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SpiceJet proposes debt-to-equity scheme to lessors

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New Delhi : SpiceJet proposed to turn lessors into potential investors in a debt-to-equity scheme aimed at clearing INR 25 billion rupees (USD 302 million) in unpaid aircraft lease payments, reports claimed.

If lessors agree, the plan involves a two-step transaction: The company will first transfer its cargo undertaking to a newly created subsidiary, SpiceXpress, which will then issue compulsorily convertible debentures (CCDs) to the parent, Then, SpiceJet will offer lessors the option to swap lease payments with the CCDs. This will make them investors in the cargo arm with the option of taking an equity stake in it at a future date, according to reports.

According to the latest financial data, SpiceJet had short-term and long-term lease liabilities totalling INR 70 billion (USD 845.6 million) in the quarter that ended September 2022. However, not all of these are due for payment. The sources said the plan was to clear the immediate dues of the lessors amounting to INR 25 billion (USD 302 million). The proposal has been made to about ten of them.

In his message to shareholders in the airline's annual report for FY2021-22, Chairman and Managing Director Ajay Singh said the company had "completed a series of settlements with most of the major partners, including manufacturers and lessors".

Singh confirmed the company recently received the shareholders' approval for the transfer of its logistics business to SpiceXpress. The process of hiving off the cargo and logistics platform would be completed soon.