AIRLINES FLY HIGH ON LOW FUEL PRICES, TRAVEL GROWTH

News / Airlines

There is some oxygen for the choking Indian airline industry. Two positive factors -- domestic air travel growing at almost 30% and sharp fall in jet fuel prices -- are bringing the industry back from the brink, at a time when some players were staring at emergency exits.

India's only profitable airline IndiGo reported on Thursday its highest ever net profit of Rs 1,304 crore for FY15 on an enhanced top line of Rs 14,320 crore. Reason: IndiGo did not resort to indiscriminate discounts and maintained a pricing discipline by consistently offering low -- but not suicidally low -- fares.

Another profitable Indian airline, Wadia Group's GoAir, is also expected to post its highest ever profit in the last fiscal, likely to be significantly better than Rs 146 crore in FY14.

Jet Airways and SpiceJet saw their losses coming down. Jet managed to bring down its loss by

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49% to Rs 2,097 crore in FY15, compared to Rs 4,130 crore in the previous fiscal. SpiceJet has reported profits in the last two quarters with its founder Ajay Singh returning to the low-cost carrier earlier this year.

"Low oil prices have helped but the cost of doing business in India for an airline is among the highest in the world. Structural cost reduction is required, without banking on fickle oil prices. Unfortunately, the NDA's aviation ministry has not been able to offer any relief. The two ministers (senior A G Raju and his deputy Mahesh Sharma) should stop disagreeing on everything and work together to make Indian aviation sustainable," said an airline insider.

Officials across airlines agreed that the change in fortune has happened only due to people flocking to the skies again and oil prices falling, while pointing to the ministry's inefficiency. They hope that Prime Minister Narendra Modi will make some systemic changes in the aviation ministry -- which is described as NDA's NPA (non-performing asset) by industry watchers and stakeholders -- as just changing secretaries time and again won't help. "If PM Modi makes some changes, Indian aviation can be the world leader. IndiGo has shown that it is possible for airlines to be sustainable and we just need a little push from the government on our long-pending demands like rationalization of taxes on jet fuel and airport charges, especially in Delhi. If these issues are addressed, flying will become the norm here for the Aam Admi," said an official.

12 SEPTEMBER 2015

SOURCE: WCARN
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