

Press Release

Go Airlines (India) Limited

April 01, 2022



Rating Assigned, Reaffirmed and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE A- Reaffirmed & Withdrawn	-
Bank Loan Ratings	1001.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	1734.00	-	ACUITE A1 Reaffirmed
Bank Loan Ratings	50.00	ACUITE A- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	2785.00	-	-
Total Withdrawn Quantum (Rs. Cr)	100.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.2735.00 Cr. bank facilities of Go Airlines (India) Limited (Go First). The outlook is '**Stable**'.

Acuite has also assigned its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) to the Rs.50.00 crore bank facilities of Go Airlines (India) Limited (Go First). The outlook is '**Stable**'.

Also, Acuite has reaffirmed & withdrawn the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.100.00 Cr. bank facilities of Go Airlines (India) Limited (Go First). The rating has been withdrawn on account of request received from the client and NOC received from the banker in line with Acuite's withdrawal policy.

Rationale for Rating Reaffirmation

The rating reaffirmation reflects the fairly long track record of Go First in the domestic aviation industry and the strong financial support from the Wadia Group. While the Covid pandemic had a severe impact on the global aviation industry in FY21 and H1FY22 and has sharply reduced the domestic passenger traffic volumes during the same period, a gradual recovery is visible in H2FY22 with a declining intensity of the pandemic despite the onset of a third covid-19 wave in the month of January 2022. The rating continues to factor the proactive steps taken by Go First to reduce the operating costs to ensure further reduction to already low Cost per Available Seat Kilometer (CASK), gradual ramp up of capacity in line with the market to tap the profitable growth over the near term. Furthermore, the timely negotiations of aircraft lease rentals and the mobilisation of additional working capital borrowings from banks helped the company to maintain the adequate liquidity position despite impact of

operations due to the pandemic. However, the recent rise in aviation turbine fuel (ATF) owing to high crude oil prices triggered by the Russia-Ukraine crisis is likely to impact the profitability of aviation industry over the near term.

About the Company

Mumbai based Go Airlines (India) Limited (Go First) is the aviation foray of the well-known 'Wadia' Group. The company was initially incorporated in April, 2004 as a private limited company and was later converted into a Public Limited Company in March, 2011. In April 2021, the company rebranded itself under the brand name 'Go First' from 'Go Air' which is a low-fare carrier airline launched in Nov, 2005 with the objective of commoditizing air travel by offering low fares across the country. As of Jan, 2022, Go First has a total fleet size of 58 aircraft serving 34 domestic destinations and 9 international destinations.

About the Group

Go First is part of the Wadia Group founded in 1736, promoted by the Wadia Family. The Group is a diversified conglomerate with businesses ranging from FMCG, Aviation, Chemicals, and Healthcare to Real Estate. Four of the Group's companies are listed on Indian Stock Exchanges of which two companies have been listed for over 100 years.

Analytical Approach

Acuité has considered the consolidated approach of Go Airlines (India) Limited and its two subsidiaries i.e. Go Ground Aviation Services Private Limited and Go Airlines (Singapore) Pte. Limited to evaluate credit quality of Go First to arrive at the final rating. Acuité has also factored in the strong financial support from The Wadia Group. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

Established track record of operations with experienced management and strong group support

Go Airlines (India) Limited (Go First) is the aviation foray of the well-known Wadia Group promoted by Mr. Nusli N. Wadia, Mr. Jehangir N. Wadia and Mr. Ness N. Wadia. The group has presence across well diversified businesses across various industries like Fast Moving Consumer Goods (FMCG), Textiles, Real Estate and Chemicals. The group entered into the Indian aviation industry by incorporating Go Airlines (India) Limited in the 2004 and launched low fare carrier airline by the brand name of Go Air in 2005. Later in April, 2021 the company rebranded itself from 'Go Air' to 'Go First' and also repositioned itself under Ultra Low Cost Carrier (ULCC) segment in the industry.

The promoters of the company play an important role in providing strategy and direction to the professionals managing day-to-day operations of Go First and are well supported by top management professionals with vast experience in the aviation industry. Further, the Wadia group has provided strong financial support to Go First whenever required since its inception in the form of Inter Corporate Deposits (ICDs) and rights issues. As on 30 Sep, 2021; the total ICDs from the group was Rs.275.00 Cr. and during the second wave of covid-19 period, the group infused funds through rights issue to the tune of Rs.546.00 Cr. Furthermore, after the onset of third wave the group planned to infuse more equity during Q4FY22 to the tune of Rs.300.00 Cr. out of which Rs.150.00 Cr. is already received and the remaining is expected to receive in last week of March, 2022.

Acuité believes that Go First will continue to benefit from its established position in the aviation industry and strong financial support from the Wadia group over the medium term.

Strong presence in the domestic aviation industry

Go First has been operating in the Low Cost Carrier (LCC) segment of the Indian aviation industry under the brand name 'Go Air' from Nov' 2005 to Mar' 2021. However, the company rebranded itself from 'Go Air' to 'Go First' in April, 2021 and positioned itself as India's first Ultra Low Cost Carrier (ULCC) airline. The ULCC & LCC segment has been the most successful model with a total market share of 80 percent in the overall industry with faster turnarounds and lower unit costs. The presence of Go First has been gradually increased in the domestic market reflected by increase in its domestic market share from 8.7 percent in FY18 to 9.7 percent as of Feb' 22.

Further, Go First expanded its business by commencing international operations in October, 2018 and has been gradually scaled up its operations. The company has been increasing its fleet size over the years which has supported them to expand its operations in both domestic and international markets. As on Jan, 2022 Go First has a total fleet size of 58 aircraft with a combination of 52 A320 neo aircraft and 6 A320 ceo aircraft. The total passenger carried by Go First has increased from 10.8 million passengers in FY2018 to 16.3 million passengers in FY20 on account of strong growth in the domestic operations and commencement of international operations. However, the company's operations were severely impacted during first and second wave of covid-19 pandemic on account of restriction in air travel by the government. During April 2021– Jan, 2022 the total passenger traffic carried by Go First stood at 6.7 million passengers. As on Jan, 2022 the company is serving across 34 domestic destinations and 9 international destinations mostly in the Middle Eastern and South Asian countries

Acuité believes that Go First will continue its strong presence in the aviation industry despite covid-19 disruptions with strong network presence across the country and increasing fleet size.

Timely renegotiations of lease rental, additional tie up of loan funds and group support has led to adequate liquidity

Go First has timely negotiated with its lessors for the deferment of most of its lease rentals which remains to be one of the major cost driver of the company on account of decline in airline operations due to unprecedented covid-19 pandemic. The company has renegotiated deferment of Rs.2018.00 Cr. of lease rental payments for FY21 and FY22 which will likely to be repaid over next 24-48 months. The actual lease obligations for FY21 was around Rs.838 Cr. and for FY22 it is expected to be around Rs.1555 Cr. despite addition of new fleets. The timely renegotiations by Go First with its lessors has provided adequate liquidity during the unprecedented crisis caused by covid-19 pandemic.

Further, the company has also availed additional funds with its existing consortium lenders and has inducted new lenders in the consortium to firm up the incremental working capital requirements on account of addition of new aircrafts to its existing fleet. Apart from these factors, the company has been constantly supported by the Wadia group since its inception and the group is expected to continue provide support to Go First for sustaining its operations going forward.

Weaknesses

Unprecedented covid-19 disruptions impacted the operating performance of Go First

The aviation industry has been one of the most impacted industry by the covid-19 pandemic on account of air travel restrictions which led to sharp decline in air traffic across the nation. The revenue from operations of the company has declined in FY21. Despite witnessing improvement in domestic air traffic in H2FY22, the revenues of Go First is expected to remain moderate in FY22 as well on account of decline in passenger air traffic in H1FY22 with the onset of second wave of covid-19 pandemic.

Furthermore, the profitability of the company is also expected to remain moderate in FY22 owing to the sudden rise of ATF prices owing to high crude oil prices. However, various cost reduction measures adopted by the management of Go First such as renegotiations of lease rentals with lessors, reduction in employee counts to reduce employee expenses is expected to reduce the impact to some extent.

Susceptible to volatility in aviation fuel prices and fluctuation in foreign exchange rates

The aviation turbine fuel (ATF) is one of the major cost component of Go First which accounts around 35-40 percent of the revenue of the company. The ATF prices are directly linked to the crude oil prices which remain volatile and the company incurs a major part of its operating expenses like lease rentals, aircraft maintenance and repairs in foreign currency. The profitability of Go First is highly susceptible to the volatility in ATF prices and fluctuations in foreign exchange rates. Further, the company faces intense competitions from other LCC operators in the industry which restricts Go First to pass on any increase in prices to its customers. However, higher proportion of fuel efficient A320 neo aircraft operated by the company partly offset the risk of volatility in ATF prices.

ESG Factors Relevant for Rating

Environmental issues related to the air transport industry is a key concern. GHG emissions, air pollutant emissions, environmental management, energy efficiency, ESG reporting and waste management are significant environmental issues for this industry. Hence, availing necessary approvals from key regulatory bodies are important for the company.

Labor management issues, such as employee safety & development and employment quality, is a crucial issue in air transport industry. Furthermore, key material issues such as community support & development, product quality & safety, human rights, equal opportunity and responsible procurement have a significant impact on the social scores for this industry.

Air transport industry is highly exposed to governance risks associated with regulatory compliance, board oversight, business ethics and corrupt practices. Furthermore, inadequate anti-takeover mechanism, management & board compensation, board independence & diversity, audit committee functioning, financial audit & control and shareholders' rights are the key material issues for this industry.

Rating Sensitivities

- Improvement in profitability by aggressive cost reduction measures by the management
- Any further decline in air traffic volumes will impact the operations over the medium term
- Timely based funding support from the group

Material covenants

None

Liquidity Position: Adequate

The liquidity of the company is adequate marked by strong financial support received from its group companies in the form of ICDs and rights issue over the years whenever required and 100 percent interchangeability between the fund based and non-fund based limits. As on 30 Sep, 2021, the total ICDs from group was Rs.275.00 Cr. and during the second wave of covid-19 period, the group infused equity through rights issue to the tune of Rs.546.00 Cr. in Q1FY22. After the onset of third wave, the group further planned to infuse more equity during Q4FY22 to the tune of Rs.300.00 Cr. out of which Rs.150.00 Cr. is already received and the remaining is expected to receive in last week of March, 2022. The average utilization of working capital limits stood high at around 97 percent in last nine months ended December, 2021. The

company maintains unencumbered cash and bank balances of Rs.46.74 Cr. as on 31 March, 2021. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of strong financial support from its group entities.

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations, experienced management and well support from group. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the group registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's liquidity position.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	2171.74	7051.63
PAT	Rs. Cr.	(870.16)	(1270.74)
PAT Margin	(%)	(40.07)	(18.02)
Total Debt/Tangible Net Worth	Times	(1.08)	(1.19)
PBDIT/Interest	Times	0.26	0.46

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Jan 2021	Term Loan	Long Term	5.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	567.50	ACUITE A1 (Assigned)
	Cash Credit	Long Term	100.00	ACUITE A- Stable (Assigned)
	Secured Overdraft	Long Term	432.50	ACUITE A- Stable (Assigned)
	Secured Overdraft	Long Term	100.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	1200.00	ACUITE A1 (Assigned)

#100 percent two-way interchangeability between fund based and non-fund based limits of CBI

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
BNP Paribas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A- Reaffirmed & Withdrawn
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	504.00	ACUITE A1 Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1200.00	ACUITE A1 Reaffirmed
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A1 Reaffirmed
Central Bank of India	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	432.50	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A- Stable Reaffirmed
Central Bank of India	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	363.50	ACUITE A- Stable Reaffirmed
IDBI Bank Ltd.	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A- Stable Reaffirmed
Central Bank of India	Not Applicable	Term Loan	Not available	9.90	Not available	5.00	ACUITE A- Stable Reaffirmed
IDBI Bank Ltd.	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	30.00	ACUITE A- Stable Assigned

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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