Spicejet Limited (Revised)

January 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	909.80	CARE BB-; Stable	Assigned
Long-term / Short-term bank facilities	490.20	CARE BB-; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank loan facilities of Spicejet Limited (Spicejet) primarily factors its modest market share in the Indian aviation industry considering its reduced fleet size in an intensely competitive and highly regulated industry. The company is exposed to concentration risk largely due to its dependence on Boeing Co for airframes, which has been facing operational issues. The company has been operating at significant losses in the recent past considering liquidity constraints leading to grounding of significant part of its fleet. The company is exposed to volatile fuel prices and foreign exchange (forex) rates, which also impacted it adversely in the recent past. These losses significantly weakened the company's financial risk profile and led to stretched liquidity in the recent past.

However, these weaknesses are partially mitigated by significant fund raise in the last 18 months. This has provided adequate liquidity cushion as of now. Post the recent fund raises, the company is expected to turnaround its operations largely supported by the promoter's extensive experience. The company has track record of utilising its operational fleet efficiently, despite headwinds observed in recent years, which is expected to continue.

Receipt of pending orderbook of Boeing 737 MAX aircraft and accordingly scale up of its operations and improvement in profitability remains monitorable. The incremental fund raise from outstanding share warrants will also be a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Sustainable turnaround in the business risk profile of the company.

Negative Factors

- Inability to raise funds as expected over the short term
- Profitability not panning out as envisaged
- Any significant impact on the schedule of un-grounding/delivery of Boeing 737 MAX aircrafts

Analytical approach: Consolidated

For analysing Spicejet, consolidated financials have been considered due to the presence of common management, operational and financial linkages with subsidiaries. Entities consolidated have been listed under Annexure-6.

Outlook: Stable

'Stable' outlook is largely driven by its adequate liquidity and expected future incremental equity infusion against share warrants which are expected to turnaround the operations of Spicejet, in terms of scale of operations and profitability.

Detailed description of key rating drivers:

Key Weaknesses

Modest market share on account grounding aircraft

Once the second largest domestic passenger air carrier in FY20, Spicejet witnessed drastic fall in its market share in the recent past. The company's operating fleet reduced from 114 aircraft as on FY20 end to 17 aircraft as on September 2024 end, leading to drop in domestic market share (passengers carried) from 15.6% in FY20 to 3.32% in H1FY25. As on September 30, 2024, 34 of the company aircraft were grounded considering alleged non-payment of dues to aircraft lessors and lack of maintenance on such aircraft due to financial constraints and/or non-availability of components and spare parts. However, with recent fund issuances, the company has been slowly increasing its operating fleet, which stands at 23 as on December 31, 2024, apart from the wet lease aircraft. The company's current orderbook position is 147 Boeing 737 Max Aircraft, which has been standing since grounding of 737 Max Aircraft in 2019. The company is expecting receipt of these aircraft gradually in the medium term, which is a key monitorable.

Intense competition and highly regulated business

Though the Indian aviation industry has few incumbents with Indigo being the largest domestic passenger air carrier followed by Air India (including Vistara), Spicejet, Air India Express, Akasa Air, etc., there is intense competition present among existing players. The price sensitive Indian aviation industry is driven by requirement of reaching efficient passenger load factor (PLF) to

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

cover fixed costs efficiently. This lowers bargaining power of airline players with customers. In the last decade, few players have exited, yet companies have been unable to significantly increase pricing. The large aircraft orderbook of the Indian airlines further may limit the ability to increase prices in the future.
Aviation industry operates in a strictly regulated industry primarily regulated by the Directorate General of Civil Aviation (DGCA) and Bureau of Civil Aviation Security (BCAS), which exposes their business to significant regulatory interface and consequential action. Several consumer complaints and legal notices pertaining to issues such as deficient services, refund of fare for cancelled flights, delay in flights schedule and loss of baggage, among others, also hinder operational efficiency and financial flexibility.

Large dependence on Boeing Co., airframe manufacturer, which is undergoing significant challenges
The company has fleet largely consisting of Boeing aircraft and smaller aircrafts from Bombardier. Boeing Co. has been undergoing qualitative issues in recent years. Among the major reasons for the company's significant deterioration in performance has been grounding of Boeing 737 MAX aircraft. The company had ordered 155 such aircraft in 2019 which are ~15% fuel efficient compared to its existing aircraft. However, grounding of MAX 737 aircraft worldwide led to significant adverse impact on its operational profile relative to its peers who depend on Airbus. This also resulted in no sale and leaseback income since 2019.
There have been quality deficiencies in Boeing's manufacturing processes, which resulted in slowdown in its production as authorities increase the vetting process. Resultant incidents have been hindering productivity of Boeing Co., which is resulting in delayed receipt of aircraft by airlines.

Operational losses due to liquidity constraints, exposure to fuel prices and foreign exchange rates
In the last five fiscal years through FY24, Spicejet has been reporting operating losses, which is estimated to continue even in FY25. Initially, operating profitability was impacted by significant spike in fuel costs, adverse forex rate leading to higher lease rental outgo and other dollar dominated expenses. However, major impact was from grounding 13 Boeing 737 Max aircraft in March 2019, which impacted the company's revenue and profitability. Boeing 737 Max consumes 15% lesser fuel compared to other Boeing aircraft. While Boeing 737 Max grounding impacted the fleet composition of Spicejet, competitors having inducted Airbus 320 NEO have been relatively better off considering better cost competitiveness. COVID-19 impacted the company's operations considering restrictions on travel. All these issues started constraining Spicejet's liquidity and led to alleged non-payment of dues to aircraft lessors and lack of maintenance on such aircraft. Resultantly, Spicejet's operational fleet started reducing and grounded aircraft started increasing, leading to higher fixed outgo without generation of income. This is reflected in its breakeven passenger load factor (breakeven PLF) crossing 100% in recent years. Adding to its woes, were significant spike in prices of aviation turbine fuel in FY22 and FY23 which has moderated relatively.
Lease rentals and repairs/maintenance costs, which also form significant portion of the cost structure, are dollar denominated. Fuel filled at international destinations are also in foreign currency. This has also led to certain adverse impact, particularly, in recent years as USD-INR depreciated. However, the company has natural hedge partly, as the company also earns in foreign currency from international passengers.

Weak financial risk profile
Losses over the years, have significantly eroded the company's net worth significantly. However, the company raised preferential share issue (including share warrants) of ₹1554 crore in FY24. Of that, the company raised equity of ~₹810 crore and share warrants of ₹239 crore in FY24. In September 2024, the company was successfully able to raise ~₹3000 crore through qualified institutional placement (QIP). However, turnaround in the company's net worth still depends on it becoming profitable on a sustained basis. Against, these the company has total debt of ₹5379 crore as on March 31, 2024, of which lease liability was ₹4227 crore. In FY25, the company has settled and paid of its external commercial borrowings outstanding at ₹188 crore as on FY24 end.
Further, due to the losses, the debt coverage metrics have been inadequate. These metrics for the short term are supported by the liquidity infused through QIP issue and additional expected fund raise of ₹676 crore (₹294 crore from the promoter preferential allotment and ₹382 crore from Investors Preferential allotment against outstanding share warrants).

Key Strengths

Significant fund raise and its utilisation in pending dues
The company has raised ~₹3878 in the last 18 months. Among the major ones were preferential issue subscribed by promoter group in September 2023 of ₹494 crore, of which ₹200 crore has been received (₹102 crore against allotment of equity shares and rest against outstanding share warrants), preferential issue of ₹1060 crore in January/February 2024, of which, ₹678 crore has been received till September 30, 2024. The company also received ~₹3000 crore in QIP issues in September 2024. Against these funds, the company has utilised ~₹3287 crore towards payment of pending statutory dues, settlement of creditors, uplifting and ungrounding of fleet and new induction, settlement of external commercial borrowings, and servicing debt obligations, among others.
As on January 15, 2025, the company has cash & cash equivalents (Debt Fund + FDs) of ₹600 crore. Most of these will be utilised in ungrounding, maintenance expenses and new fleet induction. However, these can also be used for general corporate purposes, which also include to service debt obligations. The company is further expected to raise funds of ₹294 crore from promoters in January/February 2025 and ₹382 crore from investors by Q2FY26 end against share warrants, which will be monitored.

Turnaround in operations expected aided by extensive experience of its promoter
With the significant fund raise in the last 18 months, the company is expected to use funds for turnaround in its operations. The major focus is on ungrounding its aircraft, which is incurring fixed overheads without generating income. Of the 51 aircraft fleet as on September 30, 2024, the company had 34 grounded aircraft (part owned and part on dry lease). The company has un-

grounded ~3 of these aircraft since QIP issue till date. Majority are expected to be ungrounded by FY26 end post settling with the lessors, arranging engines and other equipment/parts, undertaking repairs, and receipt of clearance from regulator among others. These are expected to scale up revenue gradually and result in modest profitability FY26 onwards.
The promoter's experience will be key in driving the turnaround of Spicejet's operations supported by his experience of over 20 years in aviation industry.

Efficient fleet utilisation, however, lower than break even PLF
The airline industry is characterised by high fixed costs, including lease and other aircraft acquisition charges, engineering and maintenance charges, financing commitments, staff costs and IT costs. Further, each flight bears fixed cost of fuel which needs to be recovered. Significant operating expenses, such as airport charges, do not vary according to PLF. Hence, optimum PLF is required for profitable operations. Spicejet has been among the most efficient utiliser of its operating fleet as can be observed with consistent track record of highest PLF in the industry in the last four fiscal years through FY24. CARE Ratings is expecting this to continue, which is key to sustainable profitable operations.

Liquidity: Adequate

The company's liquidity is currently characterised as adequate considering its cash & cash equivalent derived from preferential issuances and QIP issuance in the last 18 months. The company has raised ~₹3878 crore which has been used to largely clear its statutory dues, settlement with creditors, settling ECBs, ungrounding aircrafts, operational expenses among others Till January 115, 2025, the company has used ~₹3287 crore has been used. As on January 15, 2025, the company has cash & cash equivalents of ₹600 crore mostly in debt funds and fixed deposits. The company has no fund based working capital limits. The company is further expected to receive funds of ₹676 crore from the outstanding share warrants over the short-to-medium term. The company has to repay ECLGS obligations, of which, principal repayments are ~₹63 crore in FY25 and ₹222 crore in FY26. FY25 debt obligations are expected to be repaid out of cash & cash equivalent while FY26 is expected to be from mix of projected cash profits and cash & cash equivalent in case of deficit. CARE Ratings is expecting the company to service its debt obligations fully from its accruals from FY27 onwards.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Service Sector Companies
Short Term Instruments

About the company and industry
Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport services	Airline

SpiceJet was setup as an air taxi provider in 1984 by S. K. Modi, which diversified into domestic aviation services in 1993. The company was acquired by Ajay Singh in 2004 and operates as a low cost carrier (LCC) under the brand name of 'SpiceJet' in India since May 23, 2005. The company is engaged in providing air transport services for carriage of passengers and cargo.
The company's controlling stake was acquired by Kalanidhi Maran through Sun group in 2010. In January 2015, Ajay Singh acquired the controlling stake and continues to be a promoter. As on December 31, 2024, the company has total operational fleet (dry lease/owned) of 23 aircraft apart wet lease aircraft. The company is undertaking efforts to operationalise its grounded aircraft.

Brief Financials (₹ crore) - Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	8868.84	7083.83	1708.24
PBILDT	-563.92	149.87	297.36
PBIDT	-939.50	-490.46	48.87
PAT	-1506.48	-415.98	158.19
Overall gearing (times)	-1.26	-1.03	-
Interest coverage (times)	-1.77	-1.02	0.56

A: Audited UA: Unaudited; Note: these are latest available financial results
PBILDT = Profit before interest, lease rentals, depreciation, and taxation; PBIDT = Profit before interest, depreciation, and taxation

Status of non-cooperation with previous CRA: CRISIL Ratings had conducted the review based on best available information and continued to classifie Spicejet as "Issuer Not cooperating" while downgrading the rating to 'CRISIL D' vide its press release dated March 26, 2024. CRISIL has stated that Spicejet did not provide the requisite information needed to conduct the rating exercise or did not provide the No Default Statements (NDS) for the last three months and is therefore classified as 'non cooperative'.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	06-10-2028	909.80	CARE BB-; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	490.20	CARE BB-; Stable / CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	909.80	CARE BB-; Stable				
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	490.20	CARE BB-; Stable / CARE A4				

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	SpiceJet Merchandise Private Limited (Wholly owned subsidiary)	Full	Presence of common management, operational and financial linkages with the subsidiaries
2.	SpiceJet Technic Private Limited (Wholly owned subsidiary)	Full	
3.	SpiceJet Interactive Private Limited (Wholly owned subsidiary)	Full	
4.	SpiceJet Shuttle Private Limited (Wholly owned subsidiary)	Full	
5.	SpiceJet Club Private Limited (Wholly owned subsidiary)	Full	
6.	Canvin Real Estate Private Limited (Wholly owned subsidiary)	Full	
7.	SpiceXpress and Logistics Private Limited (Wholly owned subsidiary)	Full	
8.	Spice Ground handling Services Private Limited (Wholly owned subsidiary)	Full	
9.	SpiceTech System Private Limited (Subsidiary -68% stake)	Proportionate	
10.	AS Air Lease 41 (Ireland) Limited (from 19 October 2023; Wholly owned subsidiary)	Full	

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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