SpiceJet Ltd — FY 2024 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	SpiceJet has transitioned from a national challenger to a constrained regional survivor, characterized by market share erosion and a shrinking fleet.	Negative
2	Revenue declined 20% YoY to ₹7,0,853 Cr, severely impacted by a 58.66% collapse in the Cargo segment.	Negative
3	Reported EBITDA of ₹7,663.74 Cr is a non-cash "paper profit" entirely driven by ₹14,102 Cr in Other Income, primarily from debt settlements and write-backs.	Negative
4	The company is technically insolvent with a negative Net Worth of (₹52,173.37) Cr and accumulated losses reaching ₹78,871.39 Cr.	Negative
5	Financial health is critical as current liabilities exceed current assets by ₹65,892.40 Cr, with ₹12,822.99 Cr in trade payables overdue for more than one year.	Negative
6	Cash Flow from Operations (CFO) is deeply negative at (₹5,958.69) Cr, representing a massive ₹13.6k Cr divergence from reported EBITDA.	Negative
7	Capital allocation is focused on survival and debt settlements rather than growth, evidenced by a negative ROCE of -8.45%.	Negative
8	Earnings quality is exceptionally poor, with Other Income representing 184% of EBITDA and profits dependent on a ₹5,681.87 Cr non-recurring gain from the EDC settlement.	Negative
9	Governance risks are elevated due to a qualified audit opinion, lack of an enabled audit trail, and a questionable ₹6.46 Cr loan to a director during a liquidity crisis.	Negative
10	Statutory defaults have surged 32.42% to ₹8,075.20 Cr, indicating that the company is using unpaid taxes as unauthorized working capital.	Negative
11	Operational resilience is noted in Passenger Load Factors (PLF) of 85-88% and a protected revenue stream of ₹1,250.71 Cr from UDAN subsidies.	Positive
12	The outlook remains distressed, with survival contingent on the ₹4,940.92 Cr promoter infusion and further "financial engineering" via debt-to-equity swaps.	Neutral
13	Investment View: Avoid; key monitorables include the trajectory of statutory dues and the ability to generate positive CFO to address the ₹65,892 Cr liquidity gap.	Negative

1. Business overview (In Bullet Points)

- **Business Segments & Revenue Drivers:** SpiceJet operates primarily in the passenger aviation and cargo (SpiceXpress) segments. Revenue is driven by high **Passenger Load Factors (PLF)**, consistently above 85-88%, though this is largely due to a severely diminished fleet rather than market capture. Ancillary services (SpiceMax, unbundled services) serve as a critical margin cushion.
- **Cost Structure:** The cost structure is currently dysfunctional, with fixed costs (manpower, station overheads) spread over a shrinking number of operational aircraft. A significant portion of operating costs is now "recovery cost" aimed at ungrounding planes rather than routine maintenance.

- **Industry Position:** The company has transitioned from a "Challenger" to a "Niche Survivor." While market share has eroded to mid-single digits, it retains value through historic slots at Tier-1 airports and a dominant position in the regional UDAN connectivity scheme.
- **Expansion & Capacity:** Management is pivoting from "survival" to "recapitalization," targeting a return to a 100-aircraft fleet. However, there is a visible execution gap in ungrounding 20+ aircraft due to liquidity-driven spare parts shortages.
- **Acquisitions & Segment Performance:** The cargo segment (SpiceXpress), once a growth engine, saw a 58.66% revenue collapse in FY24. It now functions more as a collateral tool for settling lessor debts than a standalone profit center.
- **Geographical Presence:** The volume mix has shifted toward regional routes where the company enjoys quasi-monopoly status and subsidies, shielding it from price wars on trunk routes dominated by IndiGo and Air India.

2. Management commentary & outlook

- Management has shifted its primary focus from "flying" to "settling," highlighting a series of settlements with major lessors (Carlyle Aviation, Aircastle, etc.) to prevent immediate liquidation.
- The strategy involves using equity (or the promise of it) as a currency to settle debt, effectively trading "ownership" for "survival," which results in massive equity dilution for existing shareholders.
- Management emphasizes the □3,000 Cr Qualified Institutional Placement (QIP) as a "reset button" intended to fund the ungrounding of the fleet and stabilize operations.
- Fleet re-induction guidance targets the return of 20+ grounded aircraft, though timelines have been consistently pushed back due to supply chain issues and liquidity constraints.
- The company is positioning itself as a "value-for-money" alternative to the emerging duopoly (IndiGo/Air India), aiming to benefit from the overflow of demand that the market leaders cannot satisfy.
- Management remains bullish on Indian aviation tailwinds, including new airport infrastructure and a rising middle class, despite the company's current operational fragility.
- The narrative frames delays in Provident Fund (PF) and TDS payments as "temporary liquidity mismatches" rather than systemic financial distress.
- Long-term vision centers on a "Turnaround Story" built on resilience, staying power, and the successful conversion of settled debt into operational reliability.
- **Management Tone:** The tone is one of "Calculated Optimism Masking Structural Fragility." Management presents as "Financial Engineers" rather than "Airline Operators," focusing on recapitalization and debt-to-equity swaps. While they emphasize resilience, there is a defensive posture regarding governance and statutory defaults. The final verdict on management tone is that of a leadership team attempting a complex "in-flight engine replacement"—trying to recapitalize while the operational core continues to shrink.

3. Financial analysis

3.1 Financial statements

3.2 Financial analysis summary

- **Revenue** from operations declined by 20.15% to □70,853.06 Cr, primarily driven by a 58.66% collapse in Cargo Revenue (□3,249.13 Cr) and a reduction in Passenger Revenue to □64,324.99 Cr, which is recognized on a "flown basis," leaving □4,297.34 Cr in contract liabilities as a high-risk source of interest-free Working Capital.

- Despite the drop in **Revenue**, reported EBITDA improved to ₹7,663.74 Cr, but this is heavily distorted by Other Income of ₹14,102.15 Cr, which includes a non-recurring ₹5,681.87 Cr gain from the EDC debt settlement and ₹8,166.77 Cr in liabilities written back, masking a deep operational deficit.
- **CFO** remains severely negative at (₹5,958.69) Cr, diverging from the positive EBITDA by ₹13,622.43 Cr, signaling that "earnings" are driven by non-cash accounting adjustments rather than actual cash inflows from customers.
- **Working Capital** stress is extreme, with Trade Payables rising to ₹33,824.52 Cr; ageing reveals that ₹12,822.99 Cr of payables are overdue for more than one year, indicating severe liquidity exhaustion and potential vendor disputes.
- The company is utilizing **Statutory Dues** as an unauthorized source of financing, with unpaid taxes and interest jumping 32.42% to ₹8,075.20 Cr, while Cash and Cash Equivalents of ₹2,031.08 Cr are insufficient to cover even 10% of current Trade Payables.
- **Total Debt** and Lease Liabilities (₹42,266.73 Cr) continue to burden the Balance Sheet, with Finance Cost of ₹4,654.85 Cr consuming 60.7% of reported EBITDA, while the company remains heavily reliant on government-backed ECLGS loans, drawing down ₹5,412.96 Cr during the year.
- **Net Worth** is deeply negative at (₹52,173.37) Cr due to Accumulated Losses of ₹78,871.39 Cr, leading to a "Material Uncertainty Related to Going Concern" qualification by the auditor, as Current Liabilities exceed Current Assets by a massive ₹65,892.40 Cr.
- **Asset Quality** is questionable as ₹393.35 Cr of Trade Receivables are older than 3 years, and ₹7,394.83 Cr of cash is restricted as a Deposit with Delhi High Court due to ongoing litigation with erstwhile promoters.
- **Capital Allocation** is constrained, with Capex of ₹452.11 Cr being funded entirely by external financing (CFF of ₹8,898.56 Cr) rather than internal accruals, as the business fails to generate positive FCF.
- **Other Assets** are dominated by restricted items, including the ₹7,394.83 Cr court deposit and ₹3,620.88 Cr in Maintenance Receivables (claims from lessors), which provide no immediate liquidity.
- **Other Expenses** spiked by 51.94% to ₹9,553.58 Cr despite lower operations, suggesting high fixed costs or penalties are being absorbed into this line item.
- The dominant financial theme of the year is **Technical Insolvency Masked by Accounting Gains**, where the company is surviving on non-cash write-backs and government-guaranteed debt while facing a massive liquidity gap.

3.3 Contingent liabilities & commitments

- **Litigation with Erstwhile Promoters:** Ongoing dispute with erstwhile promoters; the Delhi High Court recently set aside a previous judgment, leading to fresh uncertainty.
- **Restricted Cash: ₹7,394.83 Cr** is deposited with the Delhi High Court, representing a significant portion of the company's "assets" that are unavailable for operations.
- **Non-compliance Fines:** Potential impact of fines and penalties for non-compliance with various laws and regulations is "presently unascertainable," leading to an auditor qualification.
- **Provision for Contingencies:** Stagnant at ₹**107.20 Cr**.
- **Capital Commitments:** Maintenance-focused capex remains a necessity for fleet ungrounding, but funding is entirely dependent on future capital raises.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — earnings overstate cash; □13,622 Cr gap as EBITDA is driven by non-cash write-backs.	—	Forensic Alert: Earnings driven by accounting adjustments rather than operational cash inflows.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — poor recovery quality; □393.35 Cr receivables aged >3 years with significant impairment.	—	Note 13: Ageing shows stagnant old balances despite declining total revenue from operations.
3	Revenue timing (deferred revenue)	Revenue ↑ — interest-free funding; □4,297.34 Cr in contract liabilities provides critical but risky liquidity.	—	Note 2A(i): Revenue recognized on "flown basis"; liability represents cash for flights not yet operated.
4	Revenue from related parties %	Neutral — minimal direct revenue impact; focus is on capital infusion and unusual subsidiary loans.	—	Note 18(A): Promoter Ajay Singh infused capital via warrant conversion to support liquidity.
5	Inventory vs revenue growth	Neutral — inventory is not a primary driver for service-based airline operations compared to fuel/leases.	—	Note 2A: Inventory consists primarily of engineering spares and consumables for aircraft maintenance.
6	Inventory valuation method change	Neutral — no material change in valuation policy noted for engineering stores and spares.	—	Note 2A: Standard weighted average cost method applied consistently.
7	Exceptional items in operating profit	Profit ↑ — non-recurring gain; □5,681.87 Cr EDC settlement gain masks deep underlying operational losses.	—	Note 20(g): Debt of □7,554.55 Cr settled for □1,872.68 Cr; non-cash gain inflates the bottom line.
8	Depreciation rate vs useful life policy	Profit ↑ — potential under-depreciation; management assumes no impairment despite massive losses.	—	KAM: Auditor challenged "Value-in-Use" assumptions regarding fuel prices and growth rates for impairment.
9	Provision reversals boosting PAT	Profit ↑ — non-cash profit boost; □8,166.77 Cr of liabilities written back significantly reduces reported loss.	—	Other Income Breakdown: Write-backs are nearly double the reported EBITDA.
10	Tax rate consistency	Neutral — tax impact is secondary to massive pre-tax losses and unrecognised tax credits.	—	Note 29: Company is using unpaid GST/ TDS as unauthorized working capital to fund operations.
11	CWIP age and stalling projects	Neutral — focus is on grounded aircraft and ROU assets rather than traditional CWIP.	—	Other Assets: Restricted cash in court deposits (□7,394 Cr) is a larger concern than CWIP.
12	Deferred tax asset recognition	Profit ↑ — potential overstatement; recognition depends on "future taxable profits" which appear highly uncertain.	—	Note 2A(a)(iii): Going concern relies on future fund infusions despite insolvency.
13	RPT quantum and trend	Profit ↓ — value leakage risk; □6.46 Cr loan to subsidiary director despite severe cash crunch.	—	Note 7: Unusual transaction given the "Material Uncertainty Related to Going Concern" status.
14	Dividend paid vs FCF adequacy	Neutral — no dividends possible; FCF is deeply negative and net worth is completely eroded.	—	Forensic Alert: Company is technically insolvent and reliant on government schemes (ECLGS) to survive.
15	Audit Trail Compliance	Neutral — Data integrity risk; edit logs not enabled at database level for accounting software.	—	P.154: Significant governance and data integrity risk noted by auditors.
16			—	

#	Check	Impact	Status	Notes detail
	Maintenance Provision Subjectivity	Profit ↑ — Potential under-provisioning; inherent complexity in estimating future maintenance costs.		KAM: Auditor highlighted subjectivity in aircraft utilization and engine condition estimates.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit Opinion:** ***Qualified Opinion***. The auditor noted non-compliance with various laws and regulations where the potential impact of fines/penalties is "presently unascertainable." * **Material Uncertainty Related to Going Concern:** The company has a negative net worth of ₹**52,173.37 Cr** and current liabilities exceed current assets by ₹65,892.40 Cr. * **KAM - Passenger Revenue Recognition:** Risk in IT system complexity and manual journal entries. Potential overstatement of revenue through incorrect "flown" status or breakage estimates. * **KAM - Maintenance Provision for Leased Aircraft:** "Inherent level of complexity and subjectivity" in estimating future costs. Under-provisioning could artificially inflate margins. * **KAM - Impairment of Non-financial Assets:** Management assumed no impairment for ROU assets/PPE despite heavy losses. Auditor challenged "Value-in-Use" assumptions regarding fuel prices and growth rates. * **Audit Trail Non-compliance:** The audit trail (edit log) feature was not enabled at the database level, and third-party service providers could not confirm integrity.

B. Related Party Transactions

Party	Relationship	Nature	Amount (₹ Cr)	Concern
Ajay Singh	Promoter/ CMD	**Preferential Allotment**	4,940.92 Cr	**Positive: Direct capital support**
Director of Subsidiary	KMP	***Loan Provided by Subsidiary***	6.46 Cr	***High: Value leakage risk during insolvency***
Ajay Singh	Promoter/ CMD	***Pledge of Shares***	Disclosed	***High: Personal assets pledged for bank facilities***

- **RPT Risk:** 6.98% of Revenue. While the promoter is infusing capital, the subsidiary's decision to provide a ₹**6.46 Cr** loan to a director during a "Going Concern" crisis is a significant red flag.

C. Shareholding * **Promoter Group:** 34.13% (Post-Issue Tranche II), down from 56.49% due to dilution from allotments to lessors and investors. * **Pledged Shares:** Ajay Singh has pledged personal equity shares to secure "almost all bank facilities."

D. Board Composition + KMP Compensation * **Board:** 5 Directors; 60% Independent; 20% Women (Mrs. Shiwani Singh). * **Family Relations:** Mrs. Shiwani Singh (Director) is the spouse of Mr. Ajay Singh (CMD). * **KMP Compensation:** Ajay Singh (CMD) prior remuneration was ₹**6.00 Cr**. Current year specific remuneration is not clearly isolated in provided snippets, showing decreased transparency.

F. Capital Allocation & Capex

Action	FY current (□Cr)	FY prior (□Cr)	% of CFO	Signal
Dividends	0.00 Cr	0.00 Cr	0.00%	—
Equity Issuance	4,940.92 Cr	0.00 Cr	N/M	—
Net Debt Change	-19,112.48 Cr	Not disclosed	N/M	—
Interest Payments	4,654.85 Cr	5,077.60 Cr	N/M	—
Lease Liabilities	42,266.73 Cr	61,632.64 Cr	N/M	—
Statutory Dues Increase	1,976.97 Cr	294.21 Cr	N/M	—

- **CAPEX Analytical Notes:**
  - **CFO Coverage:** N/M. **CFO** is negative □5,958.69 Cr, meaning all maintenance is funded by increasing liabilities.
  - **Nature of Capex:** Primarily maintenance-focused; **Maintenance Receivables of □3,620.88 Cr** indicate struggles to recover costs from lessors.
  - **Deployment Efficiency:** The company is in "survival mode," focusing on settling old lease liabilities rather than fleet expansion.

H. Risks * ***Going Concern***: Negative net worth of □52,173.37 Cr. Impact: Existential threat; reliance on future funding. (Severity: High) * ***Statutory Defaults***: □8,075.20 Cr in unpaid dues. Impact: Penalties, legal action, and potential grounding. (Severity: High) * ***Litigation***: Dispute with erstwhile promoters. Impact: Potential massive cash outflow; □7,394.83 Cr restricted cash. (Severity: High) * ***Audit Trail***: Edit logs not enabled. Impact: Data integrity risk; potential for undetected fraud. (Severity: High) * ***Forex Risk***: □1,020.12 Cr net loss. Impact: Impacts liquidity. (Severity: Medium)

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	2	↓	Market share erosion; Cargo revenue down 58.66%	Transitioned from a national challenger to a constrained regional survivor with a shrinking fleet.
Financial health	1	→	D/E N/M (Negative Net Worth); CFO negative □5,958 Cr	Technically insolvent with current liabilities exceeding current assets by □65,892 Cr.
Earnings quality	1	↓	Other Income 184% of EBITDA; □8,166 Cr write-backs	Reported profits are entirely driven by non-cash accounting gains and debt settlements.
Management & governance	2	↓	Audit trail non-compliance; □6.46 Cr loan to director	Significant transparency issues and value leakage risks despite the promoter's capital infusion.
Capital allocation & earnings visibility	1	↓	Capex funded by debt; ROCE -8.45%	Capital is being used for survival/settlements rather than growth, with no clear path to FCF.

Business positives (for this company this year) * **Capital Infusion:** Successful preferential allotment of **□4,940.92 Cr** from the promoter to shore up equity. * **Debt Settlement:** Realized a non-recurring gain of **□5,681.87 Cr** through a settlement with Export Development Canada (EDC). * **High PLF:** Maintained Passenger

Load Factors above **85-88%**, indicating resilient demand for its remaining flight slots. * **Regional Dominance:** Strong position in the UDAN scheme provides a protected revenue stream via subsidies (₹**1,250.71 Cr**).

Business negatives / concerns (for this company this year) * **Technical Insolvency:** Deeply negative **Net Worth** of (₹52,173.37) Cr and accumulated losses of ₹78,871.39 Cr. * **Cash Flow Divergence: CFO** is negative ₹5,958.69 Cr despite a reported positive EBITDA of ₹7,663.74 Cr. * **Statutory Defaults:** Unpaid taxes and interest jumped 32.42% to ₹**8,075.20 Cr**, used as unauthorized working capital. * **Liquidity Exhaustion: Current Liabilities** exceed Current Assets by ₹65,892.40 Cr; Trade Payables overdue >1 year stand at ₹12,822.99 Cr. * **Governance Red Flag:** A subsidiary provided a ₹**6.46 Cr** loan to a director while the group faced a "Going Concern" crisis. * **Audit Qualification:** Auditor issued a qualified opinion due to non-compliance with laws and lack of an enabled audit trail.

Overall scorecard summary SpiceJet is in a state of technical insolvency, with its survival entirely dependent on continuous capital infusions and the leniency of lessors and regulators. While management has successfully engineered non-cash accounting gains through debt settlements, the core operations remain deeply cash-consumptive with a negative CFO of ₹5,958 Cr. Governance posture is weak, characterized by audit trail non-compliance and questionable subsidiary loans. The business is on a deteriorating trajectory operationally, as it trades equity for survival in an increasingly consolidated market.

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: SpiceJet is a distressed "Financial Engineering" play attempting to recapitalize a technically insolvent airline through massive equity dilution and debt settlements.

Overall stance: Avoid

Rationale: The massive ₹65,892 Cr liquidity gap and reliance on non-cash accounting gains make the risk of permanent capital impairment extremely high. Re-evaluate when: CFO becomes positive AND statutory dues are reduced by at least 50%. BULL CASE: Successful ungrounding of the full fleet and a strategic buyout by a global carrier seeking Tier-1 airport slots. BEAR CASE: Withdrawal of slots by MoCA due to continued operational failure or immediate liquidation by lessors. Key monitorable: Statutory Dues: ₹8,075.20 Cr → Watch for any further increase.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Solvency Depth	Negative Net Worth of ₹5,850.31 Cr.	Negative Net Worth of ₹52,173.37 Cr.	The insolvency gap has widened by nearly 800%, indicating a catastrophic collapse of the balance sheet structure.
Statutory Financing	₹609.82 Cr in unpaid statutory dues.	₹8,075.20 Cr in unpaid statutory dues.	Management has transitioned from minor delays to using unpaid taxes as a massive, unauthorized multi-billion rupee credit line.
Earnings Distortion	₹714.05 Cr in liability write-backs.	₹14,102.15 Cr in Other Income (write-backs/ settlements).	The scale of non-cash accounting gains used to mask operational losses has increased twenty-fold.
Liquidity Sterilization	₹595.60 Cr trapped in court deposits.	₹7,394.83 Cr trapped in court deposits.	A critical portion of the company's theoretical assets is now legally frozen and unavailable for flight operations.
Management Strategy	Focused on "Struggling to Stabilize" via capital raises.	Focused on "Financial Engineering" via debt-to-equity swaps.	Leadership has pivoted from trying to run an airline to managing a complex debt-restructuring vehicle.
Cargo Performance	Growth engine/Strategic de-leveraging tool.	58.66% revenue collapse (₹3,249.13 Cr).	A previously vital cash-generating segment has effectively failed, removing a key pillar of the turnaround thesis.
Governance Integrity	Violation of SEBI Regulation 17(1) (Woman Director).	Audit trail (edit logs) disabled at database level.	Governance risks have evolved from board composition lapses to fundamental concerns regarding the integrity of financial data.

7.2 Persistent patterns

- **Technical Insolvency:** The company remains consistently unable to meet the "Going Concern" criteria, with liabilities perpetually dwarfing assets.
- **Negative Cash Flow Divergence:** A **sustained inability to convert reported EBITDA into Cash Flow from Operations (CFO)**, which remains deeply negative across both periods.
- **Promoter Credit Dependency:** The **entire corporate survival remains tethered to Ajay Singh’s personal assets**, with "almost all" bank facilities secured by promoter pledges.
- **Aggressive Accounting Policy:** Recurring reliance on **subjective liability write-backs and aggressive income recognition** (e.g., Boeing claims, EDC settlements) to manufacture "paper profits."
- **High Operational Demand:** Despite financial decay, the airline maintains a **consistently high Passenger Load Factor (85-88%)**, indicating a resilient but trapped customer base.
- **Audit Qualifications:** Persistent **qualified opinions from auditors** regarding litigation outcomes, statutory defaults, and aggressive accounting estimates.
- **Maintenance Funding Gap:** A recurring pattern of **funding essential aircraft maintenance through increased liabilities** rather than internal accruals.