



# **Kingfisher Airlines**

***Financial Results Q1 FY11***



## Agenda

- Domestic Operating Environment
- Financial Performance : Q1 FY11



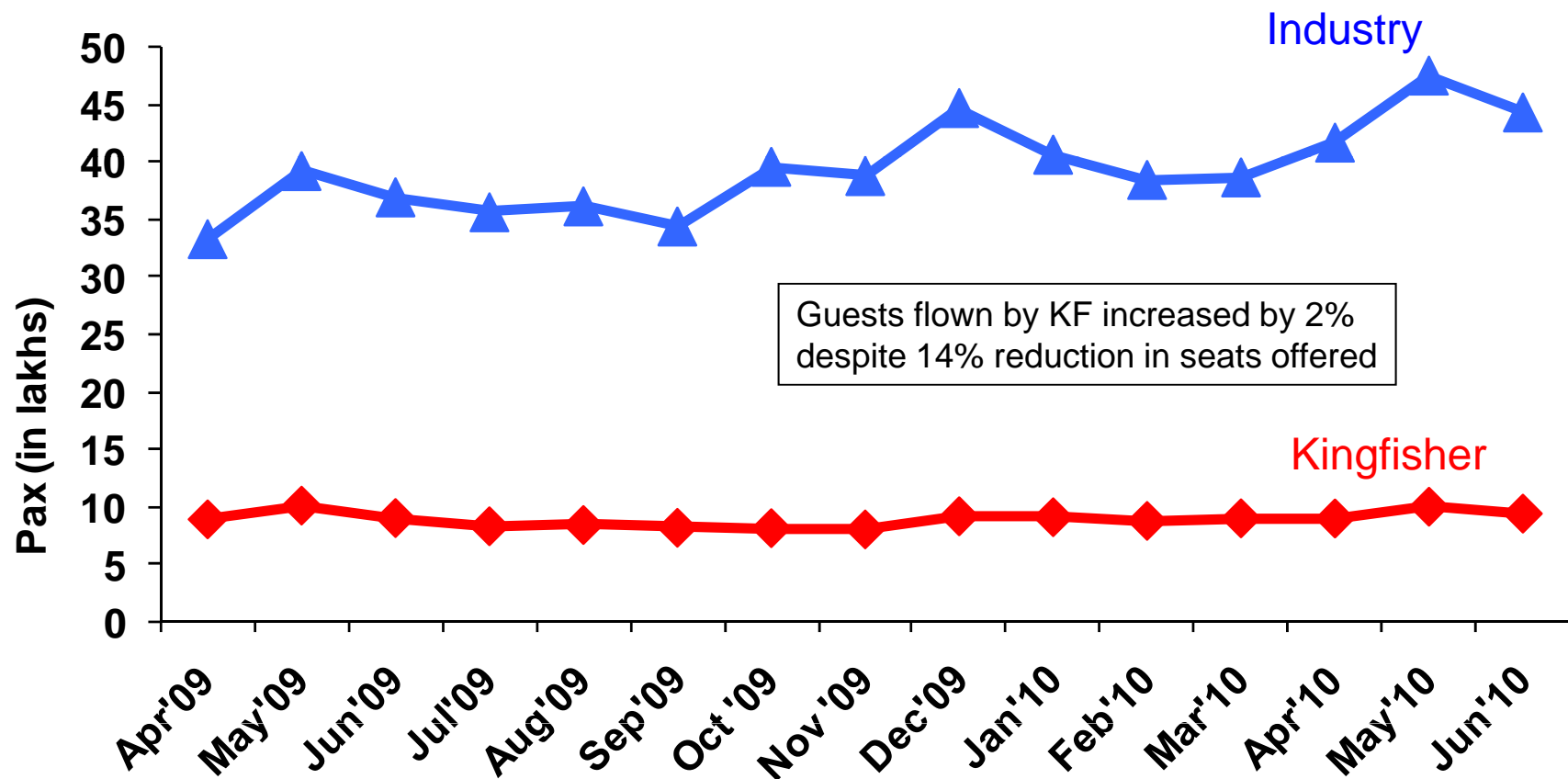
## Domestic Operating Environment

- The aviation Industry has experienced strong resurgence of domestic demand in Apr-Jun '10 - growth in traffic of 22% over Q1 FY10
- Capacity addition by the industry has also been more measured, as a result the industry load factors have shown a steep increase in the current quarter (approx 10 percentage points)
- This upsurge in demand is expected to continue as the Indian economy regains its earlier growth trajectory. Widely accepted estimates project the Indian economy to grow by > 8.5%
- Yields have continued to improve in both premium and economy segments (approx 5% growth in domestic yields over same quarter last year)
- Average oil price has been stable around \$74 during the past 3 quarters with the exception of April'10 (\$85)



## Domestic Operating Environment

- Domestic air travel demand was robust in Q1 FY11 showing 22% growth over Q1 FY10
- KFA has capitalized on this growth to show an improvement of ~12 percentage points in Load factor



Source : DGCA Data



## Agenda

- Domestic Operating Environment

- Financial Performance : Q1 FY11



## Key Highlights: Q1 FY 11

**Overall EBITDA profit of Rs 127 Cr (An improvement of Rs 198 Cr over Q1 FY 10)**

- **Domestic operations EBITDA profit at Rs 177 Cr in Q1 '11 (An improvement of Rs 101 Cr)**
  - Domestic EBITDA margin improved from 6% to 13%
  - Total RASK of domestic operations improved by over 26% to Rs 4.63 over Q1 FY 10  
Load factor up 12 percentage points to 81%; ATV improved by 5% over same period last year  
Ancillary revenue doubled in comparison to Q1 FY10; driven by growth in Xpress Cargo & FFP alliances
  - Ex-Fuel CASK reduced by 10% over FY10 (Rs 2.65 vs. Rs 2.95) on the back of several cost control initiatives
- **International operations EBITDA Loss at Rs 51 Cr (An improvement of Rs 96 Cr)**
  - New International routes launched in calibrated manner  
Presence expanded on existing markets of LHR, HKG, BKK and DXB in order to strengthen position
  - Initial performance in line with expectation - EBITDAR profit margin of 4% ( vs loss of **110%** in Q1 'FY 10)
  - Revenue has increased 4 times with a doubling of capacity on international routes  
Load factor up 16 percentage points to 76% ; Revenue per RPK improved by 46% over same period last year



## Financial Highlights: Q1 FY 11

- Total Operating Revenues of Rs. 1,640 Cr (+29% over Q1 FY 10)
  - Domestic Revenues of Rs. 1,324 Cr vs. Rs. 1,191 Cr in Q1 FY 10; 11% increase in revenue despite 14% reduction in capacity (seats offered)
  - International Revenues of Rs. 316 Cr vs. Rs. 81 Cr in Q1 FY 10; growth disproportionate to capacity increase
- EBITDAR profit of Rs 367 Cr vs. Rs 226 Cr profit for Q1 FY 10
  - Domestic EBITDAR of Rs. 354 Cr vs. Rs. 315 Cr in Q1 FY 10; improvement of Rs 39 Cr with improved EBITDAR margin of 26% vs. 24% in Q1 FY 10
  - International EBITDAR profit at Rs 13 Cr ; improvement of Rs. 102 Cr in comparison to Q1 FY10; improvement seen on the back of strong acceptance of Kingfisher product and new route additions
- EBITDA profit of Rs. 127 Cr vs. loss of **Rs. 72 Cr** in Q1 FY10
  - Domestic EBITDA profit of Rs.177 Cr vs. profit of Rs 75 Cr in Q1 FY 10; despite excess costs of Rs. 35 Cr incurred on account of aircraft on ground in the current quarter
  - International EBITDA loss of Rs. 51 Cr vs loss of **Rs 147 Cr** in Q1 FY 10



## Company Operating Parameters – Q1 FY11

Parameters	Apr 10 – Jun 10 (FY 2011)	Apr 09 – Jun 09 (FY 2010)	Variance (%)
No of Departures	33,720	37,384	-10%
ASKMs (Million)	4,177	3,901	7%
RPKMs (Million)	3,333	2,650	26%
Passenger LF%	80%	68%	12%
Block Hours	60,285	61,545	-2%
Revenue Passengers (Million)	3.13	2.85	10%
Revenue per ASKM (INR)	3.93	3.26	+20%
Cost per ASKM (INR)	3.73	3.77	-1%
Average Gross Revenue per passenger in INR	4,717	4,209	12%
Period ended Fleet Size	66	76	

•Cost per ASKM is calculated at EBITDA cost level





## Company P&L – Q1 FY11

	Apr 10 – Jun 10 (Rs. Cr)	Apr 09 – Jun 09 (Rs. Cr)	Variance (%)
<b>INCOME</b>			
Operating Revenue	1,641	1,272	29%
Non Operating Revenues	44	126	-65%
<b>Total Revenues</b>	<b>1,685</b>	<b>1,398</b>	<b>21%</b>
<b>EXPENDITURE</b>			
Employee Remuneration & Benefits	163	189	-14%
Aircraft Fuel Expenses	586	413	42%
Other Operating Expenses	568	569	0%
<b>EBITDAR</b>	<b>367</b>	<b>226</b>	<b>62%</b>
Aircraft Lease Rentals	240	298	-19%
<b>Total Operating expenditure</b>	<b>1,557</b>	<b>1,469</b>	<b>6%</b>
<b>EBITDA</b>	<b>127</b>	<b>-72</b>	
Depreciation	65	41	59%
Interest	321	212	51%
<b>Total Expenditure</b>	<b>1,943</b>	<b>1,722</b>	<b>13%</b>
<b>Loss before exceptional items and Tax</b>	<b>258</b>	<b>324</b>	<b>-20%</b>
Exceptional Item	4	14	
<b>Provision for taxation</b>	<b>76</b>	<b>103</b>	
<b>PROFIT / (LOSS) AFTER TAXATION</b>	<b>-186</b>	<b>-235</b>	<b>-21%</b>



## Domestic Operating Parameters – Q1 FY11

Parameters	Apr 10 – Jun 10 (FY 2011)	Apr 09 – Jun 09 (FY 2010)	Variance (%)
No of Departures	31,491	36,553	-14%
ASKMs (Million)	2,861	3,253	-12%
RPKMs (Million)	2,327	2,266	3%
Passenger LF%	81%	70%	11%
Block Hours	50,448	57,315	-12%
Revenue Passengers (Million)	2.84	2.78	2%
Revenue per ASKM (INR)	4.63	3.66	+26%
Cost per ASKM (INR)	4.16	3.82	9%
Average Gross Revenue per passenger in INR	4,289	4,080	5%

- Excess costs of ~Rs. 35 Cr incurred on account of aircrafts on ground in Apr-Jun 10
- Cost per ASKM adjusted to AOG\* would be ~ Rs 4.08

• Cost per ASKM is calculated at EBITDA cost level

• \*AOG refers to Aircraft on Ground



## Domestic P&L – Q1 FY11

	Apr 10 – Jun 10 (Rs. Cr)	Apr 09 – Jun 09 (Rs. Cr)	Variance (%)
<b>INCOME</b>			
Operating Revenue	1,324	1,192	11%
Non Operating Revenues	44	126	-65%
<b>Total Revenues</b>	<b>1,368</b>	<b>1318</b>	<b>4%</b>
<b>EXPENDITURE</b>			
Employee Remuneration & Benefits	141	169	-17%
Aircraft Fuel Expenses	432	358	21%
Other Operating Expenses	441	475	-7%
<b>EBITDAR</b>	<b>354</b>	<b>315</b>	<b>12%</b>
Aircraft Lease Rentals	177	239	-26%
<b>Total Operating Expenditure</b>	<b>1,190</b>	<b>1,242</b>	<b>-4%</b>
<b>EBITDA</b>	<b>177</b>	<b>75</b>	<b>136%</b>



## International Operating Parameters – Q1 FY11

Parameters	Apr 10 – Jun 10 (FY 2011)	Apr 09 – Jun 09 (FY 2010)	Variance (%)
No of Departures	2,229	831	168%
ASKMs (Million)	1,316	648	103%
RPKMs (Million)	1,007	385	162%
Passenger LF%	77%	60%	17%
Block Hours	9,837	4,230	133%
Revenue Passengers (Million)	0.29	0.07	314%
Revenue per ASKM in INR	1.96	1.04	88%
Cost per ASKM in INR	2.79	3.52	-21%
Average Gross Revenue per passenger in INR	8,945	9,009	-1%

•Cost per ASKM is calculated at EBITDA cost level



## International P&L – Q1 FY11

	Apr 10 – Jun 10 (Rs. Cr)	Apr 09 – Jun 09 (Rs. Cr)	Variance (%)
<b>INCOME</b>			
Operating Revenue	317	81	291%
Non Operating Revenues			
<b>Total Revenues</b>	<b>317</b>	<b>4,184</b>	<b>-92%</b>
<b>EXPENDITURE</b>			
Employee Remuneration & Benefits	22	20	10%
Aircraft Fuel Expenses	153	55	178%
Other Operating Expenses	128	94	36%
<b>EBITDAR</b>	<b>12</b>	<b>(89)</b>	<b>-113%</b>
Aircraft Lease Rentals	64	58	10%
<b>Total Operating Expenditure</b>	<b>367</b>	<b>227</b>	<b>62%</b>
<b>EBITDA</b>	<b>(51)</b>	<b>(147)</b>	<b>-65%</b>



## Further Profitability Enhancement Initiatives in FY11

- Further revenue enhancement initiatives planned in FY11
  - Membership with One World Alliance to drive passenger growth in domestic and international markets
  - Launch of code share operations with British Airways
  - Further leveraging international Points of sale to stimulate demand in key international markets
  - Further growth of 'Kingfisher Xpress' service to tap under-penetrated DTD air-cargo delivery market
- Stringent cost reduction initiatives planned
  - Reduction in S&D costs by undertaking a channel shift and other planned initiatives around the GDS systems
  - Reductions in Engineering & Maintenance costs through new contracts in specific areas
  - Further tighten controls across Overheads
- Capital restructuring
  - Balance sheet being restructured to re-phase and reduce debt
  - Equity being infused through GDR issuance and promoter funds