

Message from the Chairman



Dear Shareholders,

In May 2019, SpiceJet turned fourteen years young and I feel extremely happy about the glorious journey we have traversed over the last fourteen years. In May 2005, when we commenced our operations, low-cost airline model was still an emerging concept in India. However, we dared to dream big, challenged ourselves to push beyond our limits, broke every barrier that came our way, innovated at every step and today we are proud to stand as India's favourite airline. Fourteen years of flying high and ready to Spread Our Wings.

The year gone by in many ways has been a launch-pad year for SpiceJet towards its future objectives. We not only successfully navigated several industry-wide disruptions and cost head-winds to make a strong recovery in the performance, but also undertook multiple business strengthening initiatives.

The year started off on a challenging note for the Indian aviation industry. The fuel prices peaked, and rupee depreciated, resulting in significant increase in fuel costs and foreign exchange losses. The crises deepened further with the worldwide grounding of the Boeing 737 MAX fleet and cessation of operations of another full service carrier in India which significantly impacted the capacity in the market. Having said that, the good thing is that the passenger volumes remained strong and the prospects better amidst rising per capita income and increasing shift of passengers to air travel.

Obviously, these external factors impacted our performance, but I am happy with the agility with which our team responded. For us, the rise in fuel costs and rupee depreciation during the year resulted in a cost escalation of ₹ 6,958 million and ₹ 2,854 million respectively. This translated into a loss of ₹ 4,275 million in the most critical quarters. Despite this, we posted a strong recovery in the last two quarters, narrowing down our loss to ₹ 3,161 million for the full FY 2018-19. This recovery was despite the unprecedented challenge of our thirteen Boeing 737 MAX aircraft being grounded to which we responded swiftly by inducting additional aircraft along with rationalising and optimising the existing fleet. This just goes on to exemplify the strength of our operations to scale up and our unrelenting focus towards passenger services.

Our efforts led to income from operations growing by 18% from ₹ 77,557 million in FY 2017-18 to ₹ 91,133 million in FY 2018-19 with a capacity increase of 14%. Alongside, we continued to maintain industry leading operational performance on the back of on-going initiatives to enhance efficiency by upgrading technology, hiring efficient manpower and training them. On the operational front, we have achieved a feat which is unparalleled in global aviation history. SpiceJet has flown for 48 months-in-a-row with highest loads in India firmly establishing our standing as the country's favourite airline.

In another strategic move, we progressed with our aggressive expansion plan across both domestic and international network. As a part of international expansion strategy, we entered into a Memorandum of Understanding with Emirates, one of the world's largest airline to integrate our operations through codeshare and interline arrangements. This move will immensely benefit the passengers of both airlines and will significantly boost operating revenues. It will enable our passengers to enjoy seamless connectivity to Emirates' vast network across Europe, Africa, America and the Middle East.

With our continued focus to expand international reach, in March 2019, SpiceJet became member of the prestigious International Air Transport Association (IATA), making it the first low-cost carrier in India to join the global trade association of the airline industry representing over 290 airlines. IATA membership will further enable us to inculcate global best practices and innovations and provide our passengers with a world-class experience each and every time they fly with us. IATA also provides us a platform to closely work and collaborate with other airline members and expand our network through codeshares and agreements with partner airlines.

We also appointed Amadeus as our first global distribution partner that gives Amadeus' global network of travel sellers access to the airline's range of fares and prices through the Amadeus Travel Platform. This is the first time SpiceJet is working with a distribution partner to reach out to global travellers and will be able to showcase its products on a global scale, access new markets and partners, and grow its customer base.

During FY 2018-19, we have inducted 19 aircraft (including 1 Freighter) to our fleet and 13 new destinations which include 6 UDAN destinations. Today, we are the largest participant in the regional connectivity scheme providing air connectivity to the remotest corners of India. *Flying for Everyone* has always been the grand vision for SpiceJet and providing affordable air connectivity to our fellow citizens is an achievement we are all very proud of.

With this, SpiceJet is now operational in 53 domestic and 9 international destinations. Our capacity (available seat kilometre) has expanded by 14% resulting in 16% growth in passenger revenue to ₹ 85,784 million.

During the year, we also made a breakthrough in our dedicated freighter services business, SpiceXpress, commercialising operations starting with Guwahati-Hong Kong sector. We have now become the first airline in India to offer end-to-end cargo services and the first globally to connect North East India with South East Asia. The entry into this business exemplifies the strength of our operations in extending competencies of passenger business to cargo services. It provides a whole new dimension to our operation in terms of diversification. We are optimistic of this business as the exponentially growing e-commerce industry in India along with rising demand for faster delivery will see the cargo volume grow manifold. We are presently operating 3 dedicated cargo freighter planes and are strongly focussed on growing this business in the coming years.

Safety remains our utmost priority and earlier in the year the airline received IATA Operational Safety Audit (IOSA) certificate, the benchmark for global safety management in airlines. The IOSA certification is an endorsement of our reputation as one of the safest airlines in the world.

The financial year 2020 is going to be an exciting year for us and will be remembered as a key milestone in the history of SpiceJet. In the first few months, the airline has successfully inducted thirty-five aircraft to its fleet. Nowhere in the world has an airline expanded at this pace, increased capacity and added new stations and flights as SpiceJet has done in the last few months. We successfully minimised the impact of Boeing 737 MAX grounding and reduction of industry capacity. This would not have been possible without the relentless efforts of the regulators and meticulous, untiring and unwavering support of each of our employees.

It has been exciting journey to lead SpiceJet from a near shutdown to being one of the finest airlines in India. We have accomplished many unparalleled feats in the years gone by and perhaps this is the beginning of breaking new barriers as we start to Spread Our Wings...

Warm regards,

Ajay Singh

Chairman and Managing Director