

SpiceJet wants to settle dues of aircraft lessors

- A Monitor Desk Report

Date: 21 December, 2022



SpiceJet has proposed to settle the dues of aircraft leasing companies by turning them into potential investors from creditors, according to people aware of the discussions.

The plan involves a two-step transaction to clear outstanding dues worth ₹2,500 crore, if the lessors agree.

The company will first transfer its cargo undertaking to a newly created subsidiary. The unit, SpiceXpress, will then issue compulsorily convertible debentures (CCDs) to the parent, said the people cited above. 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.

SpiceJet had short-term and long-term lease liabilities totalling Rs 7,000 crore in the quarter ended September, according to the latest financial data. However, not all of

these are due for payment. As per the people cited above, the plan is to clear the immediate dues of the lessors. The proposal has been made to about 10 of them. SpiceJet didn't respond to queries.

The Ajay Singh-led airline had informed shareholders of its intent to hive off the cargo business in June last year. It received shareholder approval for the transaction this September. The cargo unit is profitable, unlike the passenger transportation business.

The company posted operating revenue of Rs 1,952 crore in the September quarter, up from Rs 1,342 crore in the year earlier. The cargo business contributed Rs 200 crore. SpiceJet posted an Rs 833 crore loss in the September quarter.

SpiceJet has faced several challenges in the past few years, including the grounding of 13 Boeing 737 Max aircraft between March 2019 and December 2020, apart from the pandemic-induced slump. More recently, several SpiceJet planes have been hit by technical snags, forcing the regulator to step in. In July, the Directorate General of Civil Aviation (DGCA) put SpiceJet under enhanced surveillance and ordered it to operate at 50% of capacity for eight weeks.

Singh had said in August that the airline will try to raise Rs 2,000 crore by way of an equity investment from new investors. There has been no further announcement on this.

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