

AVIATION

Airline stocks soar as flights open, but all is dependent on demand



ENS ECONOMIC BUREAU @ New Delhi

MARKET RESPONSE

9.9%
jump in share prices of IndiGo on BSE

5%
surge in SpiceJet stock prices at ₹42.95 a share, against the previous ₹40.95.

7.28%
rise in share price of InterGlobe Aviation

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Kinjal Shah, ICRA V-P

THE markets on Thursday reacted enthusiastically to the resumption of passenger flight services after a two-month hiatus. Shares of IndiGo jumped 9.9 per cent on the BSE, making it the best-performing stock; SpiceJet shares to locked in the upper circuit of 5 per cent at ₹42.95, compared to its previous close of ₹40.95. Shares of InterGlobe Aviation closed 7.28 per cent higher at ₹978.25.

The rise in stock prices is a big relief to the two listed airlines, who have seen a plunge of more than 50 per cent from their 52-week highs in the last one year, owing to numerous challenges.

All commercial passenger flights in India were suspended late March when the government imposed a nationwide lockdown to contain Covid-19 pandemic. Since then, every airline barring IndiGo has struggled to meet the fixed costs and even pay salaries.

On Wednesday evening, Union aviation minister Hardeep Singh Puri announced that domestic flights will resume from May 25 in a calibrated manner, and on Thursday, the Central government came out with standard operating procedures and guidelines. Two major directions that are set to impact the airlines are resumption of operations at one-third capacity and capping the fares for three months.

According to analysts, while the new move will give some respite to the industry, any favourable impact would depend on the demand, which at the moment looks bleak. “In the initial phase, passengers with emergency needs will board the flight. Load factor will also play a crucial role in determining profitability of the airlines. Airlines also stand to benefit from cheap crude prices. But all said, any favourable impact on the industry is dependent on demand, which is not going to be strong in near future,” said Kinjal Shah, vice-president, ICRA.