

Credit Update - Spicejet Limited

March 24, 2025

Update

CARE Ratings Limited (CARE Ratings) have taken cognizance of the reports with regards to petitions seeking initiation of insolvency proceedings against Spicejet Limited (Spicejet) filed by three Ireland based aircraft lessors and a former pilot. The total claim amount filed in the petition to National Company Law Tribunal (NCLT) is USD 12.68 million. As per reports, the matter has been listed to hear in NCLT on April 15, 2025. This petition follows earlier petition by two former pilots seeking to declare the airline bankrupt over unpaid dues of Rs.3 crore. The management have stated that the counsel for the petitioners, i.e. lessors, requested the NCLT Bench to grant time to take instructions from their client stating that the parties are exploring settlement. There is no case admitted against SpiceJet in NCLT.

CARE Ratings is continuously monitoring the developments with regards to Spicejet Limited including the current petition for insolvency proceedings. As of date, there is no impact on the credit profile of the company. However, CARE Ratings, would be continuously monitoring the developments in the said event along with the other factors driving the credit assessment of the company's rated facilities.

CARE Ratings continues to rate the company's bank facilities and instruments at "CARE BB-; Stable/CARE A4". Ratings assigned to bank loan facilities of 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 issued to institutional investor during preferential allotment January/February 2024 is pending which will also be a key monitorable.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and rating sensitivities of following companies.

| Sr. No. | Entity Name | Link to press release |
|---------|------------------|----------------------------|
| 1. | Spicejet Limited | Click here |

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