PADMINI SRINIVASAN

NOW YOU SEE IT, NOW YOU DO NOT: THE CASE OF JET AIRWAYS AND ITS ACCOUNTING POLICIES

If you want to become a millionaire, start with a billion and buy an airline. It's sad but true.
Richard Branson

The year 2008–2009 was a very difficult year for the airline industry. Airline companies globally lost nearly US $10 billion. Oil prices touching a peak of $147 per barrel coupled with global recession later led to difficult times for the airline companies. Recession also hit travel plans of both business as well as leisure travelers thereby affecting the revenues. Earnings fell drastically for most companies, however Jet Airways' first quarter 2008–2009 net earnings grew by 364%, as compared to the previous year's first quarter.

> Overall revenues were up 46% as compared to the same period a year ago, and up 6% versus the immediately preceding quarter. Our operations as a whole showed a pre-tax profit of Rs. 2191 million or US $50.9 million versus a profit of Rs. 495 million or US $12.21 million during the same period last year. The breakdown of this number shows a profit of Rs. 5022 million on the domestic operations, and a loss of 2831 million on the international operations. These numbers will also be need to be read along with the changes in the accounting policy.
>
> Vishwanath, General Manager, MIS, Jet Airways [1]

The last line of the conference call gives us an indication of the issues in accounting followed by Jet Airways.

BACKGROUND OF JET AIRWAYS (INDIA) LTD.

Jet Airways India Ltd. (Jet Airways) is India's largest private domestic and international airline with a turnover of Rs. 114,770 million[2] for the year ended March 31, 2009. Jet Airways, an Indian company was promoted by Naresh Goyal, its founder and chairman. Naresh Goyal, a graduate in commerce started his career in the travel and tourism industry as a sales agent for the Lebanese International Airlines. He started his own travel agency, Jetair in 1974[3] after gaining considerable experience in the travel industry. Jet Airways was launched in 1992, to take advantage of the business opportunities that arose with the opening up of the Indian economy. Naresh Goyal has been the recipient of many national and international awards as an entrepreneur in the travel industry.[4]

Jet Airways commenced its operations in 1993 with a fleet of four Boeing 737 aircraft. By 2008, the company operated around 380 flights daily to 64 destinations both within India and overseas. Some of the key destinations

[1] At the analyst meet while announcing the first quarter numbers. http://www.jetairways.com/EN/IN/Uploads/InvestorRelations/TranscriptofAnalystcallforresultsJuly.pdf

[2] Conversion rate of $0.023 to Re. 1; 1 crore = 100 million and 10 lacs = 1 million

[3] http://www.jetairways.com/EN/IN/AboutUs/ChairmanProfile.aspx accessed on 2/7/10. Excerpts of the conference call to analysts are given in Exhibit 6.

[4] Some of the awards include: Business Person of the Year award by UK Trade & Investment in 2008, Man of the Year Award by the Aviation Press Club (APC) at its 30th Anniversary in Belgium (2008), Travel Entrepreneur of the Year award at the 19th Annual Travel Trade Gazette, Travel Awards in 2007 in Bangkok, etc. http://www.jetairways.com/EN/CH/AboutUs/ChairmanProfile.aspx

Professor Padmini Srinivasan assisted by R. Subash and M. Satish prepared this case for class discussion. This case is not intended to serve as an endorsement, source of primary data, or to show effective or inefficient handling of decision or business processes.

were New York, Toronto, Brussels, London, Hong Kong, and others. Its fleet of aircraft included Boeing 777-300, Airbus A330-200 aircraft, Boeing 737- 700/800/900 aircraft, and ATR 72-500. The company offered both passenger and cargo transportation services. Jet Airways had been acclaimed for its excellence in operations. It also set a record by flying 36,406 passengers with a seat factor of 86% in 2006[5]. In April 2007, Jet Airways acquired Sahara Airlines (which was later renamed as JetLite), a low-cost carrier to gain synergy with the existing operations. Jet Airways was the largest private sector airline in India with a market share of 29.2%[6] in the domestic market as on March 2008. The company went public in 2005, through a public issue of 17,266,801 shares at an issue price of Rs. 1,100 and listed at the National Stock Exchange and the Bombay Stock Exchange on March 14, 2005. On listing, they were quoted at Rs. 1,155 which touched a high of Rs. 1,428 on that day[7]. The equity held by the promoters and its affiliates was 80% in 2009. The Jet Airways board comprised eminent individuals globally both from the private and public sectors. The financials of the company from 2006 to 2009 are given in **Exhibits 1** and **2**.

TURBULENCE IN THE AIRLINE INDUSTRY

After the year 2000, India saw the emergence of many airlines such as Air Deccan, Spice Jet, Indigo, GoAir, Kingfisher Airlines, etc. As air travel became affordable, volumes grew as people started using air travel especially with the advent of low-cost airlines, thereby intensifying the competition for full fare airlines such as Jet Airways. To counter competition, many airlines resorted to discounted airfares. The airline industry went through a turbulent period shortly after 2006.

Rising oil prices increased the cost of operations for the airlines. The price of aviation turbine fuel was hiked by nearly 20% in May 2008. Added to this was the onset of recession across many countries. Business growth was hindered and consumers become conservative in their traveling. The average passenger load factor was just 67.7% and the revenue passenger was 21,444 million kilometers that year. Rising oil prices in 2007 and 2008 forced companies to increase the airfares. The domestic traveler hit by inflation and high airfares resorted to other modes of transport, especially for short distance travel. The shifting of airports in key cities away from the city, the charges of user development fee by the newer airports, and austerity measures enforced by companies as well as by leisure travelers resulted in reduction of air travel, thereby leading to poor performance of the airline industry as a whole.

> The Indian aviation industry continued to grow, though at a slower rate, during the year under review. Economic growth, the emergence of India as a global economic power and other factors, that have had a positive impact on air travel into and from India, were sustained all through the year under review. However, the aviation industry worldwide was adversely affected by the spiraling cost of aviation turbine fuel, caused by the continuing increase in crude oil prices. The resultant increases in fares and fuel surcharges that the airlines had to implement, resulted in a slowdown in air travel, both in India and worldwide.
>
> Director's Report, Annual Report of Jet Airways, 2008[8].

> The performance of the Company's domestic operations was also adversely affected by lower domestic passenger traffic in the country, primarily due to the economic slowdown and unrealistic pricing adopted by carriers, caused by the overcapacity that resulted, in order to attract passenger traffic. The performance of the Company's international operations, particularly its long-haul sectors, was adversely affected by weak demand and yields, primarily caused by the slowdown and recessionary conditions in most global economies.
>
> Director's Report, Annual Report of Jet Airways, 2009[9].

Most airline companies were looking at novel ways to increase their revenues and to combat the crisis. Jet Airways entered into mutually beneficial agreements with its alliance partners as well as other airlines. Routes were restructured and some of the company's aircraft were leased out to other airlines.

[5] Datamonitor – Airlines in India – November 2008 Ref Code 0102–0756
[6] Jet Airways (India) Ltd. – 16th Annual Report, 2007–2008
[7] http://www.thehindubusinessline.com/2005/02/28/stories/2005022802090100.htm
[8] Annual Report for the year ended March 31, 2008
[9] Annual Report for the year ended March 31, 2009

First Quarter (2008-2009) Results of Jet Airways

During the first quarter of the year 2008–2009, many airlines reported losses, citing rise in the crude oil prices and slowing down of demand as the major factors affecting the poor performance. New entrants in the airline industry had added capacity which led to surplus supply. Airline companies were trying to restructure and revaluate various routes to increase the load factor. Airfares were also increased by most airlines to meet higher costs.

Although many other airlines declared losses during the first quarter, Jet Airways reported an increase in net profit by 364% as compared to the first quarter of the previous year 2007–2008. Income (Sales) recorded in the quarter were Rs. 28,671.6 million as compared to the first quarter of 2007 at Rs. 18,066.7 million, an increase of 58%. The net profit after tax for the quarter ended June 30, 2008 was Rs. 1,433.8 million as compared to the quarter ended June 30, 2007 of Rs. 308.8 million. Refer to **Exhibit 3,** for quarterly results, of the first quarter ended June 30, 2008 announced on July 30, 2008.

What was the reason for such growth in the bottom line contrary to what one would have expected? The conference call transcript from Jet has the answers.

> During this quarter, we have changed our accounting policy for charging depreciation on our narrow-body aircraft through a straight-line method from a written-down method to be in line with our policies of the wide-body aircraft as well as to be in line with international practices. On account of this change, there was a one-time impact of Rs. 9,159 million or US $ 212.8 million, which has been considered in the current quarter. The other change in accounting policy that we will be able to operate is to the extent of foreign currency translation loss or gain. We have now adopted a policy by which the same will be adjusted in the carrying cost of asset, rather than accounting for the same in the profit and loss.

Thus, the rise in earnings would not have been possible without the change in the depreciation method for its narrow-body aircraft and the accounting treatment for the foreign currency translation losses.

Accounting Policy of Jet Airways

1. Depreciation (For the year ended March 31, 2009)

The airline industry is a capital intensive industry and fixed assets form a major component of the assets of an airline company. Jet Airways reported a net block of fixed assets (property plant and equipment including intangible assets) of Rs. 162,619 million. Out of these, the aircraft accounted for Rs. 139,043 million, nearly 85% of the total assets. Although other expenses such as fuel cost or administrative expenses are accounted using the accrual method of accounting, requiring very less or no estimation, depreciation is an area requiring considerable judgment and estimation. Depreciation accounting can sometimes result in distortion of the company's bottom lines and hamper the comparison of companies. The depreciation policy of Jet Airways is reproduced below after the change:

> Depreciation on tangible fixed assets has been provided at the rates and in the manner prescribed under the schedule XIV to the Companies Act, 1956 on Written Down Value method, other than Narrow and Wide Body aircraft which are depreciated on straight line method and expenditure incurred on improvements of assets acquired on operating lease are written off evenly over the balance period of the lease. Premium on leasehold land is amortized over the period of lease.[10]

Depreciation rates are given in Schedule XIV of the Companies Act, 1956, in India, which represent a minimum threshold rate. However, companies can choose a higher rate of depreciation if justified. The Indian accounting standard does not mention any rates for depreciation. Jet Airways fixed assets schedule for the year ended March 31, 2009 is given in **Exhibit 4**.

[10] Annual Report for the year ended March 31, 2009.

The airline industry has been using different types of aircraft for passenger transportation, the popular classification being the wide-body aircraft (WBA) and the narrow-body aircraft (NBA). These aircraft differ in terms of technology, performance, and efficiency in operations. Jet Airways normally used WBA for international operations and NBA for domestic purposes.

During the first quarter ending June 2008, Jet Airways changed its accounting policy by adopting the straight-line method (SLM) instead of the written down value (WDV, also termed as reducing balance) method for its NBA. The effective rate of depreciation under SLM was 5.6% per year, down from 16.2% under WDV. The residual value was 5% irrespective of the method used.

The company justified the change stating:

> Depreciation on narrow-body aircraft was hitherto provided on written down value method. Based on the usage of such aircraft, the industry practice followed in domestic and international markets, the Company, in order to reflect a more appropriate preparation/presentation of financial statements, has changed the method of depreciation on such aircraft to straight-line method.

The accounting impact for the quarter on account of the one-time depreciation write-back was Rs. 9159 million which was added to the profit and loss account before tax.

2. Accounting for Foreign Currency Exchange Difference

Jet Airways also changed in its policy related to accounting for foreign exchange difference arising out of liability designated in foreign currency. The accounting changes involved adjusting the difference in foreign currency rates through the asset account instead of the income statement. The impact on account of the foreign currency loss being directly taken into the fixed assets was Rs. 6242 million [11] for the quarter.

Explaining the accounting policy change to a caller during the conference call:

> Obviously, you have not seen all the balance sheets because we have read many more. We think quite a lot of companies taking a stand that it is a company law which is a primary thing that companies need to follow, and the accounting standards get overridden by the company law requirement. Company law very clearly states that any foreign currency loss or gains needs to be taken to the carrying cost of the asset, and we also have taken a legal opinion in this regard to support this case. Going forward, even to the extent, there is going to be a gain, the same will be taken to the carrying cost of assets and not adjusted in the profit and loss statement.

There seems to be a conflict between the Indian accounting standards and the Companies Act, 1956 with respect to the treatment of the foreign currency translation difference.[12]

3. Revaluation of Fixed Assets

A quick look at the note in the balance sheet schedule of fixed assets of 2009 (see **Exhibit 4**) reveals the following additional information:

[11] Jet Airways Quarterly results announced contains the note as follows: The Company, based on legal advice has, from the current quarter, adjusted the foreign currency differences on amounts borrowed for acquisition of fixed assets acquired from outside India aggregating Rs. 62,42.9 as on 30 June, 2008 to the carrying cost of the fixed assets, in compliance with Schedule VI of the Companies Act, 1956 which is in variance with the treatment prescribed in Accounting Standard (AS 11) on 'Effects of Changes in Foreign Exchange Rates' notified in the Companies (Accounting Standards) Rules. Had the treatment as per AS 11 been followed, the net profit before tax for the quarter would have been lower by Rs. 6224 million.

[12] The notification dated 31.03.2009 issued by the Ministry of Corporate Affairs seeks to insert paragraph 46 after paragraph 45 in the Accounting Standard (AS) 11 relating to the "The Effects of Changes in Foreign Exchange Rates". It requires that exchange differences arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period (in respect of accounting periods commencing on or after December 7, 2006) or reported in previous financial statements, in so far as it relates to the acquisition of a depreciable capital asset, can be added to or deducted from the cost of the asset. See **Exhibit 5** for details.

(a) Leasehold land was revalued on March 31, 2008 with reference to the existing market prices; amount added on revaluation was Rs. 14811.9 million; the revalued amount substituted for the historical cost on March 31, 2008 was Rs. 18450 million.

The annual report of 2008, carried the following explanation provided on revaluation:

> During the year, in order to reflect the current reinstatement cost/market value, the Company revalued the Leasehold Land and Narrow Body aircraft (including aircraft revalued in the year ended 31st March, 2002) owned by the Company as at 31st March, 2008. Such revaluation for aircraft has been carried out by International Aircraft valuers and for Leasehold Land by a registered valuer considering the present market/reinstatement value and considering the book value of such assets as at 31st March, 2008.
>
> Accordingly, the resultant appreciation in respect of land of Rs. 148,119 lac and in respect of aircraft of Rs. 118,133 lac has been added to respective assets and the aggregating amount of Rs. 266,252 lac has been credited to Revaluation Reserves. Since the valuation of the aforesaid assets has been carried out as on 31st March, 2008, there is no additional charge on account of depreciation on the assets so revalued. Depreciation includes Rs. 1563 lac (Previous Year Rs. 2958 lac) on the aircraft revalued in the earlier year, which has been withdrawn from the revaluation reserve as per the accounting policy followed.

The depreciation expenses had been reduced by an amount of Rs. 473.3 million as "depreciation on amount added as revaluation, charged to revaluation reserve" (see **Exhibit 2** for the income statement).

The preparation of financial statements is not an exact science. It requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, incomes and expenses on the date of the financial statements, and the results of operations during the reporting periods, respectively. Although these estimates are based on the management's best knowledge of the existing events and actions, sometimes the purpose of these changes is in itself a conundrum.

Questions for Analysis

1. How does a company decide on the method of depreciation and why? How would the method of depreciation affect the net profit of the company?

2. Evaluate the alternative depreciation policy (straight line vs. written down value (reducing balance method) adopted by a company, say for Rs. 35,000 invested in an equipment which has an economic life of 3 years with a residual value of Rs. 5,000 at the end of 3 years.

3. The rates of depreciation are given in Schedule XIV of the Companies Act, 1956, in India which is the minimum that needs to be charged. Discuss the suitability of rule-based regulation (rates given) against the principle-based application of depreciation.

4. In Question 2, what would be the impact on the income statement had the company changed the method from reducing balance to SLM in year 2?

5. What is the impact of the change in the accounting policy of Jet Airways on its net earnings? Why is the policy not followed from the beginning? What has changed in the year 2009 to warrant such a policy change?

6. What would be the impact for the increase in profits on the tax payment by the company?

7. What is the impact of revaluation on the company's assets? Did revaluation affect the profit and loss account of the year 2008–2009?

8. What is the accounting treatment followed by Jet Airways for exchange difference arising from foreign currency loans that were used to purchase the depreciable assets ? How did it impact the income statement?

APPENDIX

Exhibit 1

Jet Airways – Balance Sheet

Year as on March 31	2009	2008	2007	2006
SOURCE OF FUNDS				
Share Capital	863	863	863	863
Reserves and Surplus	33321	44653	21509	22196
Profit and Loss Account (Loss)	(2614)*			
Total Shareholders' Funds (A)	31570	45516	22372	23059
Secured Loans	45009	12003	7425	2060
Unsecured Loans	118226	108148	53138	46896
Total Debt (B)	163235	120151	60563	48956
Total Liabilities (A) + (B)	194805	165667	82935	72015
APPLICATION OF FUNDS				
Fixed Assets: Gross Block	187637	165911	57138	43721
Less: Accumulated Depreciation	25018	25069	24163	22496
Net Block (C)	162619	140842	32975	21225
Capital Work in Progress (D)	5832	12233	39945	26657
Investments (E)	17450	14754	689	1872
Current Assets, Loans, and Advances:				
Inventories	5957	5450	4390	4053
Sundry Debtors	7323	13137	6039	4332
Cash and Bank	13945	8551	10966	21043
Loans and Advances	16283	12085	12249	9327
Total Current Assets (F)	43507	39224	33645	38754
Less: Current Liabilities and Provisions				
Current Liabilities	32815	37891	18526	10656
Provisions	1788	1892	2482	2630
Total Current Liabilities (G)	34603	3978	2101	1329
Net Current Assets (F) – (G)= (H)	8904	(56)	1264	2547
Deferred Tax Assets		2232	379	138
Deferred Tax Liability		3835	3689	3344
Net Deferred Tax (I)		(1602)	(3311)	(3207)
Total Assets (C)+(D)+(E)+(H)+(I)	194805	165667	82935	72015

Figures in Million Rupees

*Note: The carried forward loss is being shown as a reduction in the shareholders funds instead of showing it in the asset side as required by the Schedule VI of the Companies Act, 1956 in India

Exhibit 2

Jet Airways – Income Statement (Profit and Loss Account)

For the year ended March 31			**2009**		**2008**	**2007**		**2006**
INCOME :								
Operating Revenue			114770		88111	70578		56458
Non-operating Revenue			3099		7398	3435		4417
Total Income			117869		95509	74013		60876
EXPENDITURE :								
Employees Remuneration			14105		12052	9381		5672
Aircraft Fuel Expenses			49150		32930	24276		16789
Selling and Distribution Expenses			10982		9829	8009		7261
Other Operating Expenses			36472		25792	18833		13111
Aircraft Lease Rentals			7128		5633	6458		4340
Depreciation	9471	7934		4437			4748	
Less: Depreciation on Amount Added on Revaluation Charged to Revaluation Reserve	473	156		296			684	
Net Depreciation			8998		7778	4141		4064
Interest and Finance Charges			7380		4928	2402		2416
Total Expenditure			134216		98941	73500		53653
Profit Before Tax and Exceptional Items			(16347)		(3431)	514		7223
Add/ Less : Exceptional Items								
Excess Depreciation Reversal			9159					
Cenvat Credit			3499					
Marked to Market Derivatives (loss)			(1007)		(695)			
Sub-total (Exceptional Items)			11651		(695)			
Profit (Loss) before Tax			(4696)		(4126)	51		722
Less: Tax and Deferred Tax			673		1595	234		2702
Net Profit (Loss) after Tax			(4023)		(2531)	(182)		(1979)

Figures in million rupees.

Source: Jet Airways Annual Reports 2009 and 2008.
Notes to Profit and Loss Statement**:** Depreciation on narrow body aircraft was hitherto provided by the written down value method. Based on the usage of such aircraft, the industry practice followed in domestic and international markets, the Company, in order to reflect a more appropriate preparation/presentation of financial statements, has changed the method of depreciation on such aircraft to SLM and the surplus arising from retrospective computation aggregating Rs. 92,377 lacs (excluding adjustment to revaluation reserve) has been accounted and disclosed under exceptional items. Consequently, charge on account of depreciation for the current quarter was lower by Rs. 3,472 lacs.

Exhibit 3

Quarterly Results – Jet Airways

	For the Quarter Ended		Year Ended
Particulars	30 Jun-08	30 Jun-07	31 Mar -08
	(Un-audited)	(Un-audited)	(Audited)
1. Net income from operations	28671.6	18066.7	88111.0
2. Other income	319.9	1765.3	6704.1
3. Total income (1+2)	28991.5	19832.0	94815.1
4. Expenditure:			
a. Employees remuneration	3552.2	2634.4	12051.8
b. Aircraft fuel expenses	15392.3	5995.6	32930.3
c. Aircraft lease rentals	1505.7	1532.2	5632.8
d. Selling & distribution expenses	3173.9	2140.4	9828.6
e. Depreciation	1989.9	1327.8	7778.0
f. Other operating expenses	8998.9	5062.5	25792.0
Total expenditure	34612.9	18692.9	94013.5
5. Interest & finance charges	1346.2	644.3	4927.5
6. Exceptional items			
Excess depreciation reversal due to change in method	9158.7		
7. Profit/(Loss) Before Tax (3–4–5+6)	2191.1	494.8	(4125.9)
8. **Provision for Taxation**			
Current tax (including wealth tax)	0.2	58.0	.08
Deferred tax	744.8	104.9	1708.3
Fringe benefit tax	12.3	23.1	100.2
Provision for tax no longer required	-	-	12.0
9. Net Profit/Loss after Tax (7-8)	**1433.8**	**308.8**	**(2530.6)**
Paid-up equity share capital (face value Rs. 10.)	863.3	863.3	863.3
Reserves excluding revaluation			17654.2
Earnings per share (face value Rs.10)			
Basic and diluted EPS (in rupees)	16.61	3.58	29.31

*Note: Figures in million rupees except EPS and number of shares
Source: http://www.jetairways.com/EN/CH/Uploads/InvestorRelations/Clause41Q1FY09.pdf

Exhibit 4

Fixed Assets Schedule for the Year Ended March 31, 2009

Items	Balance on 31 Mar-08	Net Additions	Balance on 31 Mar-09	For the Year Depreciation	Accumulated Depreciation	Balance on 31 Mar-09
Leasehold land	18525.30	588.20	19113.50	232.00	307.30	18806.20
Freehold land	-	1.10	1.10	-	-	1.10
Buildings and improvements	446.80	0.00	446.80	70.30	275.10	171.70
Plant and machinery	76.50	0.00	76.50	8.30	51.40	25.10
Electrical installations/fittings	267.70	(6.10)	261.60	22.50	123.50	138.10
Furniture and fixtures	321.80	44.10	365.90	35.60	213.70	152.20
Office equipment	470.70	23.40	494.10	40.70	243.00	251.10
Computers	762.40	89.60	852.00	89.70	665.80	186.20
Vehicles	788.20	46.30	834.50	114.20	544.70	289.80
Aircraft and spare engine (narrow-bodied)	53370.40	(3720.90)	49649.50	2542.70	11965.40	37684.10
Aircraft and spare engine (wide-bodied)	84419.60	24815.60	109235.20	5456.30	7875.40	101359.80
Other fixed assets	6461.50	(154.80)	6306.70	859.10	2752.70	3554.00
Total	165,910.90	21,725.40	187,637.40	9,471.40	25,018.00	162,619.40

Figures in million rupees

Note:

1) All the aircraft are acquired on hire-purchase/finance lease basis. Such aircraft are charged by the hirers/lessors against the financing arrangements obtained by them.

2) Additions to leasehold land/aircraft/simulators/construction work in progress CWIP during the year include Rs. 21,555.6 million [net] (previous year net of Rs. 1.5 million) on account of exchange loss/(-)gain during the year and opening exchange difference.

3) (a) Leasehold land was revalued on March 31, 2008 with reference to current market prices; amount added on revaluation is Rs. 14,811.9 million; the revalued amount substituted for historical cost on March 31, 2008 was Rs. 18450 million.

(b) Narrow body aircraft were revalued on March 31, 2008 with reference to current market prices; amount added on revaluation was Rs.11813.3 million; the revalued amount substituted for book value on 31March, 2008 was Rs.34, 639.6 million. Adjustment to gross block of narrow body aircraft during the year included reversal of Rs. 7902.7 million from revaluation reserve on account of change in method of depreciation for narrow body aircraft from written down value to straight-line method.

(c) Deduction from accumulated depreciation of narrow body aircraft during the year includes Rs. 9,158.7 million on account of change in method of depreciation for narrow body aircraft from written down value WDV to straight-line method SLM.

Exhibit 5

Treatment of Losses/gains Arising out of Exchange Rate Differences

The Ministry of Corporate Affairs has notified an alternate treatment for losses arising on exchange rate difference as compared to the Accounting Standards AS 11.

The notification, allows companies to capitalize losses and gains arising from the restatement of financial items (assets and liabilities) owing to mark-to-market accounting. Exchange difference arising from the change in the exchange rates on long-term foreign currency loans for acquisition of depreciable fixed assets can be capitalized to the cost of that capital asset. The exchange difference can be depreciated over the life of the asset.

Other exchange losses and gains can be accumulated under a separate account, "Foreign Currency Monetary Item Translation Difference Account" and amortized by March 2011. A company can follow the revised accounting norms relating to foreign exchange losses and gains for accounting periods commencing December 2006 up to March 2011. For example, if there is an exchange loss during the accounting year 2008, the same can be amortized over 3 years.

Exhibit 6

Excerpts from the Conference Call[13]

Manjula (Moderator): Welcome everyone on this conference call for the first quarter numbers of Jet Airways. We have Mr. Saroj K. Datta, Executive Director; Mr. Wolfgang Prock-Schauer, CEO; Mr. Vishwanath, Senior GM MIS, representing Jet Airways management on the call. Over to you Vishy for the opening remarks, and then we can throw the floor open for Q&A.

GM, MIS: Let me take you through the key highlights and the industry scenario for the quarter, after which Wolfgang will take you through the detailed performance.

As all of you are aware, the aviation industry over the last two years has been impacted by very high levels of crude oil prices, and the slowdown in demand in India has also been affected to some extent. The situation in India has been that of an imbalance in demand and supply due to the entry of new carriers and a very high degree of capacity additions, which has led to a scenario of losses, and this is in addition to the impact of record high fuel prices. Over the last few months, major airlines have reduced capacity to bring about some balance in this demand and supply and the capacity overgrowth, and we believe that over the next few quarters the growth in capacity is expected to be flat or even negative in some instances. On the yields front in addition to the increases in the fuel surcharges to combat fuel price increases, most of the domestic carriers have also increased fare over the last few months."

Though this will result in a reduction in the growth rate in the short term, the overall revenues of the airlines will go up as we continue to right size capacity in the industry. On the international side of the business, the slowdown in USA and Europe has had impact on airlines reducing capacity, but almost all airlines including Jet Airways are very bullish on India as the region for growth for the coming few years, and this is largely on account of the underpenetrated nature of the Indian market. This also leads us to further belief that the growth rates in India will be significantly higher than in other parts of the world, and being the predominant carrier in this part of the world, Jet Airways is best suited to take advantage of this. We have consolidated our position in the domestic market, and along with JetLite have the maximum market share both in terms of passenger numbers and revenues. Our seat factors at least have been much higher than the industry average, and this is a testimony of our strong product and service delivery in addition to a very strong loyalty program and network capabilities that we possess. In the

[13] http://www.jetairways.com/NR/rdonlyres/25D8C882-2699-4A81-BABF 2CDA96F01080/0/TranscriptofAnalystcallforresultsJuly.pdf accessed on 3/4/2010 or http://www.jetairways.com/EN/IN/Uploads/InvestorRelations/TranscriptofAnalystcallforresultsJuly.pdf accessed on 10/11/2010

domestic market, our market share was 21% for the quarter ended June in the case of Jet Airways, and 8.2% in the case of JetLite. Also in the major international market and to out of India, we have been able to expand our products and service excellence and currently enjoy a market share of close to 31% on the Bombay–London route, 23% on the Delhi–London route, 21% on the Mumbai–Singapore route, and over 40% in almost all the routes to the Gulf. Moving to the operational highlights for the Jet Airways for the quarter just ended, we achieved a system-wide seat factor of 67% versus 69% in the same period a year ago. Our domestic seat factor was 72.3% versus 71.2% for the same period a year ago, while our international seat factor was 64.7% versus 65.6% in the same period a year ago. Domestic and international yields as measured by revenue per passenger kilometre were Rs. 6.07 and Rs. 3.28, respectively as compared to Rs. 5.61 and Rs. 3.05 in the same period a year ago. Our system-wide breakeven seat factor was 86.1% versus 66.9% in the same period a year ago, largely reflecting the high cost of fuel. During this quarter, our capacity on the international routes went up by close to 200% as compared to quarter 1 last year, and by 11% as compared to the quarter ended March 2008. Overall revenues were up 46% versus the same period a year ago, and up 6% versus the immediately preceding quarter. Our operations as a whole showed a pre-tax profit of Rs. 2,191 million or US $50.9 million versus a profit of Rs. 495 million or US $12.21 million during the same period last year. The breakdown of this number shows a profit of Rs. 5,022 million on the domestic operations, and a loss of 2,831 million on the international operations. These numbers will also be need to be read along with the changes in the accounting policy, which we will come to later in this call. The key operating highlights for the quarter in the case of JetLite were as under. Revenues for the period were Rs. 4,260 million or US $98.9 million. EBITDAR was in negative Rs. 1,140 million or 26.5 million dollars, while the loss after tax was Rs. 1,348 million or US $31.3 million. We have been consistently achieving high levels of seat factor in the JetLite operations, and we achieved seat factor for the quarter just ended was 72.4%. Coming to the two issues, which I would like to bring about in terms of these results.

During this quarter, we have changed our accounting policy for charging depreciation on our narrow-body aircraft through a straight-line method from a written-down method to be in line with our policies of the wide-body aircraft as well as to be in line with international practices. On account of this change, there was a one-time impact of Rs. 9,159 million or US $212.8 million, which has been considered in the current quarter. The other change in accounting policy that we will be able to operate is to the extent of foreign currency translation loss or gain. We have now adopted a policy by which the same will be adjusted in the carrying cost of asset, rather than accounting for the same in the profit and loss. In closing, I would like to reiterate that despite of very challenging situation that we are being faced with, Jet Airways has been able to maintain a very high degree of customer confidence, and we are confident of coming through this phase successfully.

Moderator: Thank you very much. We will now begin the Q&A interactive session for Indian participants. First in line, we have Mr. Prakhar Sharma from CLSA India. Please go ahead with your questions.

Prakhar Sharma: On the depreciation, on the single aisle aircraft, effectively your depreciation rate will now be about 5 to 7%, is that what it is?

GM, MIS: The effective rate is 5.6%. The effect will be down to a 5% residual at the end of 17 years, and under the WDV, the effective rate was 16.2% on reducing balance, which would have again given a 5% residual at the end of 17 years.

Prakhar Sharma: 5.6 is after considering 5% residual value?

GM, MIS: 5.6, yes, correct.

Moderator: Next in line, we have Malik from HSBC. Please go ahead with your questions.

Malik: Yeah, good afternoon everyone. Congrats for good set of numbers. I was just looking at your operating numbers, so I mean, after the new depreciation policy and as you have changed from WDV to straight line method, I just wanted to understand that what will be your depreciation cost in first quarter 2008, that means at last year if I will take it as a straight-line method instead of WDV that you have considered, because I want to do apple to apple comparison, so on that part I just wanted to understand that what will be your total depreciation cost in first quarter of 2008?

GM, MIS: The first quarter 2008, the numbers will be lower by close to 30 crores or $7 million.