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Kingfisher Airlines Limited:
Debt Restructuring

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KINGFISHER AIRLINES LIMITED - DEBT RESTRUCTURING

In September 2011, Vijay Mallya, the Chairman and Managing Director of Kingfisher Airlines, a leading airline company in India, in a disclosure to the Bombay Stock Exchange, said[1]:

"*The Company has incurred substantial losses and its net worth has been eroded. However, having regard to improvement in the economic sentiment, rationalization measures adopted by the company, fleet recovery and the implementation of the debt recast package with the lenders and promoters (founders) including conversion of debt into share capital, these interim financial statements have been prepared on the basis that the company is a going concern and that no adjustments are required to the carrying value of assets and liabilities*".

This news was widely covered by Indian and international press and analysts. Analysts and media were of the opinion that the company needed capital infusion to remain viable because of which the company's stock was trading at near historic lows. Two analysts at a Canadian Investment firm startled the world investment community by pointing out that Kingfisher's equity value was, in fact, negative[2]. Vijay Mallya himself was emphatic that the company was on the road to recovery although he was negotiating a second debt restructuring with banks.

COMPANY BACKGROUND[3]

Kingfisher Airlines Ltd was the one of the leading aviation company in India. Their principal activity was to provide commercial passenger airline, private helicopter and airplane chartering services in India. Kingfisher Airlines Ltd was incorporated in June 15, 1995 as a private limited company with the name Deccan Aviation. The company was promoted by G R Gopinath, K J Samuel and Vishnu Singh Rawal. In January 2005, the company was converted into a public limited company. The airline business of Deccan Aviation merged with the United Breweries group with effect from April 1, 2008 and the name of the company was changed to Kingfisher Airlines Ltd. Vjay Mallya held the position of Chairman and CEO of the company. Exhibits 1 through 4 present the company's historical financial statements and ratios. Exhibit 5 provides the details of the company's board. Exhibit 6 presents historical stock prices.

In India, Kingfisher Airlines has a network in 72 cities operating more than 400 flights a day and commands a market share of 25%. Internationally, it operates flights to Dubai, Colombo and London. This airline offers three unique classes of services Kingfisher First (Business class), Kingfisher Class (Premium economy) and Kingfisher (Low fare).

The company owns two subsidiaries namely Northway Aviation and Vitae India Spirits. Northway Aviation is engaged in the business of financing pre-delivery payments and aircraft acquisition. The company has emerged as the first Indian airline that provides a range of services in the mobile segment such as flight through SMS etc.

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[1] Chairman's Letter to Shareholders, Company Press Release, September 28, 2011
[2] Monga, N and V Raj, UB Holdings & Kingfisher Airlines Ltd, Veritas Investment Research, September 12, 2011
[3] This is based on the information contained on the company's website (www.flykingfisher.com) accessed in April 2014 and Kingfihser Airlines, Data Monitor Research Report, Jan 12, 2011

THE UNITED BREWERIES GROUP[4]

The United Breweries group was a conglomerate with businesses that included beverages, aviation, engineering and chemicals. The company marketed its beer under the brand name of Kingfisher and owned many other alcoholic beverage brands. Dr Vijay Mallya served as the chairman of the group. He also served as a member of the Indian parliament. At a personal wealth of $800 m, he was ranked 84th in the Forbes list of richest 100[5].

The UB group operated its alcoholic beverages business through two subsidiaries: United Breweries Ltd (UBL) and United Spirits Ltd. (USL). The group had more than 60% of the market share in alcoholic beverages. It had 79 distilleries and bottling units around the world. In March 2005 McDowell & Company (the parent of USL), acquired Shaw Wallace from Jumbo World Holdings Limited in Dubai. The $220 million acquisition gave the UB Group a 54.5% equity stake in Shaw Wallace. In 2006 several group companies were merged to form United Spirits Limited. The combined entity became the third largest manufacturer of spirits in the world after Diageo and Pernod Ricard. Several brands belonging to the group were among the fastest growing in the world. In a bid to become the top spirits company in the world ahead of Diageo, USL purchased Whyte and Mackay, a Scottish distiller in 2007 for £595 million.

THE AIRLINE INDUSTRY IN INDIA

The Indian airlines industry had total revenue of $7 billion in 2009, representing a compound annual growth rate (CAGR) of 19.6% during 2005-2009[6]. Industry volumes increased at a CAGR of 20.6% between 2005 and 2009. The industry was expected to grow at a CAGR of 20.8% during 2009-2014 driving the industry value to $17.9 billion by the end of 2014.

The aviation industry was a monopoly of the state till 1986 when private companies were allowed to operate as air taxi operators. In 1994 private companies were allowed to operate scheduled services. Jet Airways, Sahara, Modiluft, Damania, and East West Airlines were granted scheduled carrier status in 1995. By 1997 four out of the six operators had shut down. Jet Airways and Sahara continued to operate. Air Deccan was the first to start operations as a low cost carrier. Kingfisher, SpiceJet, Indigo, Go Air, and Paramount started operations in 2005.

Demand for air travel was growing in India as a result of economic development, globalization, liberalization of the industry and declining airfares. In 2007 the industry had five full-service (Jet Airways, Air India, Indian Airlines, Kingfisher, Paramount) and five low cost airline companies (Sahara, Air Deccan, Spice Jet, Go Air and Indigo Airlines)[7]. Jet Airways acquired Sahara in 2007 and rebranded it as Jet Lite to indicate its low cost status. Kingfisher merged with Air Deccan. Air India merged with Indian Airlines and rebranded it as Air India Express. Air India[8], the state owned carrier, was generally

[4] This section is based on the information contained in the UB group website accessed in March 2014
[5] Vijay Mallya drops out of India's richest 100 club, The Economic Times, September 25, 2014
[6] India- Airlines Market Overview, Datamonitor, 0102 - 0756 – 2009, Kingfisher Airlines Investor presentations dated January 20111, October 2011, March 2011, and June 2011
[7] M Sabarad and A Mhatre, Aviation, Prabhudas Liladhar Research, December 2007, and Ghosh A, S Ray, S Dewan and S Shah, Indian Aviation Industry, ICRA Research Report, March 2012
[8] Air India handled international travel whereas Indian Airlines handled domestic travel

considered slow in adapting to changing conditions and inefficient. The company was being considered for privatization but bureaucratic hurdles had stalled Air India's privatization program since 2000.

PROBLEMS FACED BY THE AVIATION INDUSTRY IN INDIA:

In the LCC segment the top three companies were Jet, Air India and Kingfisher.Due to their low cost structure, low cost carriers (LCC) were able to attract price sensitive customers. Their market share increased from 1% in 2004 to 17% in 2007[9]. Buoyed by the success, LCCs started adding capacity at a frantic pace. Indigo alone had ordered 100 aircrafts from Airbus. Collectively the industry had ordered 138 airplanes from Boeing and 334 airplanes from Airbus.

While the country provided avenues for growth there were several concerns as well. The Director General of Civil Aviation (DGCA), the regulatory authority, in an order on route disbursal guidelines, had stated that a scheduled airline service provider operating category I routes was required to deploy at least 10% of ASKM (Available Seat Kilometer) on Category II routes and at least 50% of ASKM on Category III routes as well.[10] Category II routes to less attractive destinations were not remunerative and constituted 6% of the capacity of an airline. This could easily wipe out 1.5% of an airline's margin. Lack of infrastructure at airports leading to congestion and soaring ATF prices were also causes for concern.

Crude oil prices escalated rapidly in 2008, from $100 a barrel in January to a new record high of $140 a barrel in June. On account of spiraling oil prices Oasis Hong Kong Airlines slipped into bankruptcy barely after 17 months of operations[11]. In India, fuel alone accounted for 47% of revenues (compared to the global average of 30 percent) leading to a compression of 13% in margins primarily because Indian companies faced additional fuel taxes[12]. Consequently domestic Air Turbine Fuel (ATF) prices were higher than international prices by 60-70%. Airline companies in India and Asia responded to high fuel prices by scaling back expansion plans, raising airfares, adopting more efficient aircraft technologies and shedding wastages. Domestic airfares went up by 30%. The increase in airfares affected the LCCs adversely. Domestic passenger traffic declined. Carriers were also forced to reduce capacity. The top five carriers reduced capacity by 12%-20% by grounding aircrafts.

By November 2008 ATF prices fell by almost 40% from their peak in August 2008 providing relief to airline companies. The massive capacity reduction undertaken by the top five carriers resulted in supply falling below demand. This resulted in better passenger load factors. The operating environment improved for a brief period in 2011-12 due to recovery in passenger traffic, industry-wide capacity discipline and relatively stable fuel prices. Exhibit 7 presents data on historical ATF prices. Key financial ratios and margins for broad industry peers as well as the nearest domestic and international competitors are presented in Exhibits 8 and 9.

In the near term airline operators were faced with challenges related to high debt burden and liquidity constraints. Most companies needed significant equity to bring down leverage. Over the long term they needed to focus on improving cost structure and rationalization of mix of fleet and routes. To address the concerns of the industry, the government initiated a series of measures including proposals to allow foreign carriers to make strategic investments up to 49% of equity in Indian companies; allow airlines to directly import ATF and to lift the freeze on international expansion of private airlines.

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[9] Sabarad M, and A Mhatre, Aviation, Prabhudas Liladhar Research, December 2007
[10] Sabarad M, and A Mhatre, Aviation, Prabhudas Liladhar Research, December 2007
[11] Airlines we lost in 2008, www.crankyflier.com, December 31, 2008
[12] Goel A, and A Singhania, Aviation Sector Update, Edelweiss Research, September 25, 2008

BRIEF INFORMATION ABOUT COMPETITORS

Competition is definitely extremely intense in the Indian aviation industry. Some of the important competitors to Kingfisher are Spice Jet, IndiGo Airlines, and GoAir Airlines.

Spice Jet:

Spice jet is a low-cost airline of India, headquartered in New Delhi. The airline started its operations in May 2005, with an aim to become India's most preferred low cost airline, by providing the lowest air fares and the highest consumer value to the price sensitive consumers of the country. Spice Jet was earlier known as "Royal Airways" a reincarnation of ModiLuft, which was a small airline company, launched in India, by a partnership deal with German carrier – Lufthansa. Initially, Spice Jet chose a single aircraft type fleet – Boeing 737-800, which allowed for greater efficiency in maintenance and supported by the low-cost structure. With the success in the venture, the airline chose one more aircraft – Boeing 737-900ER. Currently, Spice Jet has 16 Boeing 737-800 aircrafts and 5 Boeing 737-900ER aircrafts.

IndiGo Airlines:

IndiGo is the latest entrant to the domestic civil aviation space in India. InterGlobe Enterprises, a renowned travel corporation, is the owner of IndiGo. The airline is targeting those people, who are looking for affordability, punctuality etc. The first Airbus of IndiGo – A320 – was delivered to the airline, on July 28, 2006. The airline received six aircrafts in 2006. It increased the number of aircrafts to 15, when it was delivered nine more, in 2007.

GoAir Airlines:

Established in June 2004, GoAir Airlines is a low-cost budget airline, based in Mumbai. It has been showcased as "the People's Airline". It is promoted by Wadia Group, which has been at the forefront of industry in India, for the past 116 years. GoAir Airlines is the brainchild of Jeh Wadia. GoAir's business model has been created on the 'punctuality, affordability and convenience' model.

On June 9, 2005, GoAir announced its plan to launch operations in October 2005, with a fleet of 20 leased Airbus A 320 aircraft. As per the plan, it was decided that the operations would start with flights playing in the southern and western parts of India, with the first nine A320s. The remaining 11 aircraft were added in the following year. Over the years, GoAir has managed to mark its presence in the civil aviation industry of India. GoAir's route network spans prominent business and leisure destinations, across India. Currently, it covers as many as 13 destinations.

OPERATING AND FINANCING HISTORY

After the termination of the state monopoly over scheduled air transport three full service carriers (FSC) and six low cost carriers (LCC) emerged. In 2010 the total fleet size of the industry was 380-385 aircrafts out of which 38% was owned by National Aviation Company of India Ltd. (NACIL), 28% by Jet Airways (along with Jet Lite) and 22% by Kingfisher[13]. The remaining 12% was distributed among the other LCCs. In terms of market share Jet Airways was the market leader with a 26% market share followed by Kingfisher with a 22% market share. Indigo and Spice Jet controlled 15% and 13% respectively.

[13] Parkar N, Aviation Sector Note, Dolat Capital India Research, March 2, 2010

Throughout its history Kingfisher had won many awards including three global awards at the Skytrax World Airline Awards and the Best New Domestic Airline for Excellent Services and Cuisine by Pacific Area Travel Writers Association (PATWA)[14]. It was listed as the No. 1 airline in customer satisfaction by Business World, a prominent business magazine, and was among the top 100 most trusted brands in The Brand Trust report.

In order to dominate the airline industry the company embarked on a massive capital expenditure program. In 2005 it ordered five A380s (these were cancelled subsequently), five A350-800s and five A330-200s for over $3 billion[15]. During 2008-2010 the company accumulated 67 Airbus aircrafts. The purchase of these aircrafts was financed largely through dry leases[16]. The company heavily used bank loans to finance capital expenditure and working capital. Exhibit 10 provides a snapshot of the company's financing program during 2007-2011. To secure these loans, the airline had used as security all its movable assets, trademarks, goodwill of the company, credit card and other receivables and a mortgage on Kingfisher House, the corporate headquarters. Grant Thornton undertook a valuation of the Kingfisher brand and the company pledged its brand as collateral with its lenders for INR 41 billion ($660 m)[17]. The loans raised amounted to three times the company's market value.

Kingfisher had been reporting losses ever since it commenced operations. After acquiring Air Deccan, Kingfisher suffered losses of over INR 10 billion (about $160 m) for three consecutive years. It reported a net loss of INR 4187 m during the second quarter of 2009. Its income from operations also declined by 13.6 percent during the quarter compared to the same period the previous year. In view of the huge losses and capacity reduction, Kingfisher decided to lay off nearly 100 pilots[18]. As the business was consuming cash rapidly, Kingfisher's board approved a resolution to raise $100 m by various instruments including Global Depository Receipts (GDRs)[19]. This was in addition to by a rights issue of equity shares amounting to INR 5000 m.

The airline accumulated losses of over $1.1 b in 2012-13 with half of its fleet grounded and several members of its staff going on strike. Kingfisher's market share fell dramatically to 14% with the year-on-year growth turning negative. LCCs like Indigo and Spice Jet benefited from Kingfisher's financial woes and locked up higher market shares.

In the height of the crisis Kingfisher hired Sanjay Aggarwal as the new CEO to turn around the ailing company. Aggarwal had served as the Chief Executive Officer of Spice Jet Ltd. He was credited with steering Spice Jet into profit. Aggarwal quit the airline after media baron Kalanithi Maran bought a 37.7% equity interest in Spice Jet, following Wilbur Ross'[20] decision to sell off his equity interest. Sanjay had earlier served as the chief operating officer and strategy officer of Flight Options, LLC and as the senior director in charge of information technology, strategic and operations planning at Marriott International.

SIGNS OF FINANCIAL DISTRESS:

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[14] www.flykingfisher.com
[15] http://www.airlinequality.com/news/140708_KINGFISHER.htm
[16] The airline industry uses two types of leases. Wet lease is normally used for short term uses and dry lease is used for long term uses.
[17] Creditors put Kingfisher Airlines brand up for sale, Live Mint, April 7, 2014
[18] Kingfisher to lay off nearly 100 pilots, The Hindu, November 4, 2009
[19] Kingfisher Airlines to raise $100 m, The Hindu, August 31, 2009
[20] A prominent U.S investor

There were many court cases against Kingfisher for dishonoring contracts with vendors and lessors. Since 2008 Kingfisher had been unable to pay aircraft lease rentals on time[21]. Kingfisher Airlines had grounded several of its aircrafts as it was unable to meet the expenses. As a result, GE Commercial Aviation Services, a lessor, threatened to repossess leased planes on account of default. The company defaulted in repayment of loans and interest to banks and financial institutions in 2009. The auditors to the company noticed delays ranging up to 61 days (in payment of overdue installment) and up to 84 days (in payment of overdue interest) in several months. The unpaid overdue installments and interest to banks was INR 2703 m (approximately $56 m) and INR 2190 m ($45 m) respectively[22].

Kingfisher had trouble paying fuel bills too. In 2009 Bharat Petroleum Corporation Ltd had filed a case against Kingfisher for non-payment of dues[23]. The High Court of Karnataka State ordered that the entire amount of INR 2.45 billion ($50 m) has to be paid by November 2010 and the airline paid it in installments. The following year DVB Aviation Finance Asia Ltd, a lessor from Singapore, sued Kingfisher Airlines for lease rental default[24]. A case was filed in a court in the United Kingdom. Soon thereafter, Hindustan Petroleum Corporation Ltd, another government of India owned petroleum company, stopped Air Turbine Fuel supplies to Kingfisher Airlines owing to non-payment of dues. The situation was later resolved by the company[25]. Due to non-payment, several Kingfisher's vendors had filed winding up petitions with the High Court of the state of Karnataka. As of November 2011, several winding up petitions against Kingfisher Airlines were pending before the Karnataka High Court.

The company incurred substantial losses and its net worth was eroded in 2009. However, the financial statements were prepared on the basis that the company was a going concern and that no adjustments were required to the carrying values of assets and liabilities due to the recently launched international operations, loans granted by banks, group support and capital raising plans[26]. The auditors pointed out that the appropriateness of the policy was dependent on the company's ability to infuse requisite funds for meeting its obligations. They also pointed out that[27]:

"*…. the scheduled air operator's permit issued by the DGCA has lapsed, the Karnataka state High Court has admitted petitions by the consortium of bankers and one unsecured creditor for winding up of the company….. These events cast significant doubt on the ability of the company to continue as a going concern*".

In the past the auditors had pointed out that several accounting policies of the company were not in conformity with Indian Accounting Standards. Exhibit 11 presents excerpts from auditors' reports during 2008-2011.

THE 2010 RESTRUCTURING

The crisis was started with the freezing of the bank accounts of the airline by the Indian Income Tax department. The loss before tax in the year 2009 was INR 1,917.67m and it was INR 2,010.04m in 2010. The total accumulated losses of Kingfisher since its inception was amounting to INR 42,010 m (approximately $875 m) between April 2005 and March 2010. To prevent an implosion, the company's board of directors, at its meeting held on November 25, 2010, approved a debt recast package with

[21] Panchasara, B, TheKing Without Fishes, Bauddhik, Vol. 3, No.1, Jan-April, 2012
[22] These amounts were paid after March 31, 2009.
[23] BPCL Sues Kingfisher Airlines, The Economic Times, June 25, 2009
[24] DVB Aviation Sues Kingfisher Airlines for default on aircraft rentals, The Economic Times, July 21, 2010
[25] HPCL does not encash Rs 50 cr cheque from Kingfisher Airlines, The Economic Times, May 21, 2010
[26] Kingfisher Results Defy Accepted Accounting Standards: Auditors, Business Standard, February 12, 2014
[27] Kingfisher Airlines Annual Report, 2011

lending banks following a one-time relaxation in restructuring guidelines sanctioned by the Reserve Bank of India (India's central bank)[28]. The salient features of the recast included:

1. Conversion of debt of INR 13.55 billion ($220 million) provided by lenders into equity
2. Conversion of debt of INR 6.48 billion ($100 million) provided by promoters into equity
3. Re-scheduling of repayment of the balance debt to lenders over nine years with a moratorium of 2 years.
4. Reduction in interest rates.
5. Sanction of additional fund and non-fund based facilities by the lenders[29].

The promoter (founder) group of Kingfisher had supported the airline through direct investment, advances from the holding company and guarantees from the holding company[30]. The group also helped Kingfisher secure third party investments to meet exigencies. UBHL had invested INR 21,180 m ($440 m) as equity. This included a sum of INR 7450 m ($155 m) which was converted into preferences shares and thereafter into ordinary equity shares at the time of the debt recast. Besides this, UBHL had also procured third party finances from associates by way of convertible bonds amounting to INR 7100 m ($ 148 m). UBHL had provided Kingfisher with corporate guarantees totaling INR 91,350 m ($1.9 b)[31]. In addition, Vijay Mallya himself had given personal guarantees amounting to INR 61,560 m ($1.2b) for which the lenders had given him a commission of INR 560 m (12m)! [32]

Kingfisher Airlines completed the restructuring of INR 80,000 m ($1.3 billion) debt, with all 18 lenders agreeing to cut interest rates and convert part of loans to equity[33]. Lenders converted Rs 6.50 billion ($100 million) debt into preference shares. These preference shares would be converted into equity when the airline listed on the Luxembourg Stock Exchange by selling global depositary receipts (GDRs). The preference shares would be converted into ordinary equity at the price at which the GDRs would be sold to investors. In addition, another INR 8 billion ($130 million) debt was converted into redeemable preference shares for 12 years. On account of the restructuring the airline's average interest rate would come down to 11%, helping the airline save INR 5 billion ($80 million) every year in interest payments. The recast plan involved the issuing of several types of instruments (see Table-A). The convertible preferred stocks would be compulsorily converted into shares and the cumulative preferred stock would be redeemable. In addition to these issues, 9,700,000 6% redeemable preference shares of INR 100 face value issued to United Breweries (Holdings) Ltd. were converted to 97,000,000 units of 6% mandatory convertible preference shares of INR10 each. Exhibits 12 and 13 present the details of the debt recast.
Forced by the requirements prescribed under the debt recast package, Kingfisher Airlines' founder companies, United Breweries (Holdings) Ltd and Kingfisher Finvest Ltd., had to pledge their entire stake in the airline with some of the lenders.

Following the debt restructuring (Exhibit 16), the airline undertook several steps to cut costs and face the challenges. These steps included changes to the business model, reduction in interest and lease rentals by converting some Rupee loans into foreign currency loans, streamlining of fleet order with Airbus, and reconfiguration of aircrafts to add more seats. Exhibits 14 and 15 present the details of financial and

[28] Kingfisher Airlines Investor Presentation
[29] Banks in India provide fund and non-fund based working capital facilities. Fund based limits include working capital loan and revolving credit facilities whereas non fund based limits include letter of credit, guarantees and such other facilities that do not require actual cash.
[30] UB Holdings had investments in marketable securities amounting to Rs 50,033 m.
[31] Kingfisher Airlines: the beginning of the end game?, Live Mint, January 14, 2013
[32] http://articles.economictimes.indiatimes.com/2012-09-04/news/33582211_1_kingfisher-airlines-chairman-kingfisher-house-vijay-mallya
[33] Kingfisher Airlines Investor Presentation, October 2011

operating improvements envisaged under the restructuring plan. The restructuring quickly resulted in improvements in performance. In 2012, Kingfisher had an EBITDA margin on 20% whereas Jet Airways had a margin of 17%. Its EBITDAR[34] was -0.8% whereas competitors such as Jet and Spice Jet had margins of -9.2% and -11.7%.

The Veritas Report

At the time of Vijay Mallya's disclosure to the Bombay Stock Exchange two analysts at Veritas, a Canadian Investment Research firm, startled the world investment community by pointing out that both Kingfisher Airlines and its parent, UB Holdings, were on the verge of bankruptcy when the stocks of these two companies were trading at INR 25 and INR 114 respectively[35]. They questioned the company's accounting practices, its future prospects and the debt recast plan. They pointed out that the company's equity value was, in fact, negative.

However, other analysts at ICICI Direct, a prominent brokerage in India, had given a "buy" recommendation on the stock[36].

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[34] Earnings Before Interest, Tax, Depreciation, Amortization and Rentals
[35] Monga, N and V Raj, UB Holdings & Kingfisher Airlines Ltd, Veritas Investment Research, September 12, 2011
[36] Shah, R, Kingfisher Airlines, ICICI Securities, Feb 16, 2011

Exhibit 1: Income Statement INR m

	2011	2010	2009	2008	2007	2006
Sales Turnover	63,596	50,679.2	52,389.8	14,413.9	16,221.3	12,364
Excise Duty	380.3	706.9	0	0	0	0
Net Sales	63,216	49,972.3	52,389.8	14,413.9	16,221.3	12,364
Other Income	1359	2031.2	8406.9	1285.1	3818.5	1154.1
Total Income	**64,575**	**52,003.5**	**60,796.7**	**15,699**	**20,039.8**	**13,518.1**
Power & Fuel Cost	22,806	18,105.5	26,092.1	8908.4	9795	6254.5
Employee Cost	6760	6887.6	8254.2	2451.3	2507.5	1693.3
Other Manufacturing Expenses	12,720	11,793.2	12,356.5	4470.2	5129.4	4720.7
Selling and Administration Expenses	20,397	21,844.7	23,050.5	5445.4	5652.9	3475.1
Miscellaneous Expenses	1558.9	4897.7	3478	288	316.1	289.5
Total Expenditure	64,243	63,528.7	73,231.3	21,563.3	23,400.9	16,433.1
Operating Profit	331.9	-11,525.2	-12,434.6	-5864.3	-3361.1	-2915
Interest	13,129.4	11,025.9	7785.5	778.8	624	319.6
Gross Profit	-12,797.5	-22,551.1	-20,220.1	-6643.1	-3985.1	-3234.6
Depreciation	2410.4	1628	1332	182.8	176.7	133.4
Profit Before Tax	15,207.9	-24,179.1	-21,552.1	-6825.9	-4161.8	-3368
Tax	0	0	0	0	0	0
Fringe Benefit tax	0.03	-60.6	125	35.5	34	37.5
Deferred Tax	-4943.2	-7646.3	-5588.8	-4980	0	0
Reported Net Profit	-10,274	-16472.2	-16088.3	-1881.4	-4195.8	-3405.5
Extraordinary Items	-918	-3551.5	-6.6	494.3	2884.6	504.3
Adjusted Net Profit	**-9356**	**-12,920.7**	**-16,081.7**	**-2375.7**	**-7080.4**	**-3909.8**

Source: CAPITALINE DATABASE

Exhibit 2: Balance Sheet INR m

	2011	2010	2009	2008	2007	2006
SOURCES OF FUNDS :						
Share Capital	1050.88	362.91	362.91	135.8	135.47	98.18
Reserves	-4002.07	-4240.86	-2496.37	52.98	238.21	118.37
Total Shareholders' Funds	-2951.19	-3870.47	-2125.35	188.78	373.68	216.55
Secured Loans	5039.91	4842.43	2622.52	592.38	716.71	448.16
Unsecured Loans	1986.31	3080.17	3043.04	342	200	3.5
Total Debt	7026.22	7922.6	5665.56	934.38	916.71	451.66
Other Liabilities	33.19	0	0	0	0	0
Total Liabilities	4108.22	4052.13	3540.21	1123.16	1290.39	668.21
Gross Block	2254.26	2048.13	1891.8	322.33	340.77	247.33
Less : Accumulated Depreciation	682.37	493.62	316.28	43.55	33.74	16.4
Net Block	1571.89	1554.51	1575.52	278.78	307.03	230.93
Capital Work in Progress	0	980.61	1630.94	346.25	357.62	286.53
Investments	0.05	0.05	0.05	0	0.41	0.41
Current Assets, Loans & Advances						
Inventories	193.08	171.32	147.25	48.64	61.62	57.26
Sundry Debtors	440.53	322.48	274.23	27.16	35.24	12.87
Cash and Bank	252.36	206.47	171.87	280.12	817.05	256.48
Loans and Advances	871.57	1936.9	1606.34	303.67	176.15	167.57
Total Current Assets	1757.54	2637.17	2199.69	659.59	1090.06	494.18
Less : Current Liabilities and Provisions						
Current Liabilities	4108.82	3501.37	3494.68	667.08	486.55	376.99
Provisions	41.61	53.2	45.55	9.52	6.94	5.93
Total Current Liabilities	4150.43	3554.57	3540.23	676.6	493.49	382.92
Net Current Assets	-2392.89	-917.4	-1340.54	-17.01	596.57	111.26
Miscellaneous Expenses not written off	0	0	4.51	16.64	28.76	39.08
Deferred Tax Assets	3286.9	2841.03	2034.08	528.81	17.47	0
Deferred Tax Liability	359.12	406.67	364.35	30.31	17.47	0
Net Deferred Tax	2927.78	2434.36	1669.73	498.5	0	0
Other Assets	2001.39	0	0	0	0	0
Total Assets	4108.22	4052.13	3540.21	1123.16	1290.39	668.21

Exhibit 3: Cash Flow Statement (in '0 m)

	201103	201003	200903	200803	200706
Cash Flow Summary					
Cash and Cash Equivalents at Beginning of the year	252.36	206.47	171.87	320.91	817.05
Net Cash from Operating Activities	**-885.54**	**2.22**	**-1665.09**	**-645.78**	**-519.55**
Cash Flow From Operating Activities					
Net Profit before Tax & Extraordinary Items	-1520.78	-2417.92	-2155.21	-682.59	-416.18
Adjustment For					
Depreciation	241.04	162.8	133.2	18.28	17.67
Interest (Net)	1110.19	998.48	688.63	31.4	16.88
P/L on Sales of Assets	0.55	-2.5	7.82	-24.98	-288.91
Prov. & W/O (Net)	34.71	63.33	49.41	20.58	27.17
P/L in Forex	27.98	-38.74	-217.67	0	0
Fin. Lease & Rental Charges	0	0	0	0	0
Others	-4.95	-0.63	-1.57	-23.31	4.07
Total Adjustments (PBT & Extraordinary Items)	1409.52	1182.74	659.82	21.97	-223.12
Op. Profit before Working Capital Changes	-111.26	-1235.18	-1495.39	-660.62	-639.3
Adjustment For					
Trade & other receivables	-130.2	-48.25	-80.48	8.83	-23.28
Inventories	-22.77	-17.63	-55.34	12.98	-4.36
Trade Payables	601.86	34.37	1838.76	204.86	89.39
Loans & Advances	-325.19	-393.7	-850.3	-75.64	31.63
Others	0	0	0	0	-0.83
Total (OP before Working Capital Changes)	123.7	-425.21	852.64	151.03	92.55
Cash Generated from/(used in) Operations	12.44	-1660.39	-642.75	-509.59	-546.75
Direct Taxes Paid	-10.22	-4.7	-3.03	-9.96	-5.83
Total-others	-10.22	-4.7	-3.03	-9.96	-5.83
Cash Flow before Extraordinary Items	2.22	-1665.09	-645.78	-519.55	-552.58
Extraordinary Items					
Net Cash Used in Investing Activities	**-387.57**	**-38.05**	**235.13**	**206.63**	**13.82**
Cash Flow from Investing Activities					
Purchased of Fixed Assets	0	0	-5.13	-27.89	-182.98

Sale of Fixed Assets	86.31	349.62	399.28	24.98	296.88
Interest Received	8.88	10.78	20.23	16.73	5.35
Others	-133.24	-125.27	-207.7	0	0.23
Net Cash Used in Financing Activities	**1203.02**	**81.72**	**1464.56**	**290.11**	**-31.2**
Cash Flow From Financing Activities					
Proceeds from Issue of shares	0	0	0.5	2.06	576.04
Proceed from Issue of Debentures	0	0	0	0	0
Proceed from 0ther Long Term Borrowings	2334.68	2412.84	1030.62	20.61	114.41
Proceed from Bank Borrowings	0	0	0	0	259.72
Payment of the Long-Term Borrowings	-1411.53	0	0	0	-125.14
Payment of the short-term Borrowings	0	0	0	0	-46.25
Payment of financial Liabilities	0	0	0	0	-1.68
Interest Paid	-841.43	-948.28	-741.01	-53.87	-26.17
Others	0	0	0	0	0
Net Cash Used in Financing Activities	81.72	1464.56	290.11	-31.2	993.68
Net Inc/(Dec) in Cash and Cash Equivalent	-70.09	45.89	34.6	-149.04	-536.93
Cash and Cash Equivalents at End of the year	182.27	252.36	206.47	171.87	280.12

Source: CAPITALINE DATABASE

Exhibit 4: Financial Summary, Ratios and Margins

	2011	2010	2009	2008	2007	2006
Book Value (INR)	-70.4	-149.48	-83.88	13.9	27.58	22.06
Market Capitalization INR m	19861.4	12431.3	8881.4	16574.4	13798.	8428.8
Stock Price – High (INR)	91	73	158	335	162	148
Stock Price – Low (INR)	36	31	22	100	64	81
Fixed Assets Turnover Ratio	2.96	2.57	4.73	5.8	5.52	6.54
Inventory Turnover Ratio	34.9	31.82	53.49	34.86	27.29	21.12
Debtors Turnover Ratio	16.67	16.99	34.77	61.6	67.43	93.58
Interest Cover Ratio	-0.16	-0.87	-1.77	-7.76	-10.29	-11.12
EBITDA Margin (%)	0.52	-15.73	-23.73	-40.69	-38.5	-27.66
EBIT Margin (%)	-3.27	-18.95	-26.28	-41.95	-39.59	-28.73
Net Profit Margin (%)	-16.16	-25.5	-30.71	-13.05	-43.65	-31.62
Return on Capital Employed (%)	0	0	0	0	0	0
Return on Net Worth (%)	0	0	0	0	0	0
Price Earning (P/E)	0	0	0	0	0	0
Price to Book Value (P/BV)	-0.57	-0.31	-0.4	8.78	4.99	3.89
Price/Cash EPS (P/CEPS)	-2.53	-0.84	-0.6	-9.76	-4.64	-2.58
EV/EBIDTA	263.93	0	0	0	0	0
Market Cap/Sales	0.31	0.25	0.17	1.15	1.15	0.68

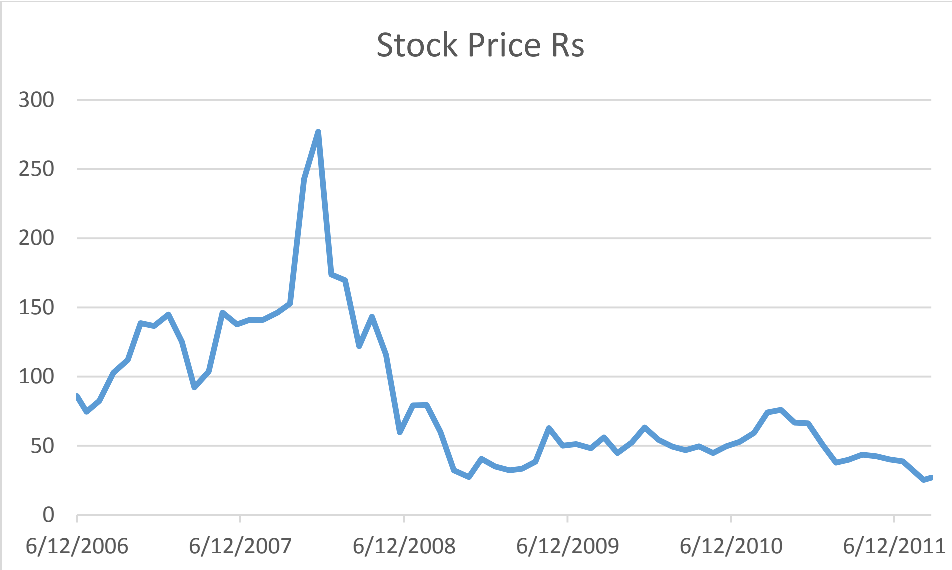
Source: CAPITALINE DATABASE

Exhibit 5: Details of Kingfisher Board (as of March 2011)

Director Name	Designation	Designation Category	Board meetings attended	Total remuneration	No of committee post held	No of board positions
			(Nos.)	(INR.)		
Vijay Mallya	Chairman & Managing Director	Executive	6	0		19
S R Gupte	Vice Chairperson	Non-Executive-Non Independent	7	190,000	10	10
A K Ravi Nedungadi	Director	Non-Executive-Non Independent	7	220,000	5	9
Vijay Amritraj	Director	Non-Executive-Independent	1	20,000	6	3
Anil Kumar Ganguly	Director	Non-Executive-Independent	6	200,000		2
Piyush Mankad	Director	Non-Executive-Independent	4	80,000	12	12
Naresh Trehan	Director	Non-Executive-Independent		0		
Diwan Arun Nanda	Director	Non-Executive-Independent	4	110,000	5	11
Ghyanendra Nath Bajpai	Director	Non-Executive-Independent	5	110,000	14	20
Bharath Raghavan	Company Secretary	Non-Executive		0		N.A.

Source: CMIE PROWESS DATABASE

Exhibit 6: Stock Price Chart



Source: National Stock Exchange, Case Writer

Exhibit 7: ATF Prices

Year	Domestic ATF Delhi INR./Kilo Litre	Domestic ATF Mumbai INR./Kilo Litre
2004-05	25,872.00	26,454.60
2005-06	33,385.90	34,270.00
2006-07	38,616.60	39,915.70
2007-08	40,935.80	42,318.10
2008-09	49,684.50	51,706.00
2009-10	37,105.10	38,262.10
2010-11	44,531.10	45,477.70

Source: Center for Monitoring Indian Economy

Exhibit 8: Key Ratios and Margins of Air Transport Companies[37]

Year	**2011**	**2010**	**2009**	**2008**	**2007**
No. of Companies	**28**	**24**	**26**	**17**	**14**
Debt-Equity Ratio	1,339.36	4.55	2.85	2.25	1.79
Long Term Debt-Equity Ratio	1,078.89	3.88	2.62	2.07	1.59
Debt/Assets Ratio	0.967	0.783	0.705	0.681	0.769
Current Ratio	0.72	0.84	0.99	1.13	1.18
Fixed Assets Turnover Ratios	0.6	0.68	0.64	1.02	0.98
Inventory Turnover Ratios	25.84	26.14	18.39	19.53	13.11
Debtors Turnover Ratios	9.31	9.5	6.65	8.11	6.92
Interest Coverage Ratio	-0.04	0.37	-0.89	-2.16	0.17
EBDIT Margin (%)	8.28	12.98	-2.33	-2.4	6.8
EBIT Margin (%)	-0.58	3.87	-6.55	-9.35	0.48
EBDT Margin (%)	-5.15	2.64	-9.7	-6.73	4.02
ROCE (%)	0	0	0	0	0
RONW (%)	0	0	0	0	0
Fuel/Total Expenditure	0.20	0.29	0.37	0.35	0.34
Fuel Expenses/Sales	0.19	0.29	0.43	0.39	0.37
Employee Cost/Total Expenditure	0.17	0.18	0.17	0.17	0.15

	Jet Airways			**Spice Jet**		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
Debt-Equity Ratio	16.49	14.24	9.01	0	0	0
Interest Coverage	0.87	0.46	-1.46	0	0	0
EBDIT Margin %	13.64	13.53	-9.45	4.61	3.98	-19.29
Net Profit Margin (%)	-0.97	-5.15	-15.11	3.14	2.82	-20.87
ROCE (%)	6.52	0	0	11.96	16.23	0
ROE (%)	-10.58	0	0	11.88	251.6	0
Price Earning (P/E)	399.24	0	0	15.32	22.95	0
Price to Book Value (P/BV)	4.61	5.01	1.13	4.84	-3.91	-0.75
Enterprise Value/EBIDTA	8.6	11.61	65	11.11	16.1	0

Source: CAPITALINE DATABASE

[37] This list includes all domestic air transport companies, including chartered flight operators

Exhibit 9: Key operating indicators and valuations for the Global Airline Industry

Company Name	M cap Current ($ B)	EV Current ($ B)	Sales 2011 ($ B)	Net profits 2011 ($ B)	EBIT-DAR 2011 (%)	RoE 2011 (%)	ASKMs 2011 in B	RPKMs 2011 in B	PLF 2011 (%)	Yield 2011 $	FC/ ASKM 2011 $	P/E Ratio 2012e x	P/E Ratio 2013e x	EV/ EBITDA 2012e x	EV/ EBITDA 2013e x	P/BV 2012e x	P/CF 2012e x
FSC Carriers																	
Delta Airlines	7.9	18.0	8.4	0.4	18.8	--	235	193	82.1	16	3.7	4.2	3.5	3.9	3.9	7.4	2.4
Air China Ltd	12.2	23.6	6.7	1.1	40.3	37	132	106	80.0	10	2.8	6.8	7.7	7.5	7.2	1.1	3.4
Singapore Airlines	10.2	7.1	2.8	0.1	31.6	8	108	85	78.5	9	3.1	27.2	19.5	4.2	3.8	1.0	6.9
All Nippon Airways	7.7	15.8	8.2	0.1	22.5	5	87	58	67.5	0	3.6	30.4	17.2	5.9	5.3	1.2	4.4
China Southern Airlines	7.0	14.7	6.3	0.6	32.2	31	140	111	79.2	10	2.6	5.8	6.9	6.4	6.1	0.9	2.1
China Eastern Airlines	6.3	15.2	6.1	0.5	31.4	60	119	93	78.0	10	2.7	5.3	6.1	7.4	6.8	1.2	1.9
Qantas Airways	4.1	7.6	6.7	0.0	19.8	4	133	107	80.1	11	3.0	13.1	8.6	3.9	3.2	0.6	2.4
Korean Airlines	3.6	14.6	10.7	(0.3)	--	-11	--	--	--	--	--	8.8	8.4	8.3	7.4	1.2	2.2
Garuda Indonesia	1.5	1.9	2.2	0.1	21.8	15	26	18	71.7	8	2.7	14.8	8.6	7.9	6.0	1.8	--
Asiana Airlines	1.3	--	4.8	0.0	--	--	37	28	76.4	--	--	6.9	5.5	6.7	5.7	1.2	2.9
Air New Zealand	0.8	1.3	1.5	0.0	12.8	5	32	27	83.4	11	2.8	15.0	8.0	3.4	2.8	0.6	2.6
Jet Airways	0.6	3.1	3.2	0.0	27.0	-5.00	40	31	78.6	9	2.9	--	--	88.2	10.2	4.0	--
Kingfisher Airlines	0.2	1.7	1.4	(0.2)	13.0	--	16	13	81.0	9	3.1	--	--	--	--	--	--
LCC Carriers																	
Ryan Air	8.1	8.8	1.1	0.0	41.4	17	63	53	84.1	6	2.7	13.1	12.8	7.3	7.1	1.9	7.1
Southwest Airlines	6.3	6.9	4.1	0.2	17.6	3	121	98	80.9	15	4.8	11.4	8.3	3.7	3.3	0.9	5.0
Air Asia	3.3	5.1	--	--	--	--	26	21	80	--	--	11.1	902.0	8.2	7.2	1.9	6.2
Cebu Air	0.9	1.1	--	--	--	--	10	9	85	--	--	9.6	8.0	6.2	5.0	1.7	5.3
Tiger Airways	0.5	0.8	0.5	0.0	30.3	23	10	8	85.8	6	1.8	--	78.0	--	16.3	2.4	--
SpiceJet	0.2	0.2	0.6	0.0	18.5	--	10	9	82.5	7	2.6	--	--	--	--	--	--

Source: *Source: Bloomberg, ICRA Research; projected estimates – Bloomberg Consensus estimates*

Note: FC = full capacity, MV= Market value, EV= Enterprise Value, ASKM = Available seat kilometers, PLF= passenger load factor= revenue passenger mile/available seat KM, yield= passenger revenue/revenue passenger mile, RPKM= revenue passenger kilometer, P/BV= price/book value, P/E= price/earnings per share

Exhibit 10: Financing Snapshot (Secured Loans) INR m

_	**2007**	**2008**	**2009**	**2010**	**2011**
Term loans from banks (Rupee loans)	1797	1546	8068	30,288	42,230
Cash credit[38] facility from banks	1869	172	3479	5073	2825
Short Term loans from banks	1526	2485	4270	4784	NA
Vehicle loans from banks/financial institutions	16	10	4.8	NA	NA
Finance lease obligations[39]	22	12	9405	7253	6104
Term loans from financial institutions and Others	742	629	996	1023	6848
Hire Purchase	1142	1045	NA	NA	NA
Total	7114	5899	26,222.8	48,421	58,007

Source: Company Annual Reports

[38] A type of working capital facility in which the borrower can withdraw funds as and when needed up to a predetermined credit limit. The security for cash credit is inventory. The cash credit permits the borrower to borrow upto a specified limit. The interest is charged only on the utilised portion but a service charge is levied on the unutilised portion.

[39] The company also had operating leases amounting to Rs 46,175 m in 2011

Exhibit 11: Excerpts from the Auditors' Report, 2008-2011

1. The working results for the nine months ended March 31, 2008 are after charging off INR 28,270,478 and INR 2,628,571 towards amortization of training and pre-operative expenses respectively based on the company's accounting policy of amortizing the expenditure over 3 years. The corresponding amounts for the year ended June 30, 2007 were INR 86, 443, 502 and INR 16, 358, 477 respectively. We are of the opinion that such accounting treatment is not in accordance with Accounting Standard 26 on "Intangible Assets" issued by the Institute of Chartered Accountants of India and such expenses were required to be written off to the profit and loss account as and when incurred[40].
2. Other Income for the fifteen months ended June 30 2006 included a sum of INR.267, 220, 000 towards certain subsidy provided to the company by one of its suppliers in conjunction with lease of aircrafts on operating lease basis. The previous auditors had reported that they were of the opinion that such accounting treatment was not in accordance with Accounting Standard (AS) 19 on "Leases" and the subsidy should be recorded on a straight-line basis over the period of the lease. Their audit report on the financial statements for the fifteen months ended June 30, 2006 was modified in this matter. We concur with the views of the said auditors in principle that such subsidy should be recognized on a systematic basis in the Profit and Loss Account over the periods necessary to match them with the related costs, which they are intended to compensate although the matter does not appear to be covered explicitly by the said AS 19
3. We further report that, except for the effect, if any, of the matters stated in paragraph 11(a) below and para 4 of the annexure, whose effect are not ascertainable, had the observations made in paragraphs 4 & 5 above been considered, the loss after tax for the period ended March 31, 2008 would have been INR.1,814,834,524 (June 30, 2007 – INR.4,045,462,520) as against the reported loss of INR.1,881,361,073 (June 30, 2007, – INR. 4,195,761,015), the debit balance in profit and loss account as at March 31, 2008 would have been INR.9,845,694,445 (June 30, 2007 – INR.8,021,206,713) as against a reported figure of INR.9,677,557,223 (June 30, 2007 – INR.7,786,542,942), deferred revenue expenses as at June 30, 2007 would have been INR. 256,624,965 as against the reported figure of INR.287,524,014 and other liabilities would have been INR.680,362,049 (June 30, 2007 – INR.982,925,507) as against the reported figure of INR.512,224,827 (June 30, 2007 – INR.779,160,785).
4. Attention of the members is invited to note 19 of schedule 19 regarding recognition of deferred tax credit during the year aggregating to INR. 5,588,761,517 (period ended March 31, 2008 INR. 4,984,997,384) (Total amount recognized up to March 31, 2009 INR. 16,697,320,245) by virtue of which its loss for the year and debit balance in Profit and Loss Account each stand reduced by INR. 5,588,761,517 (Period ended March 31, 2008 INR. 4,984,997,384) and INR. 16,697,320,245 (As at March 31, 2008 INR. 4,984,997,384) respectively. We cannot express any independent opinion in the matter.
5. Attention is invited to the change in the method of accounting of costs incurred on major repairs and maintenance of engines of aircrafts taken on operating lease during the year aggregating to INR.207 0 m which have been included under fixed assets and amortized over the estimated useful life of the repairs. In our opinion, the revised accounting treatment is not in accordance with current accounting standards.

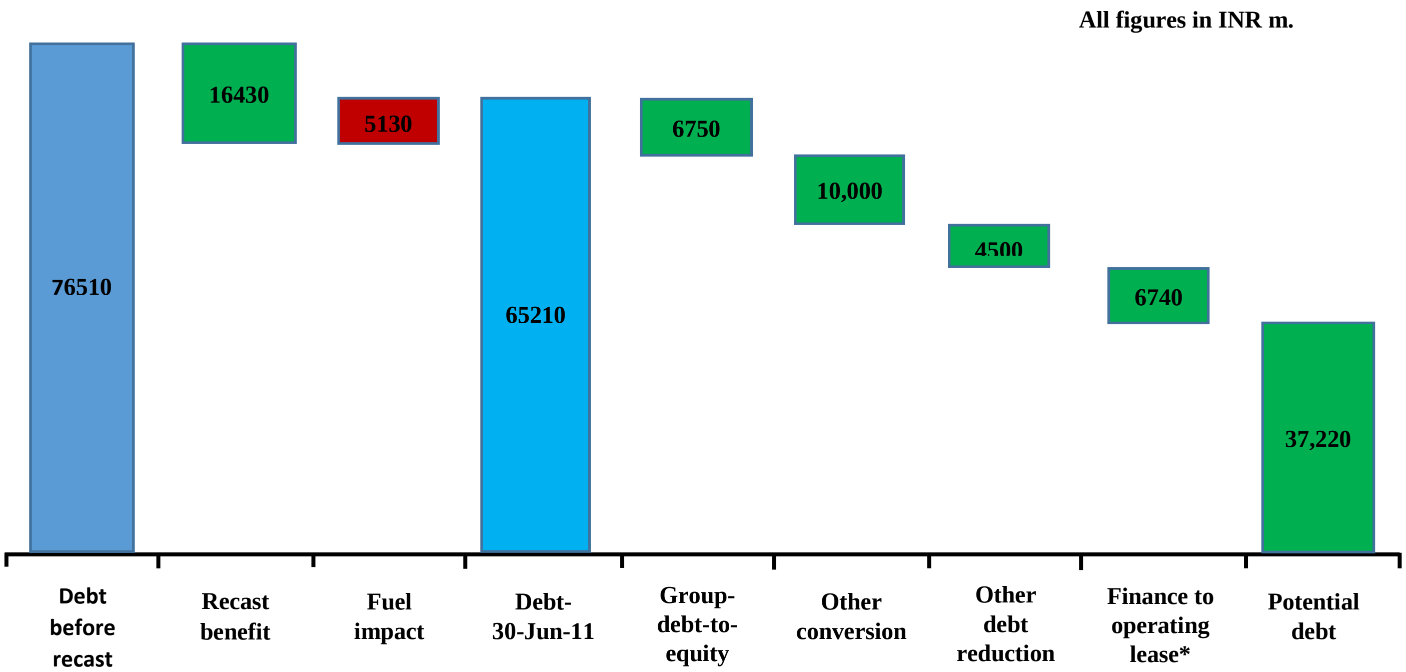
[40] The accounting policy was reversed in 2008

Exhibit 12: Debt Recast Plan

Note: CCPS =convertible cumulative preferred stock; CRPS= convertible cumulative preferred stock; OCDS= optionally convertible debenture securities; WCTL = working capital term loan; FITL = Funded Interest Term Loan; RTL= Rupee Term Loan

Particulars	Debt before recast	Conversion of Debt				Additional Loan		Debt post recast	Debt as of 31-Mar-2011
		to CCPS	to CRPS	to OCDS	to WCTL	FITL	RTL		
Working Capital	5905.0				(2974.0)			**2931.0**	**2931.0**
Term Loan	42,634.9	(7501.0)	(5531.0)		2974.0	2484.2	7683.0	**42,744.1**	**44,892.3**
PDP Loan	1664.4							**1664.4**	**1692.7**
Founder Loan	6563.0	(6480.0)						**83.0**	**380.0**
Inter Corporate Deposit (ICD)	11,373.2			(7093.2)				**4280.0**	**3104.1**
Sub-Total	**68,140.5**	**(13,981.0)**	**(5531.0)**	**(7093.2)**	**-**	**2484.2**	**7683.0**	**51,702.5**	**53,000.1**
Other Short Term Loan	752.0							**752.0**	**3016.5**
Hire Purchase	861.5							**861.5**	**715.4**
Finance Lease	6757.3							**6757.3**	**6740.4**
Grand Total	**76,511.3**	**(13,981.0)**	**(5531.0)**	**(7093.2)**	**-**	**2484.2**	**7683.0**	**60,073.3**	**63,472.4**

Exhibit 13: Proposals to Reduce Debt



Additionally substituting Rs 12,000 m of term loans with foreign currency loans is expected to lower the interest cost by 6%.

* Finance to operating lease conversion on 10 ATRs, 2 A320s, and 1 ACJ to reduce debt by another 6740 m

Source: Company Documents

Exhibit 14: Interest Reduction Proposals

	Bank Contribution					
1	INR. 10,000 m					
		Before	**After**	**Change**		
	Interest Rate	13.50%	13.50%	- pts		
	Principal	10,000m	-			
	Interest Cost	1350 m	-	-1350 m		
	Letter of Credit Commission Cost on INR. 11,250 m	-	110 m	110 m		
2	INR. 4500 m repayment of loan					
		Before	**After**	**Change**		
	Interest Rate	13.50%	13.50%	- pts		
	Principal	4500 m	-			
	Interest Cost	610 m	-	-610 m		
3	Convert INR. 12,000 m of Rupee loan to foreign currency loan - 13.5% to 8% interest rate					
		Before	**After**	**Change**		
	Interest Rate	13.50%	8.00%	-5.5 pts		
	Principal	12,000 m	12,000 m			
	Interest Cost	1620 m	960 m	-660 m		
	Impact of Bank Contribution per year			**2510 m**		
	Founder's Contribution					
1	Short Term Loans - Conversion to Equity*					
		Before	**After**	**Change**		
	Interest Rate	12.00%	12.00%	- pts		
	Principal	6500 m	2000 m			

	Interest Cost	780 m	240 m	-540 m		
2	Conversion of debt instruments to Equity*					
		Before	**After**	**Change**		
	Interest Rate	13.00%	15.00%	- pts		
	Principal	2170 m	-			
	Interest Cost	330 m	-	-330 m		
	Impact of founder's Contribution per year			**870 m**		
	Persons Acting in Concert**					
1	Conversion of debt instruments to Equity* (Persons Acting in Concert**)					
		Before	**After**	**Change**		
	Interest Rate	8.00%	-	-8.0 pts		
	Principal	7090 m	-			
	Interest Cost	570	-	-570 m		
	Impact of Persons Acting in Concert per year			**570 m**		
	Total Interest Cost Reduction per year			**3940 m**		
	*Conversion/subscription to equity shares to be simultaneous with the undertaking of a rights issue or other raising of capital, and subject to not triggering an open offer under the Takeover code					
	**The holders of the debt instruments are persons acting in concert with the founders for the purpose of issue and conversion of the instruments					

Source: Company Documents

Exhibit 15: Summary of Operational Restructuring benefits

	1	Reconfiguration & Business Model Change				
		Impact to seat reconfiguration and business model change (1)(2)(3)	13,950m			
	2	Discounts (Fuels and others)				
		Net Impact (@4% of current rates)	2860 m			
	3	Lease Rental Reduction				
		Net Impact (10% of current)	1150 m			
	Total Operational Improvement per year		**17,960m**			
	Notes:					
	1)	Aircraft reconfiguration to reduce the number of sub-fleets from nine to five across A319/320/321/332 aircraft types. The number of seats in the front cabin will be reduced and more economy seats will be added				
	2)	The domestic ATVs are estimated to increase by INR. 600 due to concentrated industry efforts to pass on the fuel increases, and absorb adverse currency movement				
	2)	Business model change to Kingfisher Class offering is estimated to provide another INR. 500 ATV upside on 60% of the domestic capacity that is currently Kingfisher Red				

Source: Company Documents

Exhibit 16: Instruments to be issued as part of Restructuring

Instrument	**Dividend/ Interest %**	**Number**	**Price INR**	**Recipient**
Cumulative Preferred Stock	8	575,000,000	10	Lenders
Convertible Preferred Stock	7.5	780,000,000	10	Lenders
Convertible Preferred stock	7.5	648,000,000	10	Lenders
Convertible Bonds	8	20,000,000	100	Star Investments
Convertible Bonds	8	30,000,000	100	Margosa Consultancy
Convertible Bonds	8	30,000,000	100	Redect Consultancy

Source: Company Documents