



Press Release
SpiceJet Limited
March 14, 2024

Rating Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	512.04	ACUITE C Downgraded	-
Bank Loan Ratings	278.48	ACUITE D Downgraded	-
Bank Loan Ratings	78.20	-	ACUITE A4 Reaffirmed
Bank Loan Ratings	581.28	-	ACUITE D Downgraded
Total Outstanding Quantum (Rs. Cr)	1450.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating from '**ACUITE B' (read as ACUITE B)** to '**ACUITE D' (read as ACUITE D)** on Rs. 278.48 Cr. bank facilities and downgraded its long-term rating from '**ACUITE B' (read as ACUITE B)** to '**ACUITE C' (read as ACUITE C)** on Rs. 512.04 Cr. bank facilities. Further Acuite has reaffirmed its short term rating of '**ACUITE A4' (read as ACUITE A four)** on the Rs. 78.20 Cr. bank facilities and downgraded its short term rating from '**ACUITE A4' (read as ACUITE A four)** to '**ACUITE D' (read as ACUITE D)** on the Rs. 581.28 Cr. bank facilities of SpiceJet Limited (SpiceJet).

Rationale for rating

The rating revision is on account of delay in repayment of term loan by the company. Further, there were few instances of BG invocation. Acuite continues to factor the weak financial profile and incessant business challenges faced by the company on operational front due to grounding of ~40 % of its existing fleet of 54 Aircrafts as on 30-November-2023, this has resulted in higher fixed expenses and thus significant operational challenges. Accordingly, company has lost market share to its competition from 10.5% in Calendar Year(CY) 2021 to 8.7% in CY22 to 5.5% in CY23 dipping its position from 3rd largest player to 5th largest player. The rating drives support from company's established track record of operation, experienced management and diversified revenue stream. The company has currently raised equity to the tune of Rs. 1100 Cr. in Q4FY24 however, the frequent order for payment of past dues (operational creditor) from hon'ble courts might still impact liquidity position and needs to be monitored.

About Company

Established in 1984 and based in Gurugram (Haryana), SpiceJet Limited (SpiceJet) was initially set up as an air taxi provider. In 1993, the company diversified into domestic aviation service provider business and changed its name to 'Modiluft' in 1994 through a technical partnership with Lufthansa AG. In 2000, the company got a new name - Royal Airways. In the year 2005, the company got its prevailing name, when its services were re-launched. SpiceJet operated its first flight in May 2005 and commenced operations with 3 leased Boeing 737-800s fleets. In 2008, a US-based asset investor, Mr. Wilbur Ross acquired a 30 percent stake. In June 2010, Mr. Kalanithi Maran, Chairman and Managing Director of the Sun Group, acquired 38 percent

stake in SpiceJet from the US- based investor, Mr. Wilbur Ross and the UK-based Kansagra family. The stake was sold back to Mr Ajay Singh (present promoter) in January 2015. Mr. Ajay

Singh and HUF holds around 59.54 percent as on June 30, 2023. Spicejet follows the Low Cost Carrier (LCC) business model with an objective to deliver the lowest air fares with the highest consumer value, to price sensitive consumers. SpiceJet, a public limited company, is listed on Bombay Stock exchange (BSE) and National Stock Exchange (NSE) and is promoted by Mr. Ajay Singh with majority holdings. The airline had a total fleet size of 54 aircrafts (19 Boeing NG (700/800/900), 9 Boeing max (737), 23 Q-400 and 3 freighter aircrafts) serving domestic as well as international destinations as on November 30, 2023.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profiles of SpiceJet Limited and its subsidiaries to arrive at the rating. Following is the list of entities consolidated:

- Canvin Real Estate Private Limited
- Spicejet Merchandise Private Limited
- Spice Shuttle Private Limited
- Spicetech System Private Limited
- Spicejet Technic Private Limited
- Spice Xpress and Logistics Private Limited

Key Rating Drivers

Strengths

Established brand in the domestic aviation sector and established track record of operations

SpiceJet is a well recognised brand with a 5.5% percent market share in the domestic aviation segment for the calendar year 2023. SpiceJet is currently ranked at fifth position amongst the Indian domestic airlines in terms of passengers carried (Pax) trailed by Akasa Air, Alliance Air, Star Air and Fly Big. It is one of the largest regional player in the country with multiple UDAN flights operating across destinations under the regional connectivity scheme. The company's fleet size stands at 50 aircrafts as on 30-Sep-2023 out of which 31 are operational. The company aims to increase its fleet size by induction of the highly fuel-efficient Boeing 737 Max aircrafts over the near to long term.

Experienced management and healthy business model with diversified revenue streams

SpiceJet, a Low-cost carrier segment airline provider, has established presence in the Indian aviation industry. Mr. Ajay Singh, the Chairman and Managing Director of SpiceJet, has more than 15 years of experience in the line of aviation and is involved in the day-to-day operations of the company. In the past, through his extensive and rich experience, Mr. Singh successfully turnaround SpiceJet Limited by undertaking and implementing various measures in revenue and cost management, customer retention and employee welfare. SpiceJet, over the years with its established presence in the aviation industry has been able to diversify its revenue stream for its cash generation. The company majorly has two streams; Primary (Passenger air travel), Ancillary (Preferred Seating, Business Class, Spice Max, Loyalty Programmes, Insurance, Meals, Spice Vacations, Lounge, Visa, Cab, Cargo, Onboard Merchandise), and, Cargo business. The company has also added aircrafts for passenger and cargo operations on wet lease basis. Acuité believes that the presence of diversified revenue stream and robust fleet will aid SpiceJet's revenue profile over the medium term.

Weaknesses

Delay in term loan repayment and BG Invocation

The company made a delay in term loan repayment. Further, there were few instances of BG invocation.

Weak financial position

The company's financial risk profile is poor marked by negative networth of Rs. (5,850.64) crore as on March 31, 2023 as against Rs. (4,340.22) crore as on March 31, 2022. The deterioration in networth is due to accretion of losses to reserves. Further the company's leverage remained poor as apparent from debt/ equity of -0.20 times as on March 31, 2023. The debt coverage indicators of the company remained below average with Interest Coverage ratio and DSCR standing at 0.03 times in FY23. Further the company has negative cash accrual of Rs. (490.21) crore in FY 2023.

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 SpiceJet which accounts around 35 - 40 per cent 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 SpiceJet 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 SpiceJet to pass on any increase in prices to its customers. Nevertheless, higher proportion of fuel efficient Boeing Max aircrafts to be operated by the company in the near future is likely to partially offset the risk of volatility in ATF prices to a certain extent.

Significant proportion of grounded fleet

The airline has a fleet size of 54 aircrafts as on November 30, 2023. Out of the said 54 aircrafts, 21 aircrafts are non-operational. The grounding of aircrafts is primarily due to non-payment of lease rentals to the lessors and the supply chain crunch which restricts the aircrafts from visiting the shop floor for maintenance. The airline is in the process of raising funds for ungrounding these aircrafts. However, until the funds are raised, a substantial portion of the fleet will remain grounded which will affect the revenue generation capabilities of the airline.

ESG Factors Relevant for Rating

Environment

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.

Social

Labour 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.

Governance

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

- Significant improvement in the liquidity position along with a resolution of the pending aircraft lease rentals
- Improvement in profitability by aggressive cost reduction measures by the management
- Any increase in crude oil prices and/or adverse movement in dollar/rupee rate

Liquidity Position

Stretched

SpiceJet's liquidity is stretched marked by inadequate net cash accruals to its maturing debt obligations resulting into delay in term loan repayment and BG invocation, modest level of unencumbered cash and bank balance. The net cash accruals have been negative in FY 2023 at ~Rs. 490.21 Cr. The company had long term debt obligations of Rs. 312.88 – 459.30 Cr over the last 3 financial years. The company's working capital is moderate as evident from Gross Current Asset (GCA) of 79 days as on March 31, 2023 as compared to 104 days as on March 31, 2022. The current ratio stood below unity at 0.22 times as on March 31, 2023. It remained below unity even in the past 2 years ending March 31, 2022. Acuité believes that the liquidity of the company is likely to remain stretched over the short term on account of cash losses from operations vs the maturing debt obligations. The company has currently raised equity to the tune of Rs. 1100 Cr. in Q4FY24 however, the frequent order for payment of past dues (operational creditor) from hon'ble courts might still impact liquidity position and needs to be monitored.

Outlook : Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	9897.07	7417.83
PAT	Rs. Cr.	(1512.95)	(1666.81)
PAT Margin	(%)	(15.29)	(22.47)
Total Debt/Tangible Net Worth	Times	(0.20)	(0.25)
PBDIT/Interest	Times	0.03	0.26

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

Not Applicable

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Dec 2023	Bank Guarantee (BLR)	Short Term	310.50	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	59.70	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	270.78	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	18.50	ACUITE A4 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	352.04	ACUITE B Stable (Reaffirmed)
	Term Loan	Long Term	127.50	ACUITE B Stable (Reaffirmed)
	Term Loan	Long Term	60.00	ACUITE B Stable (Reaffirmed)
	Term Loan	Long Term	150.98	ACUITE B Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE B Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	80.00	ACUITE B Stable (Reaffirmed)
04 Oct 2023	Bank Guarantee (BLR)	Short Term	310.50	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	59.70	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	270.78	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	18.50	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	60.00	ACUITE B Stable (Reaffirmed)
	Term Loan	Long Term	150.98	ACUITE B Stable (Reaffirmed)
	Term Loan	Long Term	127.50	ACUITE B Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE B Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	80.00	ACUITE B Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	352.04	ACUITE B Stable (Reaffirmed)
27 Feb 2023	Bank Guarantee (BLR)	Short Term	270.78	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	310.50	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	59.70	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	18.50	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	60.00	ACUITE B Stable (Reaffirmed)
	Term Loan	Long Term	150.98	ACUITE B Stable (Reaffirmed)
		Long		

	Term Loan	Term	20.00	ACUITE B Stable (Reaffirmed)
	Term Loan	Long Term	127.50	ACUITE B Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	352.04	ACUITE B Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	80.00	ACUITE B Stable (Reaffirmed)
04 Jan 2023	Bank Guarantee (BLR)	Short Term	310.50	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	59.70	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	270.78	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	18.50	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	150.98	ACUITE B Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE B Stable (Reaffirmed)
	Term Loan	Long Term	60.00	ACUITE B Stable (Reaffirmed)
	Term Loan	Long Term	127.50	ACUITE B Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	352.04	ACUITE B Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	80.00	ACUITE B Stable (Reaffirmed)
03 Aug 2022	Bank Guarantee (BLR)	Short Term	450.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee (BLR)	Short Term	192.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee (BLR)	Short Term	100.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee (BLR)	Short Term	100.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	127.50	ACUITE B Not Applicable (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	50.00	ACUITE B Not Applicable (Reaffirmed & Issuer not co-operating*)
	Working Capital Demand Loan (WCDL)	Long Term	100.00	ACUITE B Not Applicable (Reaffirmed & Issuer not co-operating*)
	PC/PCFC	Short Term	150.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	PC/PCFC	Short Term	173.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	7.50	ACUITE B Not Applicable (Reaffirmed & Issuer not co-operating*)
12 May	Bank Guarantee (BLR)	Short Term	450.00	ACUITE A4 (Downgraded & Issuer not co-operating*)
	Bank Guarantee (BLR)	Short Term	192.00	ACUITE A4 (Downgraded & Issuer not co-operating*)
	Bank Guarantee (BLR)	Short Term	100.00	ACUITE A4 (Downgraded & Issuer not co-operating*)
	Bank Guarantee (BLR)	Short Term	100.00	ACUITE A4 (Downgraded & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	7.50	ACUITE B Not Applicable (Downgraded & Issuer not co-operating*)

2022	PC/PCFC	Short Term	150.00	ACUITE A4 (Downgraded & Issuer not co-operating*)
	PC/PCFC	Short Term	173.00	ACUITE A4 (Downgraded & Issuer not co-operating*)
	Working Capital Demand Loan (WCDL)	Long Term	100.00	ACUITE B Not Applicable (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	127.50	ACUITE B Not Applicable (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	50.00	ACUITE B Not Applicable (Downgraded & Issuer not co-operating*)
09 Aug 2021	Bank Guarantee (BLR)	Short Term	450.00	ACUITE A4+ (Assigned)
	Bank Guarantee (BLR)	Short Term	100.00	ACUITE A4+ (Assigned)
	Bank Guarantee (BLR)	Short Term	192.00	ACUITE A4+ (Assigned)
	Bank Guarantee (BLR)	Short Term	100.00	ACUITE A4+ (Assigned)
	PC/PCFC	Short Term	173.00	ACUITE A4+ (Assigned)
	PC/PCFC	Short Term	150.00	ACUITE A4+ (Assigned)
	Term Loan	Long Term	127.50	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	50.00	ACUITE BB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	100.00	ACUITE BB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	7.50	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	310.50	ACUITE D Downgraded (from ACUITE A4)
Indian Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	59.70	ACUITE A4 Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	270.78	ACUITE D Downgraded (from ACUITE A4)
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.50	ACUITE A4 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	352.04	ACUITE C Downgraded (from ACUITE B)
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	60.00	ACUITE C Downgraded (from ACUITE B)
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	150.98	ACUITE D Downgraded (from ACUITE B)
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	127.50	ACUITE D Downgraded (from ACUITE B)
IDFC First Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE C Downgraded (from ACUITE B)
City Union Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	80.00	ACUITE C Downgraded (from ACUITE B)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

- Spicejet Limited
- Canvin Real Estate Private Limited
- Spicejet Merchandise Private Limited
- Spice Shuttle Private Limited
- Spicetech System Private Limited
- Spicejet Technic Private Limited
- Spice Xpress and Logistics Private Limited

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About Acuité Ratings & Research

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