

## Press Release

### Go Airlines (India) Limited

October 11, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1098.02	ACUITE A-   Negative   Reaffirmed   Stable to Negative	-
Bank Loan Ratings	1686.98	-	ACUITE A1   Reaffirmed
Bank Loan Ratings	2365.00	ACUITE A-   Negative   Assigned	-
Bank Loan Ratings	450.00	-	ACUITE A1   Assigned
<b>Total Outstanding Quantum (Rs. Cr)</b>	5600.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

### 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.2785.00 Cr. bank facilities of Go Airlines (India) Limited (Go First). The outlook is revised from 'Stable' to '**Negative**'. Acuite has also assigned its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) to the Rs. 2815 crore bank facilities of Go Airlines (India) Limited (Go First). The outlook has been revised to '**Negative**'.

### Rationale for Reaffirmation with Revision in Outlook

The revision in the rating outlook takes into account the continued losses in FY22 and in Q1FY23, leading to higher dependence on external borrowings and group support. Although the domestic passenger traffic volumes have started to witness a gradual recovery in FY23 after the prolonged pandemic which had a severe impact on the global aviation industry, the Indian aviation players continue to face significant headwinds due to high ATF (aviation turbine fuel) prices and limited ability to pass on the increased operating costs. The rating reaffirmation nevertheless, reflects the track record of Go First in the domestic aviation industry and the strong financial support from the Wadia Group. The rating also continues to factor the proactive steps taken by Go First to reduce its Cost per Available Seat Kilometer (CASK) and to ramp up its capacity gradually in line with the market growth opportunities. Furthermore, the timely negotiations of aircraft lease rentals and the mobilisation of additional working capital borrowings from banks have helped the company to maintain an adequate liquidity position despite the adverse impact of the Covid pandemic.

### About Company

Go Airlines (India) Limited (Go First) was the aviation foray of the Mumbai based '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. It launched low fare passenger airline services in Nov 2005 under the brand name 'Go Air'. In April 2021, the company rebranded its services to 'Go First'. As of Aug, 2022, Go First has a total fleet size of 58 aircraft serving 34 domestic destinations and 9 international destinations with an operational track record of nearly 17 years.

### **About the Group**

Wadia Group is one of the oldest business group in India which was founded in 1736. The Group is a diversified conglomerate with businesses ranging from FMCG, Aviation, Chemicals, and Healthcare to Real Estate. Bombay Dyeing & Manufacturing Company Limited is the flagship company of the Wadia Group, engaged primarily in the business of textiles. Britannia Industries is another large listed entity where the Wadia Group has a significant stake. While four companies are listed on the Indian Stock Exchanges, the above two companies have been listed for over hundred years.

## **Analytical Approach**

### **Extent of Consolidation**

- Full Consolidation

### **Rationale for Consolidation or Parent / Group / Govt. Support**

The team has consolidated the business and financial risk profiles of Go Airlines (India) Limited and its two subsidiaries i.e. Go Ground Aviation Services Private Limited (engaged in providing ground support services and related allied services) and Go Airlines (Singapore) Private Limited (engaged in finance and regional coordination). The consolidation is in view of the common management and same line of business. Acuité has also factored in the availability of strong financial support from the Wadia Group.

## **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 31 Mar, 2022, the total ICDs from group was Rs.315 crores and during the second wave of the Covid pandemic, the group infused equity through rights issue to the tune of Rs.550 Cr. Furthermore, after the onset of third wave, the group infused additional equity to the tune of Rs.300.00 Cr during Q4FY22. 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 which implies an operational track record of nearly 17 years. 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 Mar-18 to 9.7 percent as of Aug-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 Aug, 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 the Covid pandemic on account of restriction in air travel by the government. During April 2021– Aug, 2022 the total passenger traffic carried by Go First stood at 8.47 million passengers. As on Aug, 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 sustain its established presence in the aviation industry despite competitive pressures 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 the unprecedented pandemic. The company has renegotiated deferment of Rs.2018.0 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 Rs. 783 Cr despite addition of new aircrafts. The timely renegotiations by Go First with its lessors has provided adequate liquidity during the pandemic period. 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 for addition of new aircrafts to its existing fleet. Apart from these factors, the company has been consistently 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**

#### **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 are inherently volatile and such volatility has further worsened due to the geo-political conflict in Ukraine and the resultant sanctions on Russia, a major oil and gas exporter. Further, the company incurs a major part of its operating expenses like lease rentals, aircraft maintenance and repairs in foreign currency while the revenues are largely in INR. The INR has witnessed a depreciation of over 10% since the start of calendar 2022. Further, the company faces intense competitions from other LCC operators in the industry which limits the ability of Go First to pass on the increase in costs to its customers. The profitability of Go First is therefore, highly susceptible to the volatility in ATF prices and fluctuations in foreign exchange rates. The losses of the entity have sharply increased in FY22 and any turnaround in operations may take a longer time, given the twin challenges of ATF prices and currency depreciation.

### **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, related party transactions, management & board compensation, board independence & diversity, audit committee role, financial 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 material decline in market share due to increased competition and entry of new players
- Timely 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 31 March, 2022, the total ICDs from group was Rs. 315 Cr. and during the second wave of Covid, the group infused equity through rights issue to the tune of Rs.550 Cr. After the onset of third wave, the group further infused more equity during Q4FY22 to the tune of Rs.300 Cr. The average utilization of fund based working capital limits stood high at around 83 percent in last nine months ended August, 2022. However, the company maintains unencumbered cash and bank balances of Rs. 371.74 Cr. as on 31 March, 2022. 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: Negative

Acuité believes that the company may continue to incur losses in medium term leading to higher dependence on external borrowings or support from group. The outlook may be revised to 'stable' in case the group registers higher than expected growth in revenue and returns to profitability along with lower dependence on the group for funding its operations. The rating may be downgraded if Go First sustains losses for a longer period and witnesses any loss in market share due to higher competition.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	4255.88	2171.74
PAT	Rs. Cr.	(1804.08)	(870.16)
PAT Margin	(%)	(42.39)	(40.07)
Total Debt/Tangible Net Worth	Times	(1.06)	(1.08)
PBDIT/Interest	Times	0.17	0.26

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

The rating from Brickworks dated January 17, 2022 is flagged as Issuer not cooperating and is under INC flag since July 09, 2020.

**Any Other Information**

None

**Applicable Criteria**

- 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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
01 Apr 2022	Letter of Credit	Short Term	504.00	ACUITE A1 (Reaffirmed)
	Secured Overdraft	Long Term	20.00	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	100.00	ACUITE A- (Withdrawn)
	Term Loan	Long Term	5.00	ACUITE A-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	100.00	ACUITE A-   Stable (Reaffirmed)
	Secured Overdraft	Long Term	363.50	ACUITE A-   Stable (Reaffirmed)
	Letter of Credit	Short Term	1200.00	ACUITE A1 (Reaffirmed)
	Secured Overdraft	Long Term	100.00	ACUITE A-   Stable (Reaffirmed)
	Letter of Credit	Short Term	30.00	ACUITE A1 (Reaffirmed)
	Working Capital Demand Loan	Long Term	30.00	ACUITE A-   Stable (Assigned)
	Secured Overdraft	Long Term	432.50	ACUITE A-   Stable (Reaffirmed)
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)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	456.98	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
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A-   Negative   Reaffirmed   Stable to Negative
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	650.00	ACUITE A-   Negative   Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	450.00	ACUITE A1   Assigned
Central Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	843.02	ACUITE A-   Negative   Reaffirmed   Stable to Negative
IDBI Bank Ltd.	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A-   Negative   Reaffirmed   Stable to Negative
Bank of Baroda	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A-   Negative   Reaffirmed   Stable to Negative
Central	Not		Not		Not		ACUITE A-   Negative 

Bank of India	Applicable	Term Loan	available	9.90	available	5.00	Reaffirmed   Stable to Negative
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	93.00	ACUITE A-   Negative   Assigned
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	73.90	ACUITE A-   Negative   Assigned
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	64.05	ACUITE A-   Negative   Assigned
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	25.65	ACUITE A-   Negative   Assigned
IDBI Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	4.80	ACUITE A-   Negative   Assigned
IDBI Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	3.78	ACUITE A-   Negative   Assigned
Deutsche Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1320.00	ACUITE A-   Negative   Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	31.60	ACUITE A-   Negative   Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	98.22	ACUITE A-   Negative   Assigned
IDBI Bank Ltd.	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	30.00	ACUITE A-   Negative   Reaffirmed   Stable to Negative

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Sushant Kumar Mishra Senior Manager-Rating Operations Tel: 022-49294065 <a href="mailto:sushant.mishra@acuite.in">sushant.mishra@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.