stands at 12,000. It is learnt that Jet is looking to bring it below 10,000 in a phased manner. Jet Airways currently has an aircraft to employee ratio of 1:145 which it wants to scale down quite sharply. It is believed that the company has already started giving pink slips, with about 50 employees being laid off over the past one week. In April, Jet also reduced salaries by 10-25% across employee categories.

Continuing its focus on low cost model of operations, Jet Airways shifted 45 flights to its no-frill service brand Jet Airways Konnect. Jet Airways Konnect will launch new flights to enhance its connectivity from metros like Mumbai, Delhi, Chennai, Bengaluru and Kolkata to several smaller cities.

Financials—

1st quarter results for apr-jun2009

Description	Amount(Rs. in lakhs)
Net Sales/Income from Operations	208504.00
Other Operating Income	28617.00
Increase/Decrease in Stock in trade and work in progress	-
Consumption of Raw Materials	84665.00
Purchase of traded goods	-
Employees Cost	32845.00
Depreciation	24631.00
Other Expenditure	101432.00
Total Expenditure	243573.00
Profit from Operations before Other Income, Interest & Exceptional Items	-6452.00
Other Income	5715.00
Profit before Interest & Exceptional Items	-737.00
Interest	24360.00
Profit after Interest but before Exceptional Items	-25097.00
Exceptional items	-2566.00
Profit(+)/Loss(-) from Ordinary Activities before tax	-22531.00
Tax Expense	2.00
Net Profit(+)/Loss(-) from Ordinary Activities after tax	-22533.00
Net Profit (+) / Loss (-) for the period	-22533.00
Face Value (in Rs.)	10.00
Paid-up Equity Share Capital	8633.00
Basic EPS before Extraordinary items (in Rs.)	-26.10
Diluted EPS before Extraordinary items (in Rs.)	-26.10
Basic EPS after Extraordinary items (in Rs.)	-26.10
Diluted EPS after Extraordinary items (in Rs.)	-26.10
Public Shareholding (%)	20.00

Valuation—

Although, the Aviation sector is getting new players and the competition in the Indian Sky is to intensify in the years to come, but due to its Unique Business class model and rapid expansion in international operations will drive company's revenue in future. Aviation turbine fuel (ATF) costs around 30% of the overall revenue of the company, with the cooling off of the ATF prices, company's profitability will improve in the quarters to come. At current market price, stock is trading at 19.26 P/E multiple of its FY2011 estimated earnings. We recommend investors to "BUY" "Jet Airways" for long-term investment horizon.

We invite Readers to send Valuable feedback, stock and subscription queries at E-mail investment_guru1@yahoo.com

Disclaimer: Research group www.stocksidea.com has prepared this document. The information and opinions contained in the document have been compiled from sources believed to be reliable. We don't warrant its accuracy, completeness and correctness. Stock market is highly unpredictable & risk involved in investment into the securities, we don't take any liability of any kind of loss or profit due to investment made in securities mentioned in the articles. Our group members may have investment positions in the securities mentioned in the article referred herein and may make purchases or sale thereof while this report is in circulation. This is not an offer to buy or sell the securities mentioned in the articles; calls made here in are for informational purposes only.
