SpiceJet Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**SpiceJet operates as a distressed regional player with a 90% load factor, yet core revenue collapsed 24.8% YoY due to fleet grounding and loss of trunk market share.**	—
2	***Revenue fell to 53,256.91 Cr as operational capacity shrank, forcing a strategic pivot toward niche "Spiritual Tourism" and UDAN routes to avoid direct competition.***	—
3	***Operating margins are under severe pressure; the company is utilizing unpaid statutory dues (TDS/ GST) as an informal source of working capital.***	—
4	***Reported PAT of 526.19 Cr is a non-cash accounting artifact, entirely manufactured by 13,177.33 Cr in liability write-backs despite deep operational losses.***	—
5	***The balance sheet is technically insolvent with a negative Net Worth of 19,423.73 Cr and a staggering working capital gap of 39,424.48 Cr.***	—
6	**Cash flow remains in triage mode; while a □3,000 Cr QIP provided a lifeline, funds were diverted to legacy taxes rather than accretive growth.**	—
7	***Future capital commitments for aircraft acquisition stand at 62,486.93 Cr, representing an unsustainable 11.7x multiple of current annual revenue.***	—
8	***Earnings quality is at a nadir as the "Return to Service" program for 19 engines has yet to translate into organic, cash-backed profitability.***	—
9	***Governance risks are extreme following the resignation of statutory auditors and a 320 Cr interest-free advance to the CMD during a liquidity crisis.***	—
10	***Terminal risks include the 5,790 Cr Maran litigation and potential NCLT admission if lessor settlements or aircraft commitments fail.***	—
11	**The outlook depends on a "Phoenix" turnaround narrative that requires massive fleet restoration and a 50%+ revenue surge to achieve viability.**	—
12	***Investment View: Avoid; monitor the recovery of contract liabilities to > 4,000 Cr and the full repayment of the CMD advance before re-evaluating.***	—

1. Business overview (In Bullet Points)

- **Business Segments:** The company operates primarily in scheduled air transport (Passenger Core), accounting for 92.43% of turnover. Cargo operations (SpiceXpress) have been transitioned into a separate subsidiary via a slump sale to protect cargo assets from airline creditors.
- **Revenue Drivers:** Shifting toward "Spiritual and Regional Tourism" (Maha Kumbh, Haj, UDAN) to capture high-yield seasonal demand and government subsidies. Revenue is recognized on a "flown basis," including "breakage revenue" from unutilized tickets.
- **Cost Drivers:** Heavily impacted by Aviation Turbine Fuel (ATF) (38.52% of revenue), lease charges, and maintenance. Supplemental lease charges are variable payments based on aircraft utilization.

- **Industry Position:** Positioned as a "UDAN Specialist" in the Regional Connectivity Scheme, providing a moat through exclusive rights and Viability Gap Funding (VGF), though market share on trunk routes is declining.
- **Expansion Plans:** Focus on international regional points (Phuket, Kathmandu) and domestic spiritual hubs (Prayagraj).
- **Fleet & Capacity:** Pivoting from new inductions to a "Return to Service" program to overhaul 19 grounded engines. Heavy reliance on "wet leases" (aircraft + crew) during peak periods due to internal capacity constraints.
- **Geographical Presence:** 34.38% of revenue is derived from international operations (₹18,311.65 Cr), providing a partial natural hedge against INR depreciation.

2. Management commentary & outlook

- **Strategy Pivot:** Transitioning from "Survival via Default" to "Survival via Dilution" through a ₹3,000 Cr QIP and massive debt-to-equity swaps with lessors (converting $54M of dues into equity at ₹42.32/share).
- **Growth/Margin Guidance:** Management is targeting a "Phoenix-like" turnaround by focusing on niche, high-yield routes and spiritual tourism to avoid predatory competition on trunk routes.
- **Demand Environment:** High load factors (90%) reported, though forward-booking confidence is under pressure as evidenced by a 45.6% drop in contract liabilities.
- **Operational Recovery:** Partnership with StandardAero and Carlyle Aviation to fix the grounded fleet is central to reducing fixed-cost drags.
- **Regulatory Compliance:** Management claims "Nil Level 1 findings" in DGCA audits to restore the brand's safety perception.
- **Long-term Vision:** Aiming to leverage the recapitalized balance sheet to move from "triage mode" to sustainable regional leadership.
- **Management Tone:** The tone is aggressively optimistic and triumphant, utilizing high-velocity language ("landmark year," "resilience") to highlight a positive net worth (₹683 Cr post-QIP). However, this narrative appears distractive, as the "turnaround" is currently a balance sheet event (driven by accounting write-backs and equity infusion) rather than an operational income statement event. The reliance on QIP funds to fill old holes (statutory dues) rather than build new runways suggests a management team still in firefighting mode.

3. Financial analysis

3.1 Financial statements

3.2 Financial analysis summary

- **Revenue** from operations collapsed by 24.83% YoY to ₹53,256.91 Cr, a decline primarily attributed to a shrinking operational fleet and the inability to maintain aircraft, which is further evidenced by the 45.6% drop in contract liabilities (advance ticket sales) to ₹2,337.29 Cr on the Balance Sheet, signaling severely diminished consumer forward-booking confidence.
- While the company reported a **PAT** of ₹526.19 Cr, this figure is fundamentally decoupled from operational reality as it was manufactured by ₹13,177.33 Cr of "Liabilities written back" classified under Other Income; excluding these non-cash accounting gains, the core business generated an operating loss exceeding ₹12,000 Cr, highlighting a total lack of CFO generation from flight operations.

- The **Balance Sheet** remains in a state of technical insolvency with a negative Net Worth of ₹19,423.73 Cr and a staggering Working Capital gap of ₹39,424.48 Cr, where current liabilities are nearly 5x current assets, forcing the company to rely on "Going Concern" assumptions based on speculative future fund infusions.
- **Finance Cost** of ₹2,944.72 Cr remains a heavy burden on the P&L, with ₹1,166.21 Cr specifically tied to interest on lease liabilities, while the Balance Sheet masks the true scale of leverage through ₹7,806.81 Cr in short-term lease expenses kept off-balance sheet as ROU assets.
- **Trade Payables** of ₹23,884.31 Cr reflect extreme liquidity distress, with ageing data revealing ₹2,341.23 Cr of "Other" payables outstanding for over 3 years, effectively using vendor defaults as a forced source of Working Capital to sustain minimal operations.
- **Cash Flow** quality is further compromised by significant impairments, including ₹227.65 Cr for advances and ₹326.81 Cr for Trade Receivables, while the company utilized ₹26,995.40 Cr of fresh QIP proceeds primarily to clear long-standing Statutory Dues Payable (TDS, GST, PF) which had ballooned to ₹8,075.20 Cr in the prior year.
- Capital allocation raises severe governance concerns as the company provided a **₹320.00 Cr** interest-free advance to the CMD during an "exceptional financial crisis," while simultaneously facing a terminal risk from Aircraft Acquisition Commitments of ₹624,869.34 Cr—nearly 12x annual Revenue—which the current Balance Sheet cannot realistically support.
- **Total Debt** and lease obligations saw a nominal reduction to ₹42,261.54 Cr, but this was largely driven by lease modifications and settlements rather than organic repayment from CFO, as evidenced by the settlement of the ₹7,554.55 Cr EDC liability for a fraction of its value.
- **Asset Turnover** and efficiency are deteriorating as Revenue falls faster than the fixed cost base, with Aviation Turbine Fuel (ATF) consuming 38.52% of Revenue and Supplemental lease charges of ₹4,035.59 Cr remaining high despite lower fleet utilization.
- **Other Assets** are dominated by ₹7,805.17 Cr deposited with the Delhi High Court (restricted cash in litigation) and ₹5,527.69 Cr in balances with government authorities (GST/Tax credits), which do not provide immediate liquidity. Other Expenses were bloated by ₹227.65 Cr in impairment of advances and ₹148.42 Cr in impairment of capital advances, reflecting losses from stalled projects and non-recoverable vendor dues.
- The company's survival is contingent on the resolution of massive **Contingent Liabilities**, including the ₹5,790.89 Cr Maran/KAL Airways dispute and ongoing insolvency filings by lessors under Section 9 of the IBC, which represent immediate threats to the corporate entity's existence.
- SpiceJet's FY2025 performance reflects a business in deep structural distress, where a nominal **PAT** driven by massive non-cash write-backs masks a collapsing Revenue trajectory, a deeply insolvent Balance Sheet with negative Net Worth, and a total dependence on external equity infusions to settle chronic defaults in Trade Payables and statutory obligations.

3.3 Contingent liabilities & commitments

- **Aircraft Acquisition Commitments:** ₹624,869.34 Cr (Massive Capex Risk; 12x annual revenue).
- **Maran/KAL Airways Dispute:** ₹5,790.89 Cr (Sub-judice; significant cash outflow risk if appeals fail).
- **Service Tax Demands:** ₹3,712.47 Cr (Disputed).
- **Income Tax (TDS) Claims:** ₹1,066.02 Cr (Disputed).
- **IGST on Overseas Repairs:** ₹619.58 Cr (Under Appeal).
- **Insolvency Petitions:** Several lessors have filed for insolvency under Section 9 of the IBC, representing a terminal risk to the corporate entity.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — non-cash liability write-backs of □13,177 Cr mask deep operational cash losses.	—	Note 32: Liabilities written back are the primary driver of reported net profit.
2	Receivables & channel-stuffing signal	Revenue ↓ — revenue fell 24.8% while inventory rose 3.3%, indicating poor stock turnover.	—	Note 31 & Note 13: Decline driven by fleet reduction; 26.3% of receivables overdue >3 years.
3	Revenue timing	Revenue ↓ — contract liabilities dropped 45%, signaling a sharp decline in forward bookings.	—	Note 31: Significant decrease in advance ticket sales reflects reduced capacity and consumer confidence.
4	Revenue from related parties %	Neutral — revenue is primarily B2C passenger fares with negligible related party sales.	—	Note 2(A)(h): Revenue recognized on flown basis; breakage revenue based on management estimates.
5	Inventory vs revenue growth	Profit ↓ — inventory grew 3.3% despite 24.8% revenue drop, increasing carrying cost pressure.	—	Note 31: Operational fleet reduction not matched by proportional inventory liquidation.
6	Inventory valuation method change	Neutral — no change in valuation policy; valued at lower of cost or NRV.	—	Note 2(A)(g): Cost determined on a weighted average basis; consistent with prior year.
7	Exceptional items in operating profit	Profit ↑ — massive non-recurring write-backs and lease derecognition gains inflate the operating result.	—	Note 32: Other income includes significant non-cash gains from settlements and derecognition.
8	Depreciation rate vs useful life policy	Profit ↑ — aircraft depreciation over 20 years may understate annual P&L charge.	—	Note 2(A)(d): Capitalization of FX losses on long-term monetary items defers P&L impact.
9	Provision reversals boosting PAT	Profit ↑ — reversal of historical liabilities and lease obligations directly creates accounting profit.	—	Note 32: Non-cash gains from creditor settlements are the sole reason for profitability.
10	Tax rate consistency	Neutral — no tax expense recognized due to massive accumulated losses and uncertainty.	—	Note 2(A)(j): Deferred tax assets not recognized due to lack of virtual certainty.
11	CWIP age and stalling projects	Profit ↓ — impairment of capital advances indicates losses from stalled or cancelled projects.	—	Note 37: Significant write-offs of advances for aircraft and parts due to non-recoverability.
12	Deferred tax asset recognition adequacy	Neutral — conservative stance taken by not recognizing DTA on carry-forward business losses.	—	Note 2(A)(j): Management avoids overstating assets by not recognizing DTA amidst insolvency risk.
13	RPT quantum and trend	Profit ↓ — □320 Cr interest-free advance to CMD signals potential value leakage.	—	Note 16.B: Advance provided for 5 years during liquidity crisis is a governance concern.
14	Dividend paid vs FCF adequacy	Neutral — no dividends paid given negative net worth and severe liquidity constraints.	—	Note 2.A.iii: Material uncertainty regarding going concern precludes any shareholder distributions.
15	Auditor Independence Concerns	Neutral — Auditor resignation citing non-audit service conflicts.	—	Auditor change during financial distress is a high-risk signal regarding "Going Concern" sign-offs.
16	Statutory Dues Mismanagement	Profit ↑ — Using government dues as working capital.	—	

#	Check	Impact	Status	Notes detail
				Note 47: Admission of delays in depositing TDS, PF, and GST despite fresh capital infusion.
17	Off-Balance Sheet Leverage	Profit ↑ — Understating liabilities via short-term lease classification.	—	Note 44: Significant aircraft obligations kept off-balance sheet, masking true operational leverage.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit Opinion:** ***Qualified Opinion***. The auditors highlighted material uncertainty related to going concern and significant delays in depositing undisputed statutory dues. * **KAM - Maintenance Provisions:** Auditors identified the estimation of aircraft maintenance and redelivery provisions as a Key Audit Matter due to the complexity of technical estimates and the materiality of the balances. * **KAM - Impairment of Assets:** The assessment of the recoverable amount of the fleet (CGUs) using Value-in-Use calculations with a 17.30% discount rate was a key focus area. * **Emphasis of Matter - Maran Dispute:** Auditors highlighted the ongoing litigation with erstwhile promoters regarding the □5,790.90 Cr advance and associated interest, noting the matter is sub-judice. * **Material Uncertainty Related to Going Concern:** The auditors noted a negative net worth of □1,942.37 Cr and current liabilities exceeding current assets by □3,942.45 Cr, casting significant doubt on the Group's ability to continue as a going concern. * **Auditor Change:** M/s. Walker Chandiok & Co LLP resigned on June 13, 2025, citing that proposed non-audit services would impair independence requirements. M/s Kalyaniwalla & Mistry LLP was appointed to fill the casual vacancy.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | | :--- | :--- | :--- | :--- | :--- | | Ajay Singh | Promoter/CMD | ***Interest-free Advance*** | 320.00 Cr | ***High: 6x annual PAT; provided during liquidity crisis*** | | Promoter Group | Promoter | ***Warrant Conversion*** | 1,272.72 Cr | ***High: Conversion at 29.84 vs QIP price of 61.60*** | | Director of Subsidiary | KMP | ***Loan Provided*** | 3.96 Cr | ***Value leakage risk*** | | Ajay Singh | Promoter/CMD | **Personal Guarantee/Pledge** | Disclosed | **Positive: Personal assets secure ECLGS loans** | | Promoter Group | Promoter | **Equity Warrants** | 1,272.72 Cr | **Promoter funding support** |

- **RPT Risk Checks:**
  - % of Revenue: 29.91% (Exceeds 15% threshold significantly).
  - Red Flag: The □320.00 Cr interest-free advance to CMD Ajay Singh is a major red flag, provided while the company faces a "Going Concern" crisis.
  - Preferential Pricing: Promoter warrant conversion at □29.84 per share is a 51.5% discount to the QIP price of □61.60, signaling massive value transfer to the promoter.

C. Shareholding * **Promoter Holding:** 30.99% (Post-Issue Tranche II). * **Institutions:** 25.13%. * **Non-institutions:** 43.88%. * **Pledged Shares:** Ajay Singh has pledged personal equity shares to secure "almost all bank facilities," specifically the ECLGS loans.

D. Board Composition + KMP Compensation * **Total Directors:** 6 (66.67% Independent). * **Women Directors:** 2 (Mrs. Shiwani Singh, Ms. Sonum Gayatri). * **Family Relations:** Mrs. **Shiwani Singh** (Director) is the spouse of Mr. Ajay Singh (CMD). * **KMP Compensation:** CMD and Mrs. Singh reported Nil remuneration. However, the **□320.00 Cr interest-free advance** to the CMD acts as a de-facto liquidity extraction. CS remuneration grew 27.27% YoY to □0.84 Cr, slightly exceeding EBITDA growth of 23.69%.

F. Capital Allocation & Capex | Action | FY current (□Cr) | FY prior (□Cr) | Signal | | :--- | :--- | :--- | :--- | | Equity Issuance | 3,000.00 Cr | 0.00 Cr | — | | Interest Payments | 294.47 Cr | 465.49 Cr | — | | Lease Liabilities | 3,329.32 Cr | 4,226.67 Cr | — | | Statutory Dues Cleared | 2,699.54 Cr | 0.00 Cr | — | | Asset Write-offs | 37.61 Cr | 380.65 Cr | — |

Capex analytical notes: * **CFO Coverage of Capex:** N/M. CFO is negative; Capex and maintenance are entirely funded by the ₹3,000 Cr QIP infusion. * **Nature of Capex:** Primarily maintenance-focused ("Return to Service" program for 19 engines). * **Key Takeaways: Aircraft acquisition commitments of ₹62,486.93 Cr are 11.7x the current revenue, representing a terminal risk to the balance sheet.**

H. Risks * ***Going Concern***: Negative net worth of ₹1,942.37 Cr; existential threat (High Impact). * ***Aircraft Commitments***: ₹62,486.93 Cr in future costs; 1,100% of revenue (High Impact). * ***Litigation***: Maran/KAL Airways dispute (₹579.09 Cr); significant cash outflow risk (High Impact). * ***Statutory Defaults***: ₹322.53 Cr in unpaid dues post-QIP; risk of regulatory grounding (Medium Impact). * ***Insolvency Petitions***: Section 9 IBC filings by lessors; risk of liquidation (High Impact). * ***Forex Risk***: ₹3,008.70 Cr foreign exchange outgo; margin compression on INR depreciation (Medium Impact).

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	2	→	Revenue -24.8%; 90% LF but losing trunk market share	Niche regional moat offset by collapsing core fleet and operational fragility.
Financial health	1	→	D/E Negative; Net Worth -₹19,423 Cr; Current Ratio 0.21x	Technically insolvent; surviving solely on equity dilution and creditor forbearance.
Earnings quality	1	↓	PAT ₹526 Cr driven by ₹13,177 Cr write-backs	Reported profit is an accounting artifact; core operations are deeply loss-making.
Management & governance	1	↓	₹320 Cr interest-free CMD advance; Auditor resignation	Severe red flags regarding value leakage and internal control environment.
Capital allocation & earnings visibility	1	→	Capex Commitments 11.7x Revenue; QIP used for old taxes	Capital is consumed for survival/legacy debt rather than accretive growth.

Business positives (for this company this year) * **Successful Recapitalization:** Raised ₹3,000 Cr via QIP, providing a temporary liquidity lifeline. * **Debt Restructuring:** Settled ₹7,554.55 Cr EDC liability for ₹1,872.68 Cr, significantly reducing specific debt tranches. * **Regional Moat:** Strong positioning in UDAN routes with exclusive rights and government subsidy support. * **Fleet Recovery:** Initiated "Return to Service" program for 19 grounded engines to restore operational capacity.

Business negatives / concerns (for this company this year) * **Technical Insolvency:** Negative Net Worth of ₹19,423.73 Cr and a working capital gap of ₹39,424.48 Cr. * **Artificial Profitability:** PAT of ₹526.19 Cr is entirely driven by ₹13,177.33 Cr in non-cash liability write-backs. * **Governance Red Flag:** ₹320.00 Cr interest-free advance to CMD during a liquidity crisis. * **Auditor Resignation:** Walker Chandiok & Co LLP resigned citing independence issues, a high-risk signal. * **Massive Commitments:** Aircraft acquisition commitments of ₹62,486.93 Cr are 11.7x current annual revenue. * **Statutory Defaults:** Continued delays in depositing TDS, PF, and GST despite fresh capital infusion.

Overall scorecard summary SpiceJet is currently a distressed debt-restructuring vehicle rather than a functional airline. While the ₹3,000 Cr QIP has averted immediate liquidation, the company remains technically insolvent with a deeply negative net worth and a reliance on accounting write-backs to show a nominal profit. Governance is at a nadir, characterized by an auditor resignation and a massive interest-free advance to the promoter during a period of "Going Concern" uncertainty. The business is on a deteriorating trajectory as core revenue collapses and future capital commitments far outstrip the balance sheet's capacity.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Final line: "Total: 4/10 — Governance Rating: 1"

Part c: investor verdict

Thesis: A technically insolvent airline undergoing massive equity dilution to settle legacy defaults, where governance risks outweigh the "Phoenix" turnaround narrative.

Overall stance: Avoid

Rationale: The core business is operationally loss-making, and the reported profit is a non-cash accounting artifact, coupled with severe governance red flags. Re-evaluate when: Net Worth turns positive through organic cash flow (CFO > PAT) and the CMD advance is fully repaid. BULL CASE: Rapid ungrounding of the fleet leads to a 50%+ revenue surge and a favorable settlement of the Maran dispute (□5,790 Cr). BEAR CASE: NCLT admission following lessor insolvency petitions or a failure to fund the □62,486 Cr aircraft commitments. Key monitorable: Contract Liabilities (Advance Ticket Sales): □2,337 Cr → Watch for recovery to >□4,000 Cr.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Solvency Profile	Negative Net Worth of ₹52,173.37 Cr.	Negative Net Worth of ₹19,423.73 Cr.	The balance sheet "improvement" is a result of massive equity dilution and accounting write-backs rather than operational recovery.
Revenue Trajectory	Transitioning to regional survivor; Cargo down 58%.	Revenue collapsed 24.83% YoY to ₹53,256.91 Cr.	The core business is in a state of rapid contraction as the operational fleet continues to shrink.
Earnings Quality	₹8,166.77 Cr in liability write-backs.	₹13,177.33 Cr in liability write-backs.	Reported profitability has become entirely dependent on the accounting derecognition of debt.
Capital Allocation (RPT)	₹6.46 Cr loan to a subsidiary director.	₹320.00 Cr interest-free advance to the CMD.	Management has significantly escalated value extraction through large interest-free advances despite a terminal liquidity crisis.
Statutory Financing	₹8,075.20 Cr in unpaid statutory dues.	₹3,225.26 Cr in unpaid dues post-QIP.	Fresh capital from investors is being consumed to settle historical tax defaults rather than funding growth or fleet expansion.
Auditor Relationship	Qualified Opinion; Audit trail (edit logs) disabled.	Auditor Resignation (Walker Chandiok) citing independence.	The transition from internal control lapses to a full auditor resignation signals a critical breakdown in the financial oversight environment.
Management Tone	Survival mode; focused on "triage."	Aggressively optimistic; "Phoenix-like" turnaround narrative.	Leadership has adopted a triumphant narrative that is fundamentally decoupled from the deteriorating operational and cash flow reality.

7.2 Persistent patterns

- **Technical Insolvency:** The company remains **consistently unable to meet the "Going Concern" criteria**, with current liabilities perpetually dwarfing current assets.
- **Negative Cash Flow Divergence:** A **sustained inability to convert reported EBITDA or PAT into Cash Flow from Operations (CFO)**, which remains deeply negative or non-existent.
- **Promoter Credit Dependency:** The **airline's survival remains tethered to the promoter's personal assets**, with "almost all" bank facilities secured by personal pledges.
- **Aggressive Accounting Policy:** Recurring reliance on **subjective liability write-backs and non-cash gains** to manufacture "paper profits" and mask massive operational losses.
- **High Operational Demand:** Despite financial decay, the airline maintains **consistently high Passenger Load Factors (85-90%)**, indicating a resilient but underserved customer base.
- **Audit Qualifications:** Persistent **qualified opinions from auditors** regarding litigation outcomes, statutory defaults, and the fundamental uncertainty of the company as a going concern.
- **Maintenance Funding Gap:** A recurring pattern of **funding essential aircraft maintenance through increased liabilities or external equity** rather than internal accruals.