

# Spicejet Shares Might Jump Another 300%

Gulf carriers like Abu Dhabi-based Etihad Airways PJSC and Qatar Airways have acquired stakes in other airlines to expand their networks. Airlines companies in the Gulf are now trying for some equity stake in Indian carriers like Indigo and Spicejet. Everybody worships the rising sun.



Spicejet, nowadays, is being hailed as the leader of the pack of Airline stocks. Earlier in December 2014, it was on the verge of extinction. Its flights were regularly being cancelled.



Enter Ajay Singh, exit Maran. Fortunes of the company saw remarkable turnaround, although assisted by favorable factors like cheaper fuel, and rising passenger demand.

Today, it is coming up with one offer after another, and its

peers are forced to follow it. The latest being celebration of UAE's 44th National day. It has now earned for itself a well deserved accolade: "Leader of the Pack". It is not for nothing. Mere announcement of the fact that Airlines in the Gulf want to become equity partners by its CMD causes volatility in its counter and millions exchange hands.



New aircraft are being ordered. It would be used to open new routes and increase the frequency of flights to existing destinations, including the Maldives, Dubai and Sri Lanka and 34 domestic locations. More flights means more turnover, and optimum utilisation of its available resources. Consequently, its profits increase and it is indicated in increase in its share value.

The Company, however, maintains its 'no-dilution-of equity' stance. It believes that its share value is still undervalued. And, its internal resources and existing credit lines are sufficient for its future capital investment programs.

## **SpiceJet to order over 150 planes in current fiscal**

SpiceJet CMD Ajay Singh said that the firm is in the process of placing a large aircraft order. Such an investment would cap a remarkable turnaround for Spicejet by market share, which had come close to collapse late last year after running out of cash. (See Spicejet)

Co-founder Ajay Singh brought life back into the airline after acquiring a controlling stake. Earlier this month, SpiceJet reported a small net profit for the July-September period,

helped by sliding fuel costs and surge in passenger traffic. SpiceJet has reported profits in the past three quarters, having made losses in the five preceding quarters. It is also facing a legal issue with “Unfair Business Practitioner” tag along with Indigo and Jet airlines. (See “Could have been penalised”)



While addressing a news conference in Dubai, SpiceJet CMD Ajay Singh shared his Company's well laid out plans –

- The company is in healthy shape. It is generating cash, it's profitable. If oil prices remain moderate; this profitability should continue in the coming quarters.
- The airline is generating enough money internally. It also has unused credit lines that could be utilised to pay for the aircraft.
- SpiceJet has no need to dilute equity to pay for the purchase of the planes.
- This isn't the right time to sell a stake as the shares remain undervalued
- Some of the Gulf airlines have started expressing an interest in SpiceJet.
- There is some dialogue with them and to explore other types of relationships.
- Both Airbus A320 Neo and Boeing 737 Max being considered. The order would be with a single manufacturer to buy more than 150 planes
- Manufacturer to be decided by March 2016.
- Company intends to more than quadruple the carrier's fleet from 41 aircraft at present.

- SpiceJet also has “regional aircraft business” servicing India’s smaller cities through a fleet of 14 Bombardier planes.
- The airline is in talks with Toronto-listed Bombardier, France’s ATR – a joint venture between Airbus and Finmeccanica – and Brazil’s Embraer to potentially buy a further 50 planes to service this sector.



*Moneycontrol.com chart shows Rs 11.25 in November 2014 became Rs 72.50 one year later*

Spicejet share price is currently being traded at Rs 67.50 after reaching the Rs 72 mark- a big leap since last year. It became the world’s best performing Airline stock. An incredible 320% increase in share value in a year. It could jump another 300%, analysts feel, when partners from the Gulf start investing in Spicejet. (See Spicejet is world’s best)