

AIRLINES FACE A DOUBLE WHAMMY OF HIGH OIL PRICE, FALLING TRAFFIC

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NEW DELHI : Indian airlines are staring at a double whammy. While analysts expect carriers to report losses in the December quarter due to high fuel costs, air passenger traffic, which had been rising every month since last June, appears to be plummeting due to the third wave of covid-19 infections.

Domestic market leader, InterGlobe Aviation Ltd-operated IndiGo, which had a 54.3% market share in November, is expected to report losses of 200 crore in the December quarter, according to a 3 January report by brokerage firm ICICI Securities.

"We expect Q3FY22 financials to reflect the impact of higher crude oil prices, offset by higher demand. Thus, for IndiGo, we expect fuel cost per ASK to increase 11% q-o-q (quarter-on-quarter) in Q3FY22, while RASK is expected to rise by 16% q-o-q," it said. RASK, or revenue per available seat km, is a unit of measurement used to compare the efficiency of airlines.

SpiceJet Ltd, too, is likely to report a loss of 440 crore in the December quarter, a 4 January report by Centrum Institutional Research said. "In Q3FY22, domestic ATF (aviation turbine fuel) prices grew sharply by 12.1% q-o-q (up 76% y-o-y) to 78.9 a litre, led by 8.4% q-o-q rise in Brent crude to \$79.4 a barrel," it said.

While IndiGo's consolidated loss widened from 1,194.83 crore a year ago to 1,435.66 crore in the September quarter, SpiceJet reported consolidated losses of 570.56 crore during the quarter, up from losses of 105.61 crore in the year-ago quarter.

IndiGo and SpiceJet are the only airlines listed on Indian stock exchanges. Jet Airways, which is also listed, was grounded in April 2019, due to a fund crunch. The airline has since then been bought by a new owner, but is yet to start operations.

Indian airlines are expected to report a combined net loss of 25,000-26,000 crore in FY22, and would require additional funding of 45,000-47,000 crore between FY22 and FY24 to sustain operations, according to data from credit rating agency Icria.

Meanwhile, the strong recovery witnessed in domestic air passenger traffic is plummeting due to concerns over the third wave of covid. On 4 January, daily domestic air passenger traffic fell below the 300,000 levels for the first time since November.

The number of departing domestic passengers stood at 285,965, while the number of domestic flight departures stood at 2,660 on Tuesday, according to the ministry of civil aviation. In comparison, the number of average daily flyers had risen to 367,000 in the week ended 25 December, up from 360,000 in the previous week, according to data from ICICI Securities.

Airlines, however, hope the recent spike in covid cases, due to the fast-spreading Omicron variant of coronavirus, will not be as potent and lethal as the Delta variant.

"Based on data from South Africa, where Omicron was first detected, we are hoping that the so-

called third wave will be short-lived and nothing like the previous wave, which was devastating for the aviation sector," a senior airline official said, requesting anonymity. "We hope that the worst is behind us," he added.

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