ETIHAD’S INDIAN PARTNER JUMPS AS FUEL DROPS TO FIVE-YEAR LOW

News / Airlines

Jet Airways India Ltd, Etihad Airways PJSC’s partner, paced a rally in Indian airline stocks after the region’s costliest fuel prices were cut to the lowest in five years.

Jet Airways, majority owned by Naresh Goyal, climbed 8.2 per cent to its highest since January 2011, making it the best performing share on the Bloomberg Intelligence Global Airlines Valuation Peers Index in the past month. InterGlobe Aviation Ltd, the owner of IndiGo, advanced 8.8 per cent in Mumbai, while SpiceJet Ltd rose 9.4 per cent.

India’s carriers have lost $10 billion (Dh36.7 billion) in the past seven years as they offered base fares as low as 1 rupee (2 cents) in a nation where provincial taxes make jet fuel prices the most expensive in Asia. The nation’s oil retailers cut fuel prices, which make up as much as 60 per cent of an Indian airlines’ cost, by 10 per cent in New Delhi on Friday as Brent, the benchmark for half of the world’s crude trading, plunged.

“A sharp reduction in fuel prices remains a key trigger for margin expansion going forward,” Rashesh Shah and Devang Bhatt, analysts at ICICI Securities Ltd. wrote in a note on December

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24. “Given improving macro factors like healthy industry passenger traffic growth coupled with lowest ATF prices, we expect” Jet to report healthy revenue growth along with better margins.

Jet Airways reported a second straight quarter of profit in the three months ended Sept. 30. Net income rose 25 per cent to 875.9 million rupees.

Fastest growing

India was the world’s fastest growing aviation market in 2015, expanding more than 20 per cent, according to International Air Transport Association. In comparison, passenger traffic in China grew at about 10 per cent, while growth in the Unites States was less than 5 per cent, IATA said in a December presentation.

That’s lured Singapore Airlines Ltd and AirAsia Bhd to start Indian units in recent years. Indian Airlines will need 1,740 new planes valued at $240 billion over the next 20 years, according to Boeing Co.

Almost 36 million Chinese travelled overseas in the third quarter, 12 per cent more than a year earlier, according to the Chinese Outbound Tourism Research Institute, which forecasts 135 million outbound Chinese tourists for the full year.

IGATE Research, in a report cited on the Financial Express website, predicted India would have almost 30 million outbound tourists by 2018. India and China are among the fastest-growing markets for Airbus Group SE and Boeing Co, which forecast that Asia will overtake the US as the world’s biggest plane market in two decades.

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