

JET AIRWAYS



Company Background

Jet Airways, an airline based in India, serves domestic as well as international routes. It commenced its operations as an air taxi operator in 1993 with four aircraft; it was granted the scheduled airline status in January 1995. Jet Airways, which started with 24 flights per day across 12 destinations, now operates over 320 daily flights. The company was a 100-per cent subsidiary of Tail Winds Limited till it listed its equity shares on the National Stock Exchange of India Limited and the Stock Exchange, Mumbai, in March 2005.

Jet Airways connects 49 destinations across the globe – 44 destinations within India and five international destinations that include London, Kuala Lumpur, Singapore, Kathmandu and Colombo. The company has multiple reservation and ticketing networks comprising global distribution suppliers, travel agents and sales agents in India and 74 other countries. It has a wide cross section of partnerships and alliances, some of which are, with airlines such as British Airways, KLM Royal Dutch Airlines, Northwest Airlines, Austrian, Lufthansa and Swiss International; Indian and international hotel groups such as The Hyatt, Swissotel, The Oberoi, ITC-Welcomgroup and Hilton; banks such as Citibank; car rental companies such as Avis and Hertz and telecommunication and other service providers.

Jet Airways became the first airline in India to receive the 'World Travel Market Global Award'

at the global travel event in London. It has won the 'H&FS Domestic Airline of the Year Award' four times since its inception. It has also received the Boeing Company's 'Pride in Excellence' award for maintaining 'Best Technical Despatch Reliability' in 2003 and 2004.

In India, Jet Airways is the leading airline in terms of revenue passengers; it holds a 36-per cent share in the market. The company grew its capacity at a CAGR of 50 per cent during FY 2001-06. It began its international operations in March 2004; the contribution of international operations to the company's total revenues has registered a continuous growth since then. The company generated revenues of EUR 1.06 billion in FY 2006, with international operations accounting for nearly 12 per cent of its total revenues.

Jet Airways in the EU

Jet Airways entered the EU with its maiden flight to London in May 2005.² In the quarter ending 30 June 2006, the company generated two-thirds of its international revenues from its London operations. The company has its airline reservation and ticketing offices at London in the UK and Brussels in Belgium. Recently, it has also entered into a reciprocal Frequent Flier Program (FFP) partnership with Lufthansa Airlines, SWISS and Austrian Airlines. Jet Airways has its reservations and ticketing offices/GSA offices in Austria, Belgium, Cyprus, the Czech Republic, France, Germany, Greece, Hungary, Italy, the Netherlands, Poland, Portugal, Spain and Sweden.

Jet Airways in UK

Jet Airways operates flights to London from Mumbai, Delhi and Amritsar in India. On this route, the company has acquired a 20-per cent market share with a load factor of over 70 per cent.

Factors for Success

India – An Investment Destination

India is emerging as a preferred investment destination for various industries that are planning to expand their operations. The investment by foreign firms in India is increasing at a brisk pace as a result of the country's low labour costs and the availability of talented professionals. Various European firms are scouting for alliances with Indian companies. This has increased the air traffic to India, and Jet Airways is capitalising on this opportunity to expand its international operations to the EU and other regions.

Tapping the NRI market

With its international operations, Jet Airways has tapped the large non-resident Indians (NRIs) segment that resides in the USA and Europe. The company's advantage of being an early entrant has helped it in tapping this segment. It is leveraging its established brand name in the domestic market, and has developed a good hold in the market abroad.

Favourable Government Reforms

The new reforms introduced by the Indian government have provided momentum to the growth of Jet Airways. Reforms, such as liberalisation of international skies (permission to fly to certain international destinations) for private domestic airlines, abolishing Foreign Travel Tax, reducing excise duty on air turbine fuel (ATF) from 16 per cent to 8 per cent and increasing foreign investment limit from 40 per cent to 49 per cent, have promoted Jet Airways' growth in international operations.

Tourism Driving the Growth

The Indian tourism industry has also been driving the growth in international air traffic to India. Growing at a considerable pace, the travel and tourism expenditure is estimated to register a CAGR of 8.8 per cent for the decade starting from 2004 onwards. In 2005, 33 per cent of tourists in India were from the UK and the US. Almost 255,000 tourists annually visit India from the UK, the primary reason being the strong cultural links between the two nations. A healthy growth of the Indian tourism industry has also helped Jet Airways to increase its international operations.

Future Plans

Expanding Current Markets

Jet Airways has plans to expand its existing international operations in the UK and Asia. It plans to increase the frequency of flights to the existing destinations and also start operations to new destinations. It would strengthen its overall network by supporting its international operations through its already established domestic network.

Ambitious Expansion Plans

Jet Airways has plans of ambitious international expansions in the future with estimated capital expenditure of approximately EUR 2 billion over the next three to five years for 30 additional widebody and narrowbody aircraft. It is expected to increase its fleet size from 53 aircraft in FY 2006 to 79 aircraft by FY08. Most of the purchased aircraft will be used on international routes. The management also plans to develop its own maintenance hangars and a pilot training centre. It plans to launch air services to key destinations across the world including USA, Canada, UK, South Africa, Kenya, Mauritius, points in China and South East Asia and some points in Europe like Brussels, Rome and Zurich.

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