



AVIATION STOCKS RALLY 8-14% POST STEEP CUT IN JET FUEL PRICES

News / Finance



Investors continued to take exposure to aviation stocks on Friday following sharp cut in jet fuel prices. SpiceJet, Jet Airways and InterGlobe Aviation touched fresh 52-week highs, rising 8-14 percent intraday (in addition to 4-7 percent rally in previous session).

Oil marketing companies slashed aviation turbine fuel (ATF) prices by 10 percent, hence current prices are lowest since June 2010. Fourth consecutive monthly decline was after the sharp fall in crude oil prices.

ATF price in Delhi stands at Rs 39,892.32 per kilolitre, Kolkata at Rs 46,368.94, Mumbai at Rs 39,009.02 and Chennai at Rs 42,418.64 per kilolitre. ATF prices reduced 43 percent from peak in FY14.

Fuel price contributes around 32 percent to operating cost of airline companies.

ICICI Direct says at average crude price of Rs 46400 per kilolitre, Jet Airways can touch a operating profit margin of 11.3 percent against 6.7 percent now.

Samir Arora of Helios Capital is bullish on aviation sector as the sector is in sweet spot.

Global oil benchmark Brent and US crude's West Texas Intermediate (WTI) futures finished 2015 down more than 30 percent after another year that showed the helplessness of Saudi Arabia and others in the once-powerful Organization of the Petroleum Exporting Countries (OPEC) to support oil prices.

Brent crude closed at USD 37.60 a barrel on Thursday, up 3.13 percent while NYMEX crude gained 1.2 percent to end at USD 37.07 a barrel.

Additionally, oil marketing companies also cut petrol and diesel prices by 63 paise per litre and Rs 1.06 per litre, respectively. "The current level of international product prices of Petrol & Diesel and INR-USD exchange rate warrant a decrease in prices, the impact of which is being passed on to the consumers with this price revision," IOC says.

At 12:15 hours IST, the scrip of Interglobe Aviation was quoting at Rs 1,362, up 10.37 percent amid high volumes on the Bombay Stock Exchange after hitting 52-week high of Rs 1,378 on the BSE.

Jet Airways rose 8.06 percent to Rs 759.05 and SpiceJet climbed 12 percent to Rs 84.30.

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