

Kingfisher Air eyes rights issue, follow-on offer

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Kingfisher Airlines will raise funds either through a rights issue or a follow-on public offer if the FDI policy on investment in the sector remains unchanged.

The President and Chief Financial Officer of UB Group, Mr A.K. Ravi Nedungadi, told *Business Line* that the group will wait till the end of the calendar year to firm up plans for raising funds through a rights issue or through a follow-on public issue.

"Because we expect the Government to act on changing the foreign direct investment policy on investment of foreign airlines into the domestic aviation sector sooner than later," he said.

CASH MUST

The airline may raise between Rs 500 crore and Rs 750 crore through either of these routes. "There is no solution without equity infusion," Mr Nedungadi said.

He said part of the funds worth Rs 2,000 crore from public sector banks have been disbursed to the airline. By the time the rest of the amount is disbursed, the air-

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line expects the FDI policy to be changed for it to go in for equity sale and hence it will not be necessary to raise funds through other routes.

Kingfisher Airlines has about Rs 6,000 crore of debt but the airline is confident that it will sail through its current crisis soon. "We are already witnessing better yields, better load factor than what they were last year," Mr Nedungadi said.

DILUTION

UB Holdings holds about 60 per cent stake in Kingfisher Airlines while the group Chairman, Mr Vijay Mallya, owns about 5 per cent stake in the airline. Out of the Rs 6,000-crore debt, around Rs 1,800 crore is for advance payment on aircraft purchase.

Mr Nedungadi said the dilution of the equity through the follow-on public issue

will depend on the valuation of the company when it decides to go through that route.

He said one of the reasons for curtailing international operations was the global recession, and hence it makes no sense to show "bravado during these times." Quoting an IATA report, he said airport related charges as well as taxes on aviation fuel in India were the highest in the world, which could soon make the industry extremely sick.

LOSS REASONS

For the third quarter of 2008-09, which is also its latest results, the airline's pre-tax loss increased 48 per cent to Rs 626 crore on the back of initiation cost of Rs 174 crore for international operations and exchange rate loss amounting to Rs 60 crore.

The results are based on the performance of Kingfisher Airlines and Deccan Aviation following the merger of the companies in late 2007. The income from operations grew 7 per cent to Rs 1,447.83 crore during the quarter.

On Wednesday, the airline stock shed 5.84 per cent to end the day at Rs 43.55.