

May 12, 2025

SNV Aviation Private Limited (d.b.a Akasa Air): [ICRA]BBB- (Stable)/[ICRA]A3; assigned

Summary of rating action

| Instrument* | Current rated amount (Rs. crore) | Rating action |
|--|-------------------------------------|-------------------------------|
| Short term - Non-Fund Based - SBLC | 125.0 | [ICRA]A3; assigned |
| Short term - Non-Fund Based - Bank Guarantee | 125.0 | [ICRA]A3; assigned |
| Long term – Non Fund Based - Bank Guarantee | 98.00 | [ICRA]BBB- (Stable); assigned |
| Short term – Fund Based – Overdraft | 1.00 | [ICRA]A3; assigned |
| Short term – Non-Fund Based - Loan Equivalent risk | 0.50 | [ICRA]A3; assigned |
| Short term - Non-Fund Based - Interchangeable limits | (40.00) | [ICRA]A3; assigned |
| Short term - Non-Fund Based - Interchangeable limits | (98.00) | [ICRA]A3; assigned |
| Short term – Interchangeable - Overdraft | (1.00) | [ICRA]A3; assigned |
| Short term - Unallocated Limits | 50.50 | [ICRA]A3; assigned |
| Total | 400.0 | |

*Instrument details are provided in Annexure I

Rationale

The ratings assigned to the bank lines of SNV Aviation Private Limited (Akasa Air) factors in the extensive experience of its key management personnel in the Indian aviation industry, its comfortable liquidity position, and the healthy demand outlook for air travel. Despite significant ongoing cash losses due to the nascent stage of operations (Akasa Air commenced operations in August 2022), Akasa Air's liquidity position has been supported by its sizeable free cash and bank balance, largely aided by regular cash flow from the gain on aircraft sale and leaseback (SLB) transactions. The ratings favourably factor in the expected improvement in the company's liquidity position owing to the recently announced fund raising from investors, including Premji Invest, the global investment arm of Azim Premji, along with the funds managed by 360 ONE Asset and Claypond Capital, the investment office of Ranjan Pai, Additionally, the Jhunjhunwala family has committed to providing further fund Infusion.

ICRA notes the healthy growth in revenues of the company with regular addition of aircraft, leading to 27 aircraft in operations as on March 31, 2025. The latter has facilitated strong passenger traffic growth (17% in 11M FY2025 on a YoY basis) amidst healthy passenger load factors (PLFs) of 87-88% in FY2024 and 11M FY2025. Akasa, a domestic low-cost carrier (LCC), had a low market share of ~5% in the domestic aviation industry in 9M FY2025. However, it remains well placed to benefit from the growing air travel demand and is expected to continue to record healthy passenger growth and PLFs, aided by increasing penetration of domestic air travel in India, its fleet and route expansion and its increased focus on international operations.

The ratings, however, are constrained by Akasa Air's weak financial leverage and coverage indicators as reflected in continued cash losses given the long gestation period of the Indian aviation industry. ICRA, however, takes comfort from the fleet expansion plans of the company with a moderate orderbook of 199 aircraft as on March 31, 2025 (to be delivered in a phased manner by FY2032), which will not only provide SLB gains but enable it to gradually improve its scale of operations and market share in the long run. Timely delivery of aircraft is critical for maintaining its comfortable liquidity position. Akasa Air's management is also undertaking several initiatives to improve its revenue per available seat kilometre (RASK) and reduce its cost per available seat kilometer (CASK), which improve its financial performance going forward. This remains a key rating monitorable. Akasa Air is also exposed to the stiff competition in the domestic aviation industry, which is expected to intensify

in the near-to-medium term, with a sizeable fleet addition by incumbent players, though, ICRA notes that part of the aircraft addition will be towards replacement of existing aircraft. Further, the ratings consider the exposure of the industry players to fluctuations in aviation turbine fuel (ATF) prices as well as foreign exchange (forex) rate fluctuations, as the aircraft lease payments, fuel expenses, and a significant share of aircraft and engine maintenance expenses are denominated in dollar terms. The impact of unfavourable movement in fuel prices and depreciation of the INR against the USD on the company's credit metrics will remain monitorable.

The Stable outlook on Akasa Air's long-term rating reflects ICRA's opinion that a healthy growth in passenger traffic along with sustenance of pricing discipline, relatively stable ATF prices and timely delivery of aircraft will help the airline gradually improve its credit metrics.

Key rating drivers and their description

Credit strengths

Extensive experience of its key management personnel in the Indian aviation industry – Akasa Air leverages the extensive expertise of its key management personnel, including Mr. Vinay Dube, Mr. Ankur Goel and Mr. Aditya Ghosh. These individuals have nearly three decades of experience in the aviation industry, having held significant leadership roles in various other airlines. Their deep understanding of the sector and proven track record in managing airline operations provide Akasa Air with a strong foundation.

Comfortable liquidity position, to be further bolstered by the recently announced fund raising plan – Akasa Air is set to receive a fresh capital infusion from Premji Invest, the global investment arm of Azim Premji, along with the funds managed by 360 ONE Asset and Claypond Capital, the investment office of Ranjan Pai. Additionally, the Jhunjhunwala family has committed to providing further fund infusion. Approval from the Competition Commission of India (CCI) was obtained in April 2025 and other regulatory approvals are under process. This capital infusion will bolster the liquidity position of Akasa Air and support its expansion plans going forward. Additionally, it will also serve as a financial buffer against market volatilities.

Efficient fleet utilisation levels – Despite commencing operations only three years ago, the company has successfully maintained healthy PLF levels of 87-88% in FY2024 and 11M FY2025. The company has steadily expanded its capacity, currently operating 27 aircraft, with an order book of 199 additional aircraft as of March 2025. These deliveries are scheduled to take place till 2032. This gradual addition of fleet size is expected to support the maintenance of a healthy passenger load factor (PLF), driven by robust demand and the increasing penetration of domestic air travel in India. Additionally, the anticipated rise in the number of aircraft and routes, along with the expansion of international operations, will be crucial factors to monitor.

Credit challenges

Weak leverage and coverage indicators – Akasa Air has weak financial leverage and coverage indicators, given its nascent stages of operations with the company reporting operating and cash losses over the last three years given the long gestation period, as inherent to the nature of the aviation industry. These cash losses have primarily been funded through gain on aircraft sale and leaseback at the time of delivery of aircraft, which has also supported its liquidity position. Thus, Akasa Air is highly reliant on timely deliveries of aircraft from Boeing to sustain its liquidity position, and this is a key rating monitorable. The company is expected to continue to report cash losses over the next two to three years, albeit gradually reducing, due to improvements in RASK and reductions in CASK.

Exposed to volatility in crude oil prices and fluctuations in exchange rates – In line with the industry, Akasa Air's profitability is highly vulnerable to volatility in fuel prices and forex rates. Fuel costs account for 35-40% of its expenses, which is denominated in USD. However, the ATF prices have declined by 8% in FY2025 and 14% in FY2024 on a YoY basis, providing some comfort on the cost structure for the airline. ICRA notes that the company's inflows in foreign currency (through international flights, sale and lease credits etc.) mitigate its forex risk to an extent. A further pick-up in international operations will help partially compensate the adverse fluctuations in ATF prices. The airline also has other operating expenses such as lease liabilities, aircraft and engine maintenance expenses in dollar terms.

Intense competition in industry; price-sensitive nature of domestic aviation market may restrict pricing power – As a mid-sized player in the low-cost carrier (LCC) segment, Akasa Air faces limitations in commanding a pricing premium due to the price-sensitive nature of the market and intense competition among LCCs. However, gradual addition of new aircraft and the subsequent expansion into international routes are expected to increase the airline's yield. Scaling up of operations while maintaining healthy yield levels, coupled with effective cost management, will be crucial for achieving sustainable profitability.

Liquidity position: Adequate

While Akasa's operations are yet to turn profitable, its existing cash balances, inflows from the SLB transactions, and the proposed fund infusion from investors are estimated to be adequate to fund its business losses and the repayment obligations (against lease payments) over the near term.

Rating sensitivities

Positive factors – A demonstrated track record of sustainable increase in the company's scale of operations, profitability indicators along with a strong liquidity profile could lead to an improvement in ratings.

Negative factors – Pressure on the ratings could emanate from a sustained moderation in its operating performance or a significant decline in its liquidity buffers. Delay in fund infusion or delay in deliveries of aircraft and hence lower sale and leaseback gains resulting in weakening of liquidity position could also exert pressure on the ratings.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Corporate Credit Rating Methodology |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | For arriving at the ratings, ICRA has considered the consolidated financials of SNV Aviation Private Limited. As on March 31, 2024, the company has one wholly-owned subsidiary, which is enlisted in Annexure II. |

About the company

SNV Aviation Private Limited, operating as Akasa Air, is a private airline company incorporated on November 24, 2020. It follows a low-cost carrier business model, serving both domestic and international markets. The airline began its commercial operations on August 7, 2022. As of March 2025, Akasa Air expanded its fleet to 27 leased aircraft. The airline currently serves 27 destinations, including 5 international and 22 domestic routes, totalling 49 routes. The Jhunjhunwala and Dube families are the major shareholders, collectively holding approximately 75% of the company.

Key financial indicators (Audited, Consolidated)

| | FY2023 | FY2024 |
|--|---------|----------|
| Operating income | 698.7 | 3,069.6 |
| PAT | -744.5 | -1,670.1 |
| OPBDIT/OI | -71.8% | -29.9% |
| PAT/OI | -106.6% | -54.4% |
| Total outside liabilities/Tangible net worth (times) | -14.2 | -3.5 |
| Total debt/OPBDIT (times) | -9.7 | -6.6 |
| Interest coverage (times) | -3.5 | -2.3 |

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Current rating (FY2026) | | | Chronology of rating history for the past 3 years | | | | | |
|------------------------|-------------------------|--------------------------|--------------------|---|--------|--------|--------|--------|--------|
| | Type | Amount rated (Rs. crore) | May 12, 2025 | FY2025 | | FY2024 | | FY2023 | |
| | | | | Date | Rating | Date | Rating | Date | Rating |
| SBLC | Short-term | 125.0 | [ICRA]A3 | - | - | - | - | - | - |
| Bank Guarantee | Short-term | 125.0 | [ICRA]A3 | - | - | - | - | - | - |
| Bank Guarantee | Long term | 98.00 | [ICRA]BBB-(Stable) | | | | | | |
| Overdraft | Short-term | 1.00 | [ICRA]A3 | - | - | - | - | - | - |
| Loan Equivalent risk | Short term | 0.50 | [ICRA]A3 | - | - | - | - | - | - |
| Interchangeable limits | Short-term | (40.00) | [ICRA]A3 | - | - | - | - | - | - |
| Interchangeable limits | Short-term | (98.00) | [ICRA]A3 | - | - | - | - | - | - |
| Interchangeable limits | Short-term | (1.00) | [ICRA]A3 | - | - | - | - | - | - |
| Unallocated Limits | Short-term | 50.50 | [ICRA]A3 | - | - | - | - | - | - |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|--|----------------------|
| Short term - Non-Fund Based - SBLC | Simple |
| Short term - Non-Fund Based - Bank Guarantee | Very Simple |
| Long term – Non Fund Based - Bank Guarantee | Very Simple |
| Short term – Fund Based - Overdraft | Simple |
| Short term – Non-Fund Based - Loan Equivalent risk | Very Simple |
| Short term - Non-Fund Based - Interchangeable limits | Very Simple |
| Short term - Non-Fund Based - Interchangeable limits | Simple |
| Short term - Non-Fund Based - Interchangeable limits | Simple |
| Short-term - Unallocated Limits | Not applicable |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

| ISIN | Instrument name | Date of issuance | Coupon rate | Maturity | Amount rated (Rs. crore) | Current rating and outlook |
|------|------------------------|------------------|-------------|----------|--------------------------|----------------------------|
| NA | SBLC | NA | NA | NA | 125.0 | [ICRA]A3 |
| NA | Bank Guarantee | NA | NA | NA | 125.0 | [ICRA]A3 |
| NA | Bank Guarantee | NA | NA | NA | 98.00 | [ICRA]BBB-(Stable) |
| NA | Overdraft | NA | NA | NA | 1.00 | [ICRA]A3 |
| NA | Loan Equivalent risk | NA | NA | NA | 0.50 | [ICRA]A3 |
| NA | Interchangeable limits | NA | NA | NA | (40.00) | [ICRA]A3 |
| NA | Interchangeable limits | NA | NA | NA | (98.00) | [ICRA]A3 |
| NA | Interchangeable limits | NA | NA | NA | (1.00) | [ICRA]A3 |
| NA | Unallocated Limits | NA | NA | NA | 50.5 | [ICRA]A3 |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis*

| Company Name | Ownership | Consolidation Approach |
|---|-----------|------------------------|
| Wingworld Ground Services Private Limited | 100.00% | Full Consolidation |

Source: Annual report, *As on March 31, 2024

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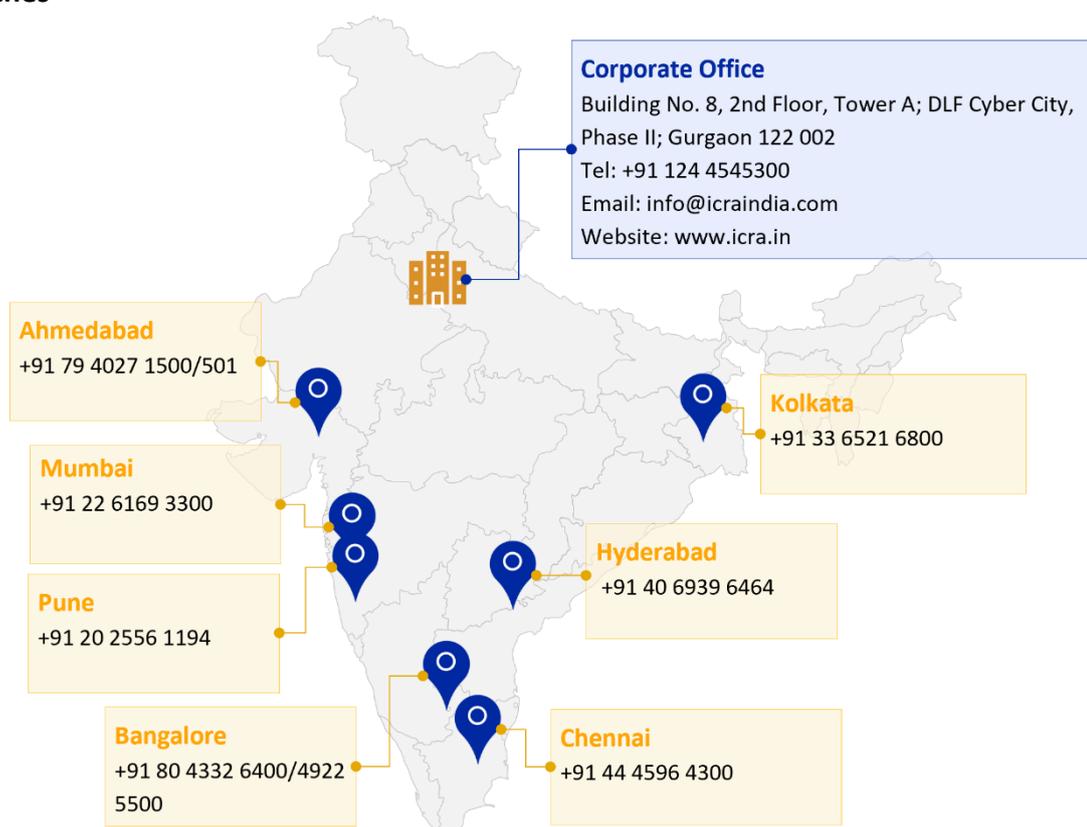
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