

AirAsia says India venture to break-even in December, later than expected
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Budget carrier AirAsia Bhd said on Thursday it expects its India unit to break even in December, later than initially planned, after a delay in plane deliveries and a plan to boost investment in the fleet.

The budget carrier, which launched its inaugural flight in India last month, had said it would break even around October.

Breaking-even would make AirAsia India stand out from all but one of India's big airlines, which have seen margins squeezed due to high costs and low fares. Most carriers lose cash at a rapid rate in a highly competitive market.

"We expected to have five planes before October; we are not going to get five planes," AirAsia India chief executive Mittu Chandilya told reporters in the southern city of Bangalore. He did not elaborate on the reason for the delay.

Tan Sri Tony Fernandes, owner and CEO of AirAsia, told reporters earlier that the airline would invest more money in new planes to raise its scale in India, meaning it would miss its original October target for breaking even. He did not say how many more planes AirAsia would buy or give a figure for the investment.

AirAsia now plans to sell 3 or 4 of its aircraft across its operations, down from the 12 it said it had wanted to sell in May, because of the demand it sees in Malaysia and India, Fernandes added.

AirAsia India, a three-way venture between the airline, India's Tata Group and investment firm Telestra Tradeplace, launched its debut flight on June 12.

The carrier will have to juggle some of the highest fuel costs in the region, an array of local and national taxes, and heavy price discounting by rivals desperate to win market share.

The fares price war is expected to intensify too, when Singapore Airlines Ltd's joint venture with the Tata Group starts flying in India later this year. – Reuters, July 3, 2014.

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