WORLD'S TOP-PERFORMING AIRLINE STOCK DECRIES DEPRESSED WORTH

News / Finance

Indian budget carrier **SpiceJet** Ltd. has surged more than 340 per cent in the past year after surviving a crisis. Chairman Ajay Singh said the **best performing airline stock** in the world remains undervalued.

SpiceJet's market capitalisation of about 41 billion rupees ($621 million; Dh2.3 billion) is too low given the $5.7 billion valuation for the operator of IndiGo, India's biggest airline, following its listing this month, Singh said in an interview Monday.

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“The gap which exists between SpiceJet and IndiGo will not sustain to this extent for a significant period of time,” he said in his office near New Delhi. “The valuation of the company is out of sync with the market situation and reality. It’s undervalued.”

SpiceJet’s surge in the past 12 months leads the Bloomberg Intelligence Global Airlines Competitive Peers index, after Singh rescued India’s second-largest budget carrier from near-collapse in December. One obstacle to a higher market worth: SpiceJet lost 6.9 billion rupees in the fiscal year ended March, while IndiGo’s operator InterGlobe Aviation Ltd. made about 13 billion rupees.

“The fact that IndiGo has been making profits year after year, and the poor legacy and stability of the SpiceJet stock, play a vital role in their valuations,” said Mark D. Martin, founder of Dubai-based Martin Consulting LLC.

SpiceJet climbed as much as 5.3 per cent on Tuesday to the highest level since January 2011. The stock rose 0.7 per cent to 69.35 rupees as of 10:20 am in Mumbai.

“We came out of a situation when the company was actually shut down in the middle of last December,” Singh said. “We’ve looked at some of the cost elements, tried to bring the cost down. We’ve tried to instil confidence in consumers who’d been badly impacted by cancellations last year.”

SpiceJet has reported profits for the past three quarters, helped by the slump in global oil prices and increased air travel in India. When asked about debt, Singh said he expects “total payables” to halve over the next year from about 10 billion rupees currently.

SpiceJet is in talks to buy more than 100 narrow-body planes from Boeing Co. and Airbus Group SE, as well as over 50 regional jets from suppliers including Bombardier Inc. The orders may be finalised this fiscal year, he said.

Indigo’s initial public offering was the first by an Indian airline since 2006. It was a rare bright spot for the domestic aviation sector, where fierce competition and elevated jet fuel taxes contributed to a combined $10 billion of industry losses in the past six years.

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