Management’s Discussion and Analysis of Financial Condition and Results of Operations

ECONOMIC ENVIRONMENT – INDIA

1. The Indian economy is expected to grow by 6.6% in FY 18. With this estimate, the GDP growth over the last 3 years would rank India amongst the fastest growing economies.

2. Despite this growth, the high price of crude, together with a weaker rupee are posing challenges for airlines in India, impacting their ability to run sustainable and profitable operations. Given the competitive scenario and the price sensitiveness of the Indian consumer, airlines have been unable to pass on the increase in the price of crude to the customers, which would affect passenger loads and aviation traffic.

3. The Indian market has been growing on the back of low fares to emerge as the third largest aviation market in terms of domestic passenger traffic. Air passenger traffic growth has been in the range of 15-20% over the past three years.

4. India’s per capita income grows by 8.6% to ₹112,764 in FY 18 from ₹103,870 in FY 17, thereby reflecting country’s prosperity, and likely boost in air travel in the near future.

5. Under the present dispensation, the Civil Aviation Ministry has launched the Regional Connectivity Scheme or UDAN to provide air connectivity to underserved and underserviced towns and cities in the country at affordable prices. Under “Ude Desh ka Aam Nagrik” (UDAN), airports at Allahabad, Nasik, Gwalior, Hubli and other cities are being developed to promote air travel growth, both in passenger as well as cargo.

6. Airport Authority of India (AAI) is likely to invest huge capex for development of infrastructure at various airports including development of new Greenfield airports at Navi Mumbai and Mopa (Goa).

GLOBAL AVIATION SCENARIO

1. The industry is showing its resilience to slow economic growth by substantially outperforming global GDP, demonstrating the importance of the industry and global connectivity and this will drive further growth across the next few decades.

2. Across Europe, the US and Latin America low-cost carriers (LCCs) are already transitioning to larger short haul equipment to meet demand and deliver better operational economics. The Asian LCC market, while is still in its infancy compared to other parts of the world is quickly catching up and following a similar trend.

3. Air Travel sector has grown around 60% over the past ten years and doubled in size since the start of the decade. Passenger traffic grew 6.3% year-on-year in 2016, continuing a trend of growth above the long-term average of 5.5%. While an expected rise in the cost of jet fuel could slightly dampen growth rates in the coming years.

4. Based on latest CAPA research reports aviation industry is going to see a big surge in the LCC operations even on long hauls, so it will be challenging to maintain differentiated products and be price competitive as well.

JET AIRWAYS

Financial performance during the year was weaker due to the continuing increase in the price of Brent fuel without a corresponding increase in air fares.

During the year, as a part of network expansion we increased our capacity between emerging cities to enable our guests access our wide international network easily. We also started industry-first direct return non-stop flights from Indore to Ahmedabad and Jaipur, along with 11 other direct or one-stop through flights between Delhi-Silchar, Dehradun-Jaipur to name a few.

To strengthen our network and gain out of our partnership with Air France, KLM, Delta we launched two new services into Europe – a daily service between Bangalore-Amsterdam and a five day per week service between Chennai – Paris. Jet Airways also introduced a third daily frequency between London and Mumbai and recently announced a forthcoming first ever four days a week, non-stop service between Mumbai and Manchester, effective 5th November 2018. The proposed service will be Jet Airways’ 5th non-stop service to/from the UK making Jet Airways the largest carrier between Mumbai and the UK.

We have recently placed an order of additional 75 B737 MAX aircrafts taking our total order book to 225. These new aircraft are not only highly fuel efficient, but will also refresh and rejuvenate the onboard experience of our guests.

The Jet Airways management team is absolutely focused on executing many key initiatives that will allow us to build a healthy and durable enterprise.
Management’s Discussion and Analysis (Contd.)

We are also working towards revenue strategies involving a network re-design, revenue management analytics and innovative techniques to drive ancillary revenue streams.

Analysis of Operational Performance FY 18 compared to FY 17 (Standalone)

Revenues

Passenger Revenues
Passenger revenues were at ₹ 2,030,988 Lakhs in Fiscal 2018 as compared to ₹ 1,823,044 Lakhs in Fiscal 2017. The growth of 11.4% can be mainly attributed to increase in number of passengers carried in the current fiscal.

Revenues from Cargo
Revenues from carriage of cargo increased by 32.5% to ₹ 178,914 Lakhs in Fiscal 2018 from ₹ 135,049 Lakhs in Fiscal 2017. This was mainly on account of increase in the cargo tonnage.

Ancillary Revenues
Ancillary Revenues decreased to ₹ 118,751 Lakhs in Fiscal 2018 from ₹ 197,142 Lakhs in Fiscal 2017. This decrease is mainly due to reduction in income from leasing operations as all B777 aircrafts which were leased to other airlines are back in the operating fleet of Jet Airways.

Expenditure

Aircraft Fuel
Fuel costs increased to ₹ 695,325 Lakhs for Fiscal 2018 from ₹ 547,378 Lakhs in Fiscal 2017. This increase was mainly due to increase in Aviation Turbine Fuel (ATF) rates during the year on account of increase in Brent rates.

Aircraft and Engines Lease Rentals
Aircraft lease rentals increased to ₹ 231,621 lakhs in Fiscal 2018 from ₹ 227,800 lakhs in Fiscal 2017, This was mainly on account of increase in the fleet size from 104 to 112 aircraft.

Maintenance Cost
Maintenance cost increased to ₹ 237,517 Lakhs in Fiscal 2018 from ₹ 194,396 Lakhs in Fiscal 2017. Block hours increased by 6.5% along with engine shop visits in the current year.

Landing & Navigation
Landing & navigation cost (part of other expenses) increased to ₹ 237,188 Lakhs in Fiscal 2018 from ₹ 203,370 Lakhs in Fiscal 2017 due to 5% increase in number of flights operated over last year on account of wide body deployment over FY 18.

OUTLOOK

The airline continued to leverage its wide body fleet to enhance its guest experience at slot-constrained airports such as Delhi, Mumbai and Bengaluru.

The airline also plans to make Guwahati as its regional gateway together with a strengthened North Eastern presence, marked with the introduction of several direct as well as non-stop flights connecting Jorhat Guwahati, Aizwal, Silchar, Imphal with New Delhi and Mumbai.

JetScreen – the airline’s wireless streaming service, now covers 80% of its B737 fleet, providing guests with 330+ hours of entertainment on their personal devices giving entertainment options that ranges from Hollywood, Bollywood, Regional and international genres.

On the international side we have announced our first direct flight between Mumbai-Manchester effective 5th November, 2018, it will operate 4 days a week, with this we cover 21 international points with our direct flights.

We continue to focus on better utilization of our aircrafts, where utilization of B737 aircrafts which are a major component in our fleet structure continues to improve over previous year to 13.5 hours. As all our B777 aircrafts are back in fleet with us utilization improved to 14.5 hours.
Management’s Discussion and Analysis (Contd.)

INTERNAL CONTROL SYSTEMS
- The Company has a proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly and applicable statutes, codes of conduct and corporate policies are duly complied with.
- The Company’s Internal Audit Department reviews the adequacy and efficacy of the key internal controls. The scope of the internal audit activity is guided by the annual internal audit plan which is approved by the Audit Committee of the Board.
- The Company’s Audit Committee comprises of three Directors; Mr. Srinivasan Vishvanathan (Chairman), Mr. Vikram Mehta and Mr. Harsh Mohan. The Audit Committee reviews reports submitted by the Internal Audit Department and monitors follow-up and corrective action taken.
- The Company has a corporate compliance procedure to ensure that all laws, rules and regulations applicable to it are complied with. Based on confirmations from departmental heads; a Corporate Compliance Certificate is placed before the Board every quarter.
- The Company Secretary is the designated Compliance Officer to ensure compliance with SEBI regulations and with the Listing Agreement with National Stock Exchange of India Limited and BSE Limited.
- Mr. Kuldeep Sharma, Vice President - Global Compliance and Company Secretary, is the Compliance Officer under the Jet Airways Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading.
- The Company has a process of both external and internal safety audits for each area of operation. The Company is in full compliance with all laws, rules and regulations relating to airworthiness, air safety and other statutory operational requirements.
- The Company, as part of its Risk Management strategy, reviews, on a continuous basis, its strategies, processes, procedures and guidelines to effectively identify and mitigate risks. Key risk areas in all areas of the Company’s operations and management have been identified and are monitored.

HUMAN RESOURCES
The Human Capital of our organization is the most critical asset for enabling business strategy and ensuring success. At Jet Airways, we have always believed in the strength of our people and made continued and conscious efforts to attract, engage and retain high quality talent.

We are India’s leading private International Airline with a 16,000-member family, 70% of our workforce are millennials with an average age of 33 years and a gender diversity ratio of 33%. In the last year, we have consolidated and restructured our organization with an objective to make it more nimble, agile, and responsive to cost pressures.

We are continually taking key people initiatives which will help us enhance our positive Employer Brand and become an ‘Employer of Choice’. To further this journey, we initiated the Employee Engagement survey for the first time at Jet Airways. Basis this feedback, we have identified certain key focus areas.

1. Learning & Development:
   We have made significant investments in training our Cabin, Cockpit, Engineering and Ground Services staff to continue to deliver exceptional levels of service and set higher safety standards. These programs will help us uphold our service standards and enable us to live our value of bringing Indian hospitality to the world.

   We have also initiated programs targeted at the development of our Mid and Senior level leaders. The ‘Emerging Leaders Program’ aims to develop our Leadership Capability to positively impact the growth, readiness and effectiveness of Leaders. The target employees for this program are Mid-Senior management executives identified as future leaders / successors to key roles.

   Through our ‘Managerial Development Program’, we intend to drive a higher focus on employee Learning and Development for our Key People Managers. The objective of the program is to build the right skills, abilities and knowledge enabling managers to not only perform well in their current role but also be future - ready, thus allowing them to be catalyst for leading cultural transformation. The target employees for this program are Key People Managers across grades E1 to M2.
Management’s Discussion and Analysis (Contd.)

Additionally, we have partnered with EdX & Skillsoft to introduce Online Learning to our high potential-high performing employees. Skillsoft is a leading global provider of high-quality, innovative, cloud-based learning and performance support resources. Having delivered over a billion pieces of content to over 400 million users since 1998, they are the leaders of eLearning. Founded by Harvard and MIT, edX is the world’s premier non-profit online learning destination. It has partnered with 100 leading universities including Ivy league schools and other organizations to make some of their courses available online, offering a multitude of courses in subject areas like humanities, technology, business, digital marketing amongst others.

2. Recognition
We have recently launched ‘Founder’s Fifty’ - our annual Rewards and Recognition program. We believe that each employee has the ability to weigh individual performance and assess its resulting business impact and hence this program puts the employees in charge of helping us identify the top 50 employees of Jet Airways. These fifty employees will be recognized network-wide and their achievements will be celebrated across the organization.

3. Technology
With an endeavour to enhance organizational productivity and employee experience, we launched the Leave, Time and Attendance modules of MyTime, our Attendance and Leave system. While on one hand this will help capture attendance, it will also help us streamline and standardize our Time Management, thereby lending transparency to our system. Moving the ‘Leave Management’ process online is part of our larger transformation journey of automating our critical processes and employee touch points. For now, the Leave Management System is live for employees based in Siroya, Kaledonia, Kurla and Star Hub. We plan to go live network-wide in the coming months.

Being a geographically widespread organization in which 40% of our critical workforce does not operate out of fixed workstations, it was our topmost priority to ensure that our employees feel connected and engaged at work. A significant step towards building an open and inclusive culture has been the introduction of ‘Workplace’, an online unified social collaboration platform by Facebook, to disseminate critical information and help employees connect, communicate and collaborate at work. Since launch, majority of our employees regularly engage with teams across locations through multiple active groups.

In the coming years, our focus will be on digitizing our key HR processes for boosting organizational effectiveness and enhancing employee experience. We will also drive organizational capability through an active focus on continuous learning.

OPPORTUNITIES, RISKS, CONCERNS AND THREATS

- With the start of “UDAN” scheme lot of underdeveloped tier 2 and tier 3 airports are getting developed which will enable network expansion on the domestic front, cargo business will also get benefited with this.
- With India growing at its fastest speed at 7.7% in Q4 FY 18 bolstered by the growth in the construction, manufacturing and public services along with increase in per capita income there will be an increase in demand for air travel for business and leisure purpose as well.
- Government agency like AAI is likely to invest in the development of infrastructure of various airports over the next 4-5 years, along with development of new Green field airport.
- Rising crude prices and weakening of rupee continues to put pressure on economic health of the company.
- Indian aviation market continue to remain price sensitive and it is difficult to pass on the increase in fuel cost to the customers.

Certain statements in this Management Discussion and Analysis describing the Company may be ‘forward-looking statements’ within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company’s future operations include economic conditions affecting air travel in India and overseas, change in Government Regulations, changes in Central and State taxation, fuel prices and other factors.