

Hope on Horizon Govt grants 10-day respite to SpiceJet on AAI's payments even as Tata Group's Vistara readies for launch with Delhi-Mumbai flight

SpiceJet gets a Breather, Vistara its New Wings

In a Tailspin



SpiceJet, strapped for cash, has been struggling since August. It has returned planes to lessors as it can't pay lease rentals, delayed salaries and tax payments and cut 1,861 flights. More than 100 pilots have jumped ship. DGCA even withdrew 186 SpiceJet slots while oil companies put it on cash carry.

About 12:00:

SpiceJet COO Sanjiv Kapoor and SL Narayanan, group CFO Sun TV Network, meet with the DGCA



15:00: SpiceJet officials meet aviation secretary V Somasundaram

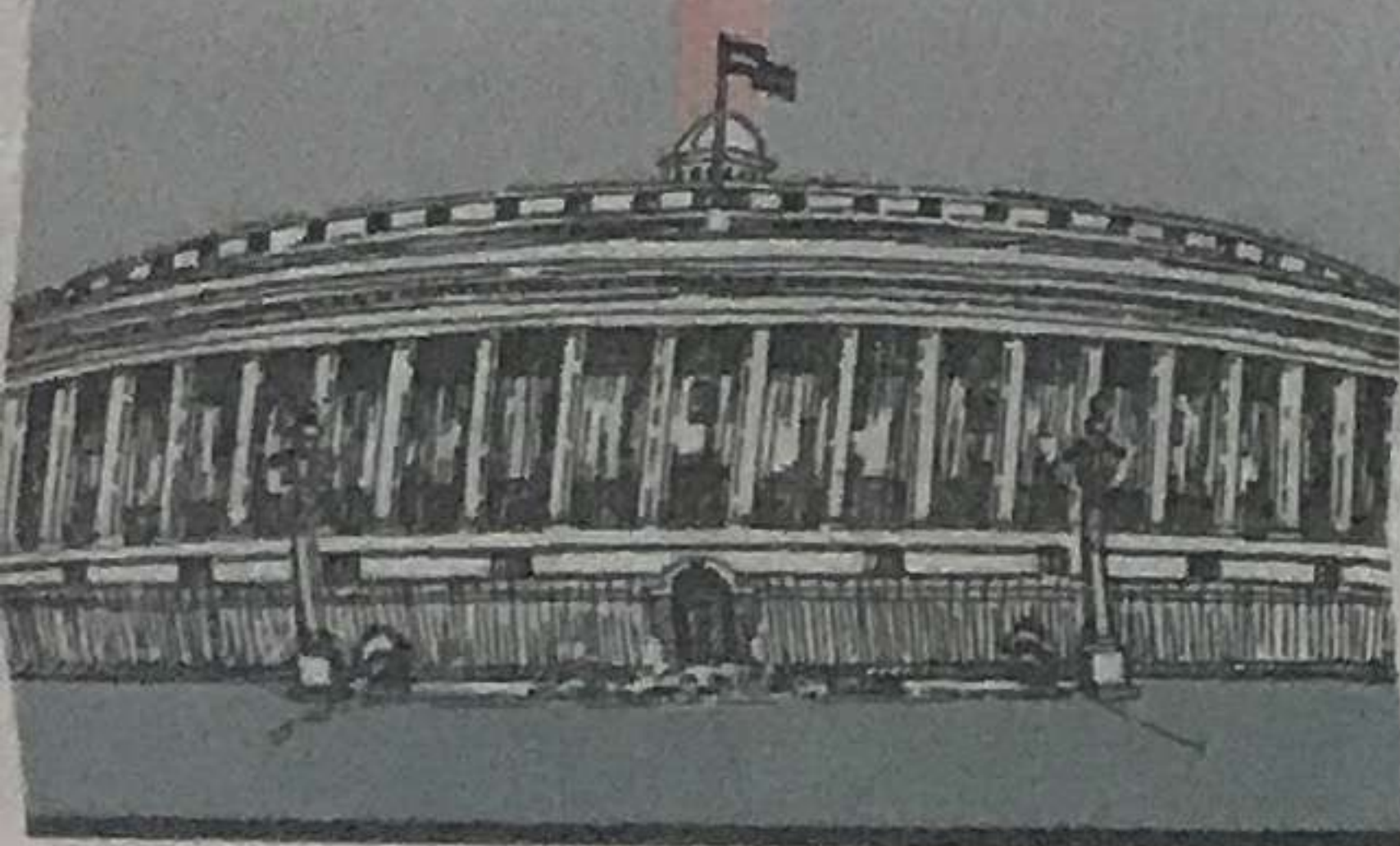


15:45: SpiceJet officials met minister of state Mahesh Sharma

16:30: they return to the secy, who asked them to meet joint secretary in charge of domestic transport G Ashok Kumar

16:45: Mahesh Sharma leaves for Parliament

18:00: Secy and Joint Secy also leave for parliament for the meeting



Mihir Mishra & Anirban Chowdhury

New Delhi | Mumbai: SpiceJet got a temporary reprieve on Monday that could allow it to avoid the fate of grounded Kingfisher Airlines. The same day saw India's newest airline getting its operating permit, which means Vistara can be expected to launch services in a month.

The breather came after promoters guaranteed they would put money into the airline and that it will shortly get more investors, officials at the aviation ministry and Airports Authority of India (AAI) said late on Monday. AAI, which had threatened to stop credit facilities on Monday unless dues were paid, has agreed to extend this by 10 days.



KAPIL KAUL

CEO (S Asia) at Centre for Asia Pacific Aviation

Promoter's inability to fund closes the case. Expect things to deteriorate further and see a massive rush for refund claims

"They have to come back with a strong financial plan" in a few days, another ministry official said. As for credit from fuel suppliers, the airline management has been asked to negotiate separately with them for relief from cash and carry, or having to pay each time before planes are refuelled.

SpiceJet's top executives met the aviation regulator and government representatives earlier in the day, pleading for a respite on payments that need to be made to AAI and oil companies. The Kalanithi Maran-owned carrier has been struggling, having had to slash close to 2,000 flights, returning planes on which it couldn't meet lease payments and being unable to retain employees.

"They have met us in the wider interest of passengers," junior aviation minister Mahesh Sharma had said. "We will apprise higher authorities and take a decision. But no assurance has been given to them yet."

The day also saw Vistara, the airline being jointly set up by the Tata Group and Singapore Airlines, getting its air operators' permit. A senior Directorate General of Civil Aviation (DGCA) official confirmed that the AOP had been issued.

Vistara's launch is expected in a month, with the first flight on Delhi-Mumbai route. The carrier, which has two Airbus A320 planes with another to join the fleet soon, is looking to have five by March. This will follow the launch of services by AirAsia India, also partly owned by Tatas, in June. Vistara said it "will soon make an announcement on the start of sales, routes and schedules."

SpiceJet executives sought "immediate re-

lief" to keep the airline running during their meetings on Monday with regulatory and government officials. COO Sanjiv Kapoor and parent Sun TV Network's CFO SL Narayanan met director general of civil aviation Prabhat Kumar, aviation secretary V Somasundaram and joint secretary, transport, G Asok Kumar, apart from Sharma.

The decision on relief for SpiceJet was taken late on Monday at a meeting attended by officials of the Prime Minister's Office, the aviation ministry and the finance ministry.

SpiceJet fell 7.82% to ₹13.55 on Monday, having declined 2% over the month since it got into financial trouble. By contrast, Jet Airways has gained 38% to ₹373.10 in that period, although the stock fell 7.19% on Monday.

Officials said the ministry's reluctance to be accommodative is because of SpiceJet's dues—its immediate liability is said to be ₹1,400 crore and the total stands at ₹2,000 crore. COO Kapoor has said the airline's debt is less. Vijay Mallya's Kingfisher Airlines, similarly strapped for cash, was forced to stop flights at the end of September 2012, putting hundreds of employees out of work and eventually leading to the promoter being declared a wilful defaulter.

Two SpiceJet executives said it has returned five more Boeing 737 planes and may return another five by next month as it has no cash pay past or current lease rentals. Until the end of last week, the fleet was 37 planes—22 Boeing 737s and 15 Bombardier Q400s, down from 37 Boeing 737s in July.



SENIOR EXEC AT RIVAL AIRLINE

SpiceJet has been yet prudent enough to honour refunds to passengers but that might not remain the case for too long

The airline badly needs more capital, said a senior executive at a rival airline. "Cash infusion is the only way out now. SpiceJet has been yet prudent enough to honour refunds to passengers but that might not remain the case for too long. It will have a major impact on its brand image," this person said.

Neither SpiceJet's Kapoor nor Sun's Narayanan responded to queries.

As of now, the airline's tickets are still being sold. "SpiceJet is still refunding passengers (for cancelled flights). If that stops, we will stop selling its tickets," said the executive director at one of the top travel agents.

The airline has cancelled 1,861 flights since the crisis began. More than 100 pilots and other employees have resigned. Indian Oil Corp. and BPCL have put the carrier on cash and carry, which means it has to pay every time it picks up fuel.