



AIRLINE STOCKS SOAR AS LOWER OIL PRICES BRING DOWN FARES

News / Finance



Stocks of aviation companies are having a dream run on the bourses with lower fuel prices providing the perfect takeoff for the beleaguered sector. The SpiceJet scrip has surged six-and-a-half times since hitting its 52-week low of 11.5 rupees in December last year. The stock hit its 52-week high of 72.5 rupees on November 24.

The budget carrier, promoted by Ajay Singh, has zoomed more than four-fold in the last year outperforming international airlines such as China Southern Airlines and Qantas Airways, Bloomberg data showed. InterGlobe Aviation, which owns IndiGo, the largest airline in the country, has had a stellar debut on the bourses. The stock closed 42% higher than the upper band of its IPO (initial public offer) price of 765 rupees per share on Wednesday. Incidentally, InterGlobe listed on the stock exchanges only on November 10.

The Jet Airways (India) scrip has more than doubled in value since touching a 52-week low of 241

rupees on November 25 last year. The stock surged 6.8% to close at 505 rupees on the BSE on Thursday. A sense of gloom and doom had enveloped the aviation sector due to factors like the demise of Kingfisher in 2012, unending financial stress at Air India and last winter's near-collapse of SpiceJet. Things started changing for the sector with the sharp fall in crude oil prices that led to aviation turbine fuel (ATF) prices touching an almost four-year low.

Thanks to high base prices set by oil companies and steep taxes levied by states, ATF prices in India are among the highest globally. This alone accounted for almost half of all operating expenses of an airline in India. But with this critical element cooling down, airlines were able to lower fares.

This led to India witnessing the highest growth -- of almost 20% -- in domestic air travel globally. With volumes coming in, airlines like IndiGo and GoAir managed to boost their profits and others like Air India and Jet cut their losses.

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