AIDED BY A TURNAROUND IN FORTUNES, SPICEJET IN TALKS TO BUY 150 PLANES

News / Airlines

Emboldened by a quick turnaround in fortunes under its new promoters, budget airline SpiceJet has initiated talks with aircraft manufacturers to place orders for at least 150 planes, said Ajay Singh, chairman of India's fourth largest carrier.

"It will be a significant sized order. And it will be placed soon," Singh told ETin an interview recently.

SpiceJet is in talks to buy 100 narrow-bodied aircraft (Boeing 737 MAX or Airbus 320 Neo) and 50 turboprop aircraft. "We have two businesses here. Large aircraft for metros and larger towns and small aircraft for smaller regional towns. We see a potential in the regional aircraft business," Singh said.

He is hopeful of placing the order by the end of this financial year. "The order size for bigger

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aircraft would be in excess of 100 and smaller ones again would be a large-sized order and could be in the range of 50 aircraft," he said. Currently, SpiceJet operates a fleet of 25 Boeing, two Airbus (on wet lease) and 14 Bombardier aircraft.

Singh said he is comfortable about changing SpiceJet's aircraft type from Boeing to Airbus and would go for the aircraft type that benefits the carrier most in the future. "We have no problems with the aircraft manufacturer and are absolutely open to the idea of change of aircraft model considering its good for the company," he said.

SpiceJet's decision to opt for two types of aircraft is further bolstered by the draft civil aviation policy, which has put emphasis on carriers to fly regional routes.

Singh said,"We have no intentional of ordering long-haul aircraft. At this point, we are not even looking at the long-haul market. We think there is a fantastic market in the four-hour range."

On competition, Singh felt that the foreign direct investment (FDI) policy that allows foreign carriers to own stake in Indian carriers is not being monitored in letter and spirit. Singh felt foreign carriers are holding reins of the Indian joint venture and are taking all operational decisions for its Indian ventures, which is against FDI rules.

On the market buzz that SpiceJet is scouting for a strategic investor, Singh said valuations do not justify a dilution. "At this valuation it doesn't make sense to dilute...especially when the firm doesn't need cash," he said. "We are in a strong position."

"The orders will be placed first and any investment into the airline will come only after the aircraft order. We may not need that much because there are various lines open," he said. SpiceJet has reported profits for three successive quarters. The airline registered a profit of 23.77 crore rupees for the second quarter ended September. In the June quarter it had reported a net profit of 77.85 crore rupees.

Market leader IndiGo has 430 aircraft on order from Airbus, while earlier this month Jet Airways placed an order for 75 Boeing 737 Max. SpiceJet, in view of its financial vulnerability earlier under the Marans, has been late in placing an order to add a new fleet.

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