

## Jet Airways (India) Limited

October 04, 2018

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture Programme	698.9	698.9	[ICRA]B (Negative); downgraded from [ICRA]BB (Negative)
Long-term Loans	4970.0	4970.0	[ICRA]B (Negative); downgraded from [ICRA]BB (Negative)
Long-term, Fund-based Facilities	645.0	645.0	[ICRA]B (Negative); downgraded from [ICRA]BB (Negative)
Long-term, Non-fund Based Facilities	700.0	700.0	[ICRA]B (Negative); downgraded from [ICRA]BB (Negative)
Short-term, Non-fund Based Facilities	3,950.0	3,950.0	[ICRA]A4; reaffirmed
<b>Total</b>	<b>10,963.9</b>	<b>10,963.9</b>	

\* Instrument Details are provided in Annexure-1

### Rating action

ICRA has downgraded the long-term rating assigned to the Rs. 698.9-crore<sup>1</sup> non-convertible debenture programme, the Rs. 4,970-crore long-term loans, the Rs. 645.0-crore long-term, fund-based facilities and the Rs. 700.0-crore long-term, non-fund based facilities of Jet Airways (India) Limited ('Jet Airways' or 'the company') to [ICRA]B (pronounced ICRA B)<sup>2</sup> from [ICRA]BB (pronounced ICRA double B). ICRA has reaffirmed the short-term rating assigned to the Rs. 3,950.0-crore short-term, non-fund based facilities of Jet Airways at [ICRA]A4 (pronounced ICRA A four). The outlook on the long-term rating is Negative.

### Rationale

The rating downgrade considers the delays in the implementation of the proposed liquidity initiatives by the management, further aggravating its liquidity strain. The company continues to witness deterioration in its operating and financial performance because of the steep increase in jet fuel prices and rupee depreciation and its inability to pass on the same to the customers. The domestic airline industry continues to face headwinds of rising fuel costs and weak pricing power due to excess competition. This is expected to result in a further weakening of the company's performance in the near term.

The company has large debt repayments due over FY2019 (Rs. 3,120.3 crore), FY2020 (Rs. 2,444.5 crore) and FY2021 (Rs. 2,167.9 crore). The company is undertaking various liquidity initiatives, which includes, among others, a stake sale in Jet Privilege Private Limited, and the timely implementation of these initiatives is a key rating sensitivity.

The yields in the domestic aviation industry have moderated because of increased competition due to the addition of new players and capacity enhancements by the existing players. Jet Airways witnessed a YoY decline of 0.3% in its revenue per available seat kilometer (RASK) during FY2018 despite a 2.3% increase in its passenger load factor (PLF) to 83.6%. Furthermore, its cost per available seat kilometre (CASK) increased YoY by 2.5%, primarily due to the increase in jet fuel prices. This resulted in a decline in its operating profit margin (OPM) to 0.8% during FY2018 from 6.9% during FY2017.

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>2</sup>For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

Weakened OPM coupled with a decline in non-operating income resulted in the company reporting a net loss of Rs. 724.9 crore in FY2018. The combined impact of steadily rising fuel prices and Rupee depreciation has resulted in Jet Airways reporting an operating loss of ~Rs. 1,000 crore in Q1 FY2019.

ICRA notes the YoY improvement of 1.8% in Jet Airways' CASK excluding fuel during FY2018 and a further YoY decline of 1.5% in Q1 FY2019 due to continued focus by the management to cut costs in reshaping its business. Furthermore, Jet Airways' strategic alliance with Etihad Airways PJSC has benefitted it across several areas, including network growth, code sharing, operational synergies and cost improvement through maintenance contract renegotiations, co-ordination of flights, leasing of spare aircraft, procurement of fuel and other services, resulting in cost savings. The company has already renegotiated its maintenance contracts with effect from January 01, 2019, with estimated savings of US\$ 100 million annually. During Q1 FY2019, the company has received liquidity in excess of US\$ 300 million through lease incentive and bank borrowings. The company has also planned several initiatives aimed at significant reduction in costs. However, the overall credit profile of the company has deteriorated over the last several quarters, characterised by high debt levels and weakened liquidity. The networth also continues to remain negative. ICRA notes the various cost reduction activities being undertaken by the company and the ongoing initiatives with banks to raise funds. These are critical to improve the credit profile of the company.

The increased competition has eradicated the pricing power available with the airlines despite an upturn in the jet fuel prices. Furthermore, with a considerable portion of the company's expenses, including financial / operating lease payments, fuel expenses and a significant portion of aircraft and engine maintenance expenses, being denominated in US Dollar, the company is exposed to foreign exchange risk. Continued support from Etihad Airways is one of the key factors towards turning Jet Airways around and improving its liquidity profile.

## Outlook: Negative

ICRA believes that the credit profile of Jet Airways will continue to remain stretched in the medium term until the domestic airlines industry is able to pass on the increase in jet fuel prices to the customers through an increase in fares or the company is able to raise adequate funds to ease the liquidity pressures. The outlook may be revised to Stable if the company undergoes significant equity infusion and is able to significantly improve its profit margins on a sustainable basis through a proportionate increase in yields or a significant reduction in its CASK. Any major liquidity initiative undertaken by the company would also be a positive for the ratings. Proposed liquidity initiatives over the near term would be critical to maintaining its credit profile.

## Key rating drivers

### Credit strengths

**Strategic initiatives planned by Jet Airways together with Etihad Airways has helped contain costs** – With the strategic investment by Etihad Airways, there is a YoY improvement of 1.8% in Jet Airways' CASK excluding fuel during FY2018 and 1.5% during Q1 FY2019. Furthermore, the company has already renegotiated its maintenance contracts with effect from January 01, 2019, with estimated savings of US\$ 100 million annually. The company has also planned several initiatives aimed at significant reduction in costs. However, the cash flows would largely depend on the jet fuel prices and the ability of the company and the industry to pass on the increase through increase in fares.

**Of the 120 aircraft operated as on March 31, 2018, 16 are owned, providing opportunities for monetisation** – The company has 16 owned aircraft as on date. A sale and lease back transaction for the same would help reduce the debt burden.

## Credit challenges

**Credit profile of the company continues to remain stretched, characterised by negative networth and high leverage** – Jet Airways continues to have negative networth due to accumulated losses and diminution in the value of its investments in its subsidiary Jet Lite (India) Limited. Furthermore, the liquidity strain has aggravated due to delays by the company in implementation of its liquidity initiatives. As on June 30, 2018, the company had net debt (net of unencumbered cash and bank balance and liquid investments) of Rs. 7,364 crore, a decline from Rs. 8,149 crore as on March 31, 2018, primarily due to the receipt of lease incentives during June 2018. The debt levels are, however, expected to increase in the near term because of the ongoing stress on profitability, unless the company is successful in its liquidity initiatives. Overall, till the company starts reporting profits on a sustained basis, the debt levels are expected to continue to remain high.

**Large repayments due over FY2019 to FY2021** – The company has repayments of Rs. 3,120.3 crore due in FY2019, Rs. 2,444.5 crore in FY2020 and Rs. 2,167.9 crore in FY2021. In the absence of adequate cash accruals, the company requires refinancing its repayments falling due. While the company has been undertaking several liquidity initiatives, timely funds tie-up is a key rating sensitivity.

**Weak market conditions in the Middle East, resulting in pressure on yields and thus profitability** – The weakness in the international markets is primarily attributed to the Gulf as the economic slowdown has resulted in significant weakening of demand and thus excess capacity, both in passenger and cargo. This has resulted in a decline in fares in the Gulf. The depressed demand in the Gulf has impacted its profitability, although other markets such as Europe continue to be strong.

**The Indian airline industry continues to be faced with competitive pressures on industry-wide pricing power despite increasing jet fuel prices** – The entry of new airlines in the past two-three years and expansion of capacity by the existing ones have resulted in intensely competitive market and the same has prompted all the airlines to resort to variety of fare promotions to improve their PLFs.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodology as indicated below.

### Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

### About the company:

Incorporated in 1992 as a private limited company, Jet Airways commenced operations as an Air Taxi Operator in May 1993, with a fleet of four leased Boeing 737 aircraft. The company was granted scheduled airline status in January 1995. Jet Airways was founded by Mr. Naresh Goyal and is presently 51% owned by him, with a 24% stake held by Etihad Airways post infusion of Rs. 2,057.6 crore in November 2013. As on March 31, 2018, Jet Airways (consolidated) has a fleet of 120 aircraft.

For the three-month period that ended on June 30, 2018, Jet Airways (consolidated) reported a net loss of Rs. 1,326 crore on an operating income (OI) of Rs. 6,257 crore. For the 12-month period that ended on March 31, 2018, Jet Airways (consolidated) reported a net loss of Rs. 724.9 crore on an operating income (OI) of Rs. 24,455.2 crore, as against a profit after tax (PAT) of Rs. 1,445.3 crore on an OI of Rs. 22,366.6 crore for the 12-month period that ended on March 31, 2017.

### Key financial indicators (audited, consolidated)

	FY2017	FY2018
Operating Income (Rs. crore)	22,366.6	24,455.2
PAT (Rs. crore)	1,445.3	-724.9
OPBDIT/ OI (%)	6.9%	0.8%
RoCE (%)	74.7%	12.1%
Total Debt/ TNW (times)	-1.4	-1.2
Total Debt/ OPBDIT (times)	5.9	41.5
Interest Coverage (times)	1.8	0.2

Source: Jet Airways (India) Limited

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for last three years:

				Chronology of Rating History for the past 3 years							
				Rating (FY2019)							
				Date & Rating				Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016	
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)*	October 2018	September 2018	June 2018	May 2018	September 2017	March 2017	February 2016	May 2015
1	Non-Convertible Debenture Programme	698.9	698.9	[ICRA]B (Negative)	[ICRA]BB (Negative)	[ICRA]BB+ (Negative)	[ICRA]BB+ (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BB (Stable)
2	Term Loans	4970.0	3336.9	[ICRA]B (Negative)	[ICRA]BB (Negative)	[ICRA]BB+ (Negative)	[ICRA]BB+ (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BB (Stable)
3	Fund-based Facilities	645.0	-	[ICRA]B (Negative)	[ICRA]BB (Negative)	[ICRA]BB+ (Negative)	[ICRA]BB+ (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BB (Stable)
4	Non-fund Based Facilities	700.0	-	[ICRA]B (Negative)	[ICRA]BB (Negative)	[ICRA]BB+ (Negative)	[ICRA]BB+ (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BB (Stable)
5	Non-fund Based Facilities	3,950.0	-	[ICRA]A4	[ICRA]A4	[ICRA]A4+	[ICRA]A4+	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A4
8	Non-Convertible Debenture Programme	-	-	-	-	-	-	-	Withdrawn	[ICRA]BBB- (Stable)	[ICRA]BB (Stable)
9	Fund-based Facilities	-	-	-	-	-	-	-	Withdrawn	[ICRA]A3	[ICRA]A4
10	Fund-based / Non-fund Based Facilities	-	-	-	-	-	-	-	-	[ICRA]BBB- (Stable) / [ICRA]A3	[ICRA]BB (Stable) / [ICRA]A4

\*As on June 30, 2018

### Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE802G08013	Non-convertible Debtenture Programme	30-Sep-2015	20.64%	28-Sep-2020	698.9	[ICRA]B (Negative)
-	Term Loan 1	13-Apr-2014	7.26%	13-Feb-2019	200.0	[ICRA]B (Negative)
-	Term Loan 2	31-Dec-2015	6.19%	31-Dec-2018	100.0	[ICRA]B (Negative)
-	Term Loan 3	14-Sep-2016	12.30%	30-Nov-2021	1,090.0	[ICRA]B (Negative)
-	Term Loan 4	31-Dec-2016	11.75%	28-Feb-2022	300.0	[ICRA]B (Negative)
-	Term Loan 5	31-Dec-2016	12.50%	28-Feb-2022	100.0	[ICRA]B (Negative)
-	Term Loan 6	30-Sep-2016	6.56%	30-Sep-2021	750.0	[ICRA]B (Negative)
-	Term Loan 7	31-Dec-2016	2.50%	28-Feb-2022	280.0	[ICRA]B (Negative)
-	Term Loan 8	21-Dec-2017	6M Libor + 3.55%	31-Dec-2022	350.0	[ICRA]B (Negative)
-	Term Loan 9	11-Aug-2017	HDFC CPLR – 6%	31-Aug-2022	400.0	[ICRA]B (Negative)
-	Term Loan 10	16-Feb-2018	1 year MCLR + 3.50%	30-Sep-2023	200.0	[ICRA]B (Negative)
-	Term Loan 11	15-Dec-2017	1 year MCLR + 2.40%	30-Sep-2023	200.0	[ICRA]B (Negative)
-	Term Loan 12	06-Dec-2017	1 year MCLR + 2.90%	30-Sep-2023	100.0	[ICRA]B (Negative)
-	Term Loan 13	18-Jan-2018	1 year MCLR + 1.20%	30-Sep-2023	300.0	[ICRA]B (Negative)
-	Term Loan 14	Not yet tied-up			600.0	[ICRA]B (Negative)
-	Cash Credit 1	-	-	-	289.0	[ICRA]B (Negative)
-	Cash Credit 2	-	-	-	100.0	[ICRA]B (Negative)
-	Cash Credit 3	-	-	-	111.0	[ICRA]B (Negative)
-	Cash Credit 4	-	-	-	126.0	[ICRA]B (Negative)
-	Cash Credit 5	-	-	-	19.0	[ICRA]B (Negative)
-	Non-fund Based Facility 1	-	-	-	300.0	[ICRA]B (Negative)
-	Non-fund Based Facility 2	-	-	-	300.0	[ICRA]B (Negative)
-	Non-fund Based Facility 3	-	-	-	100.0	[ICRA]B (Negative)
-	Non-fund Based Facility 1	-	-	-	665.0	[ICRA]A4
-	Non-fund Based Facility 2	-	-	-	660.0	[ICRA]A4
-	Non-fund Based Facility 3	-	-	-	150.0	[ICRA]A4
-	Non-fund Based Facility 4	-	-	-	100.0	[ICRA]A4
-	Non-fund Based Facility 5	-	-	-	35.0	[ICRA]A4
-	Non-fund Based Facility 6	-	-	-	20.0	[ICRA]A4
-	Non-fund Based Facility 7	-	-	-	350.0	[ICRA]A4
-	Non-fund Based Facility 8	-	-	-	200.0	[ICRA]A4

-	Non-fund Based Facility 9	-	-	-	20.0	[ICRA]A4
-	Non-fund Based Facility 10	-			100.0	[ICRA]A4
-	Non-fund Based Facility 11	-			400.0	[ICRA]A4
-	Non-fund Based Facility 12	-			300.0	[ICRA]A4
-	Non-fund Based Facility 13	-			250.0	[ICRA]A4
-	Non-fund Based Facility 14	-			200.0	[ICRA]A4
-	Non-fund Based Facility 15	-			300.0	[ICRA]A4
-	Non-fund Based Facility 16	-			200.0	[ICRA]A4

Source: Jet Airways (India) Limited

## ANALYST CONTACTS

**Subrata Ray**

+91 22 6114 3408

[subrata@icraindia.com](mailto:subrata@icraindia.com)

**Kinjal Shah**

+91 22 6114 3442

[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries:

+91- 124- 2866928(open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)



## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87  
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,  
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,  
Bangalore + (91 80) 2559 7401/4049  
Ahmedabad+ (91 79) 2658 4924/5049/2008  
Hyderabad + (91 40) 2373 5061/7251  
Pune + (91 20) 6606 9999

© Copyright, 2018 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.