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A GOING CONCERN'S GROWING CONCERNS: A CASE STUDY ON SPICE JET-INDIA

Shivakami Rajan[1]*

*Corresponding Author:**Shivakami Rajan** ✉ shivakami.rajan@sjcc.edu.in*

The Indian aviation industry has been under turbulence in recent past. This instrumental case provides an insight into the current goings in a going Concern-SpiceJet and examines causal mapping as a tool to facilitate the requirements analysis process in understanding the casual reasons for the current plight of the company. It examines the various course of action the company has taken to bring a turnaround in the turbulent economic conditions in India and at the same time, be successful in its strategies bringing in results in the volumes of market share gain far better than its closest rivals but this market share gain resulted in the cost escalation which could not be met due to economic inevitabilities in the Industries. The ultimate resultant was that it needs to be "grounded" in reality in terms of operational costs vs. market share gain. Finally, insights gained from the case study are used to assess the validity of a proposition of generic theories help to steer around organization in turbulence rather than grand strategies. It further bring to the point that strategies do not work in isolation but in the context of the environment, generic strategies prevail rather than grand strategies. Comment: This paper illustrates a brief understanding of the history and context of the SpiceJet's in the case study. It leads to a number of interesting understandings of strategies used by the company and its aftermath including the impact of the environment on the company's' strategies. The environment scanning is a predominant player in the creation of strategies, if read wrong, the aftermath can be terrible leading to a turnaround situation, which is currently what SpiceJet is facing today.

Keywords: Aggressive Discounting, Restructure, Recapitalization, Strategies, SpiceJet, Turnaround management

INTRODUCTION

In July 2011, the first signs of trouble surfaced when several Kingfisher flights were grounded after oil company HPCL apparently stopped supplying fuel over non-payment of dues. Kingfisher had to garner sufficient funds for two days before supply was resumed (Ethiraj, 2012). During the third week of December 2014, 3 years later, SpiceJet faced the same music from its fuel suppliers.

The next round of news reports from Kingfishers appeared in November 2011. This

[1] St. Josephs College of Commerce, Ashok Nagar, Bangalore, Karnataka, India.

time, it was evident that the troubles were serious. Kingfisher airline—wisely in retrospect—cancelled 175 of the 418 flights from its winter schedule. The winter schedule comes into operation on October 30 and lasts till March 31 during which flights routes are allocated by the major airlines well in advance. From the allocated 418 flights, Kingfishers cancelling 175 flights did not bring in cheer to its stakeholders (Ethiraj, 2012). Added to this, came news that 130 of its pilots had quit.

In the current context of SpiceJet, from the happenings inside the organization in December 2014, can we expect similar news from Spice jet during February-March 2015? Is Spice jet going the kingfisher's way? It is the prime question that is predominantly on everyone's mind today. What makes this question interesting? What are the similarities and differences in both these airlines?

Competitive Landscape: The transformation of the Indian Aviation sector to a more open, liberal and investment friendly sector during the last decade has given rise to many structural reforms with private players entering the sector. It has also made the sector more lucrative for many low cost carriers. This in turn has paved way for strong economic growth, increased FDI into the sector in the country. What followed was an increased inflow of tourist, coupled with increased cargo movement- the major drivers for the sector's growth (The Star Global Aviation Ltd., 2014).

The air passengers in the country have grown to 160 million in 2013. It was 75 million in 6 years back. This is expected to reach 275 million in 2017 and 450 million in 2020 (The Star Global Aviation Ltd., 2014). This would make India the third largest aviation market in the world. Thereby India is expected to be holding great potential for expansion of air transport including new airlines, airports, ground handling agency, Air Traffic Control, Cargo handlers, Maintenance, Repair, and Operations (MRO) and other allied enterprises.

The low cost carrier sector in Indian Aviation Industry has both old mature and new entrants jointly commanding the market share. Air Asia India, Air Costa (both new entrants/kids on the block) Air India Express, GoAir, IndiGo and SpiceJet-old war horses share the market.

Competitors Analysis: Air Asia India is an Indo-Malaysian low cost carrier. Announced on February 19, 2013, the airline is a joint venture with Air Asia Berhad, Tata Sons and Telestra Tradeplace. This JV makes it a return to the aviation industry for Tata Sons after 60 years of hibernation. It operates with the world's lowest unit cost of ₹1.25 (2.0¢ US)/available seat kilometer. The current fleet of Air Asia is 3 no's belonging to Airbus A320 and has 10nos of the same A320 model in the order pipeline. This operator is a new entrant into this sector. (AirAsia. (n.d.) in Wikipedia, retrieved on December 28, 2014 from http://en.wikipedia.org/wiki/AirAsia)

Air Costa being an Indian regional airline based in Vijayawada, Andhra Pradesh is part of the LEPL Group, a Vijayawada based company. Using two Embraer E-170 aircraft leased out from ECC, it has started operations in India between tier II and tier III cities in India. To strengthen its fleet, in February 2014, Air Costa has ordered 50 E-Jets E2 aircraft from Brazilian manufacturer Embraer and will become the first customer of the E-Jet E2 in the Indian market once the delivery materializes in 2019. This operator is also a new entrant into this sector and is yet to lay its firm hold on the market. Currently Ahmedabad , Bangalore , Chennai, Hyderabad , Jaipur and Vijayawada are its announced operational areas (Air Costa (n.d.), in Wikipedia, retrieved on December 28, 2014 from http://en.wikipedia.org/wiki/AirCosta).

Air India Express is a low-cost airline. It is a subsidiary of Air India's Air India Charters Limited, with its hubs in the Indian state of Kerala in Cochin and Trivandrum International Airports. It operates services to the Middle East and Southeast Asia and has about 100 flights per week. It has about 100 flights per week and operates a fleet of 20 nos of Boeing 737-800 aircraft (the Budget Airline guide, 2014) (Air India Express (n.d.) in Wikipedia, retrieved on December 28, 2014 from http://en.wikipedia.org/wiki/AirIndiaExpress).

Jet Airways have been operating in domestic routes purely on the LCC model which offers "no frills" till September 2014. It is the second largest airline in India, both, in terms of market share and passengers carried, after IndiGo. It operates over 300 flights daily to 74 destinations worldwide. In August 2014, Jet Airways made an announcement that it is discontinuing its low fare arm JetKonnect and JetLite making Jet Airways 3rd full service airline in India besides Air India and Vistara. It is presently operating with a fleet of 117 aircrafts belonging to Airbus A320 family, ATR-72-500 and ATR-72-600 families, along with Boeing 737,777 and 787 aircrafts. From September 2014, it is a Full Service Airline where meals are served on all classes of travel (Jet Airways (n.d.) in Wikipedia, Retrieved on December 28, 2014 from http://en.wikipedia.org/wiki/JetAirways).

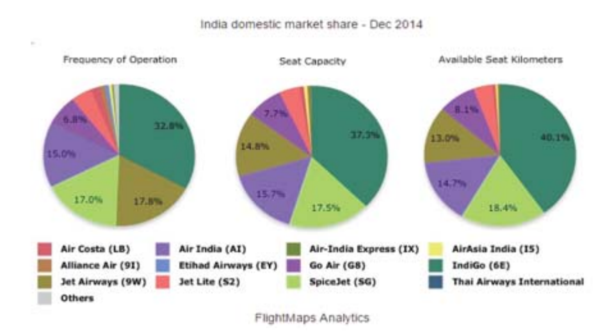
IndiGo airline offers 534 daily flights connecting to 37 destinations including 5 international destinations operating with added features over the basic "no-frills" offer and have focused on business fliers who are willing to pay more. It presently operates a fleet of 84 aircraft belonging to Airbus A320 family. It offers only economy class seating. To keep fares low, IndiGo does not provide complimentary meals in any of its flights, though it does have a buy-on board in-flight meal programme. IndiGo offers premium services, where the passengers, at a higher fare, can avail additional benefits like a pre-assigned seat and meals on board. It also offers a service called IndiGo Corporate Program for corporate travelers. During September 2014 IndiGo launched a Pay Later service under which registered users of IndiGo can go to its website and after selecting the flight can click on the 'Pay Later' button to hold the reservation. The customer will get a reservation number (PNR). The PNR will automatically get cancelled if payment is not made within the six hours. It operates with a market share of 32.6% as of May 2014 (IndiGo (n.d.) in Wikipedia, retrieved on December 28, 2014 from http://en.wikipedia.org/wiki/IndiGo).

The Wadia Group-promoted budget carrier Go Air operating across 22 destinations in India with a fleet of 19 Airbus A320s have been operating on the lines of LCC model and does not provide any complimentary meals in its flights, but it also has a buy-on-board in-flight meal programmes giving passengers a wide choice of paid meals. It further give a premium service at a nominal higher fare, to get comfortable leg room in the first two rows of the aircraft with vacant middle seat plus welcome drink, hot meals and increased baggage allowance. It is the fifth largest airline in India by market share.

Go Air offers a premium service known as "Go Business" for a seamless flying experience in which the passengers, at a nominal higher fare, get comfortable leg room seats in the first two rows of the aircraft with vacant middle seat, as well as welcome drink with free hot meals and an increased baggage allowance going up to 35kg with priority boarding and deplaning amenities, The Mumbai-based airline operates across 22 destinations in the country with a fleet of 19 Airbus A320s.

Market Share Analysis: These LCCs IndiGo, SpiceJet and GoAir— between them service 70% of the domestic market besides some overseas routes which are done by the first two airlines. Air India does not have a well-defined LCC strategy.

Source: "SpiceJet | The Flying Engineer," n.d.



Source: "SpiceJet | The Flying Engineer," n.d.

Company Analysis: SpiceJet is owned by Kalanithi Maran's Sun Group with the promoter holding 53.48% stake in the airline through his personal holding and through Kal Airways Pvt Ltd. It is the India's second largest airline by domestic passenger share. It plies 340 plus daily flights to 49 destinations; including 41 Indian and 8 international cities SpiceJet currently has a fleet of 23 Boeing 737-800/900ER aircraft along with some 15 Bombardier Q400 aircraft. SpiceJet in addition to low fares also offers SpiceMax which is a combo offer provided by the airline that includes priority check-in and extra legroom seat. In addition to this their Spice Add-ons has a host of benefits that includes domestic travel insurance, in-flight meals, excess baggage allowance, bag out first, SpiceMax, student discounts (Spice Jet.(n.d.)in Wikipedia, retrieved on December 28, 2014 from http:// en.wikipedia.org/wiki//SpiceJet).

Their award galore has plenty to tell of its operations and has in its kitty the following awards. India's Best Low Cost Airline by Outlook Traveller (2008, 2010, 2011 and 2012), India's International Low Cost Carrier of the Year-2012 by Travel Agents Association of India. (TAAI), India's Most Outstanding Airline LCC-Domestic Award, by Travel and Hospitality (2012), Best LCC Website at 'World Low Cost Airlines Asia Pacific Conference', Singapore. (2010, 2011 and 2012), India's Top 100 CIO Award for customer satisfaction and business growth category. (2007, 2008, 2009, 2011 and 2012), India's best low-fare airline in a survey conducted by MaRs on behalf of Hindustan Times (December 2009), World Travel Market Award for multi-channel approach in distribution. (2009), National Award (ICWAI) for excellence in Cost Management. (2009). Flight Maps Analytics show that SpiceJet occupies the second largest market share in the Indian domestic market when talking in terms of seat capacity and ASKs.(Chong, 2014).

Macro Impact on Spice Jet: According to aviation advisory firm CAPA, all Indian carriers together posted losses of $1.7 bn in 2013-14. Aviation Turbine Fuel (ATF) or jet fuel price is linked to international crude oil prices. Jet fuel constitutes about 40% of airlines' operating cost (Poovanna, 2014). At the same time, the Passenger traffic grew almost 14% in the quarter ended September 30 as compared to the year-ago quarter. The going was good for the aviation sector in India for the first quarter of 2013 financial years. In the first quarter of the year (April to June), the full-service carriers' tickets were sold on an average, for Rs. 5,200 to Rs. 5,600. The low-cost carriers on the other hand sold their ticket, at around Rs. 4,200 average. The difference was below 30% and was manageable- it wasn't small enough to trigger a shift from low-cost to full-service carriers (Gupta, 2013). The continued weakness of Indian Rupee along with high fuel prices alongside with significant tax burden continued to hurt the entire domestic aviation sector (Jet, Spice Jet drop after weak Q4 earnings, 2013).

In the second quarter, the equilibrium went haywire. A fare war have made existing legacy carriers and Low-Cost Carriers (LCCs) compete for the same passenger from June 2014 which was set off by AirAsia India who opened bookings in the beginning of June 2014 and immediately set off a fare war. They came out with a unbelievable Rs. 5 (excluding taxes) promotional fare for 15,000 seats on the Bangalore-Goa and Bangalore-Chennai sectors ("Fare wars begin: AirAsia India offers tickets for Rs. 5, IndiGo responds with Re 1", 2014).

Immediately the competitor low-cost carrier IndiGo responded with its own promotional offer of Rs. 1 tickets on the same sectors. The full-service carriers dropped fares dramatically to Rs. 4,000 to Rs. 4,500, forcing the low-cost carriers to cut prices to between Rs. 3,600 and Rs. 4,000 bringing a very narrow gap between the two to just over 10%. Sometimes, the fares were the same for both FCC and LCCs—there was no difference between full-service and low-cost fares. The idea was to gain traffic and increase the top line; with constant costs, that would have helped the bottom-line as well. But that strategy did not work .The low-cost carriers had no choice but to match or undercut the new fares to stay above the red line. In this process of fares changes, both FCCs and LCC lost and bled. The timing of the price was inappropriate. It was unleashed during the high cost of operations period. The cost of operations was going up for everyone because of the rupee depreciation (payments for jet fuel as well as lease payments, which sometimes constitute over 60% to 70% of total operational costs are made in dollars) and spike in jet fuel prices (Gupta, 2014).

Gupta (2014) reported that the Centre for Asia-Pacific Aviation, or CAPA, which analyzes the aviation market in the region, said that Indian carriers- both FCC and LCCs lost over $500 mn in the September-ended quarter. So in a month's time, i.e., the end of September, all of them increased their fares by 15 to 25%.

Load factors, one of the strongest indicators of revenue, have been consistently up in the SpiceJet from the last few months. In Q2 FY2014-15 – comprising the months July, August and September, the airline recorded the airline industry's highest ever domestic load factor in recent history, of 85.9%. They are at 20% growth rate in loading but unable to balance this with cost. The revenues are overshadowed by high costs in the SpiceJet. The high cost structure at SpiceJet – higher than the other two prominent LCCs – IndiGo and Go Air, is due to funding issues. It is finding it difficult to sustain purely on cash flows from advance sales, badly needs a fund infusion (SpiceJet – Impressive Performance amidst Serious Challenges, 2014)

Financial Performance Analysis: In the case of SpiceJet Ltd., once India's most popular budget airline,the crisis has arrived less than four years after Chennai-based media baron Kalanithi Maran bought a 37.7% stake in the airline in 2010 to become its biggest shareholder (Shukla, 2014). The company has been under loss from FY 2009 when it posted a accumulated loss of Rs.1335.07 mn, FY2010 3525.67 million, FyY2010 saw it a positive 614.49 but Fy 2011 1,011.55, Fy 2012- (6,057.68) Fy 20130 (10,032.44), up five times from Rs. 191 cr in the previous fiscal. SpiceJet posted a net loss of Rs. 310 cr for Sept. quarter but also witnessed a 15% growth in total revenue in comparison to same quarter last year. In comparison, the airline had posted a net loss of Rs. 559 cr in the corresponding quarter of the last financial year. The previous year also saw a net loss of Rs. 10 bn, a more than five-fold increase from 2012 (Chong, 2014). Towards end of November the airlines had the Airports Authority of India (AAI) withdrawing credit terms because of an accumulation of Rs. 2 bn debts. The company has denied this.

Employee's Morale and Attrition: The airline had 400 plus pilots on its roles before the troubles started brewing. The DGCA reported that the number December had reduced significantly with some 132 commanders and pilots resigning. It is expected this number of resignations to go up to 200, since the carrier has trimmed its Boeing fleet from 37 aircraft to 17. Most of the pilots of SpiceJet have been flying Boeing aircraft, while most carriers that are expanding, except Jet, operate Airbus planes. Continued delayed salary payments to staff saw that it cut nearly 50 daily flights from over 345 during the end of November. This resulted in a trimmed fleet from 31 no's to 24 aircraft-A result of going lean (Gupta, 2014).

Operations performance Analysis: India has about six million seats per month (two lakh seats per day on offer), according to leading travel portals. Because of this, all Airlines are equipping themselves to meet the demands of passengers booking and re-booking during this season, but carriers like SpiceJet, Air India and Jet Airways have decreased their services this winter, which has also led to an increase in fares (Poovanna, 2014).

Recent reports suggest that two mistakes in SpiceJet's strategy brought the airline to its present financial crisis. The CEO's strategy of foraying to cash in on a first-mover advantage by flying to smaller cities. Because of which they reconfigured their fleet composition from Boeings to Bombardiers which added to the operation cost. Most LCCs have Boeings-a cost effective strategy. The second mistakes was going aggressive on discount fares and trying to make volumes through increase of passenger load which did not eventually materialize.

These strategies resulted in having increased cost of operations of having increased spares parts maintenance cost, increased ATF costs as new routes were added, increased maintenance personnel, and more pilots. This high cost coupled with low passenger load meant that the cost of flight could not be covered. Though Spice Jet's revenue per available seat kilometer did improve, it did not meet the cost of available seat kilometer (Mukherjee, 2014). So the operational losses continued. The third quarter is a strong season for airlines due to year-end travel but strategic cut down in their 737 fleet resulted in under-capacity situation for Spice Jet. In addition they had been continuously posting losses; this implied that they would not be having the financial means to add planes to increase their capacity suddenly.

During August, two reports emerged in the media giving hints to problems to come. One report said that DGCA had instructed SpiceJet to refund meal charges including airfares to passengers who were inconvenienced by flight delay. The second said that SpiceJet employees were not given their Form 16 as the airline had not deposited that deduced tax with the authorities. This was followed by another reports which said that SpiceJet were so cash-strapped that they were harvesting spares parts from Grounded aircrafts to maintain their running aircrafts. T.E Narashiman(2014) says that the most damning front pager report was reported that Maran was actively looking to sell his 53.48 per cent stake in the airline in view of its dismal performance. Added to this, the civil aviation ministry also told Parliament in July that SpiceJet owed the Airports Authority of India Rs 110 crore in unpaid airport usage fees.

All these obviously gave rise to sudden speculation on whether SpiceJet was headed for the same future as the defunct Kingfisher Airlines. These reports immediately did the necessary damage: the company's stock feel approximately 17.5 per cent .In December 2014, SpiceJet has cancelled over 1,861 flights in that led to airfares going out of reach for the average flyer("SpiceJet Cancels 1861 flights",2014). Anand.A (2014) further states that the Oil companies, refused delivery of aviation turbine fuel (ATF) because of their recent-similar- bitter experience with Kingfisher. In Kingfisher case the Oil companies restored supply on the government's directions but never got paid. So this time the Oil companies asked SpiceJet to place forward to them its concrete payment plan before asking for fuel. It then became a pay cash-and- take delivery for the airline as SpiceJet owed Rs.14 crore to oil marketing companies as per Sanjai .P.R(2014). On the same day, the Union petroleum minister Dharmendra Pradhan went live on television saying it was up to the oil companies to decide on uplifting fuel.

In addition to the above, SpiceJet at this point of time was raising some of its working capital through advance ticket sales .Sanjay P.R(2014) reported that the Aviation Ministry through aviation regulator Directorate General of Civil Aviation, asked SpiceJet not to sell tickets more than a month in advance. Government officials said the aviation ministry's actions were driven by a desire to protect the airline's employees, passengers, and the industry itself. And this was not a bail-out action from the Government.

It is indeed a well known fact that India's oldest airline, the state-run Air India Ltd was a recipient of a bailout. On Similar line, in recent past Kingfisher Airlines sought financial aid from the government, but unfortunately did not receive it, although it received an extended lease of life. This extension of lease life was mainly because the state-run banks like State Bank of India were generous.

SpiceJet hasn't run into any trouble with banks. Sanjai P. R (2014) reported that airline's auditor

SR Batliboi and Associates estimated that the company's total liabilities exceeded its total assets by Rs.1, 459.7 crore on 30 September. He further reported that SpiceJet lost Rs.1, 003 crores in 2013-14 and in 2013 the company had also did not make tax payments keeping with rules that allowed late payment with interest. SpiceJet paid more than Rs.400 crore from its operating cash flows as taxes with interest between August and November alone, make it cash-strapped.

Company's Reactions and Statement: Narasihman T.E.(2014) reported that Sanjiv Kapoor, Chief Operating Officer of the company said (quote) "SpiceJet is no Kingfisher", in his e-mail to all employees. In the same mail he also assured all the employees that the company was working to resolve the tax-deduction issue and has offered to "bear the cost of any interest or penalties" arising from the delay in giving them the Form 16. The company quickly clarified that the news item about a frustrated Maran seeking an exit did not have any basis. It also dismissed reports about the grounded aircraft news saying that the technical issues were due to a bird hit.

The carrier has dropped at least six destinations since November 2013 in an effort to rationalize operations. It is also focusing on maximizing revenue, by raising fares, improving customer base/ ratio and by getting more corporate clients and last-minute customers. Staff and management have seen the positive performance trends reported for June. Narasihman. T. E(2014) also said that in an internal survey carried out in April, conveyed that more than 90 per cent of the 4,500 SpiceJet staff were surveyed and they said they believed SpiceJet was headed in the right direction.

Some Salient Highlights Favoring SpiceJet.

Spice Jet's massive market stimulation efforts lead to India's highest domestic load factors in recent history. Higher load factors are strong indicators that the airline has been able to realize higher revenue per available seat kilometer (RASK, unit of revenue measure) in a statistically low season. Average Q2 load factor of SpiceJet was at 82.5% – 8% higher than average domestic number in the recent past.

This Airline has innovated on many fronts to attract passengers (brand image, network & service differentiation), retain passengers (brand loyalty measures), and fly more passengers (stimulation through scientific inventory management and pricing), all three leading to higher revenue. In beginning 9 months (January – September), SpiceJet had transformed on a positive note in levels of service, revenue – passenger and revenue-ancillary. Hsu and Wen (2003) stated that fare (pricing of the airliners) and frequency contributes to the two main products offered by them. In this context this achievement of SpiceJet can be almost termed as the fastest and only such turnaround in Indian airline history.

The company had its costs lower due to large volumes of sales (market growth) along with a growth of revenue, but both these were adversely impacted by shortage and lack of funds. The lack of funds was because of flight cancellations, flight mergers, and inability to negotiate better contractual terms across all service providers including maintenance. The CASK measure which is a unit of coast measured from cost per available seat kilometer of IndiGo and Go-Air were pretty lower than that of SpiceJet. Otherwise, SpiceJet would be been the best financially performing LCA in India purely based on revenue-size ratio. Airline's CASK is between INR 4.1 to 4.2, while peak season RASK is estimated at around INR 3.7 – 4.0. Low season RASK is at around INR 3.3 – 3.4.SpiceJet's turnaround is visible in performance indicators. However, lack of funds threatens the possibility of SpiceJet reporting a profit in Q3 FY'15. True turnaround is possible only with further infusion of funds into the airline (SpiceJet in Q (2) - The Flying Engineer, n.d.para.1).

The airline continues to incur costs related to 'additional interest and funding costs have driven by unprecedented carry-forward losses from the previous fiscal'. To raise money costs money. The company is trying its best to attract investors by improving its brand image, showing positive numbers (improvement in market share and high load factor), appointing senior management (a new chief operating officer in November 2013 and new chief commercial officer in March 2014), but nothing has materialized till now. The dent made in the numbers by the rising cost of Aviation Turbine Fuel (ATF), which accounts for almost 50 per cent of the overall operating cost. "We are turning around, give us some time and space," says a top official. He adds that if the Value Added Tax (VAT) on ATF, currently levied at 25-30, was 4% less, SpiceJet's loss in 2013-14 would have been halved (Narasimhan, 2011).

SpiceJet's chief operating officer Sanjiv Kapoor claims that recapitalization is the final step of the turn-around process at the airline. SpiceJet requires funds to continue its turn around. Aviation consultancy firm CAPA estimated that it would take SpiceJet around Rs. 1,500 cr at the minimum to start with. Banks are usually wary of lending to companies which are insufficiently capitalized i.e. either low equity base to start with, or the equity has been eroded by continuing losses. SpiceJet, however, remains defiant about its future. It says it is seeking "various options for raising fresh capital" (Kini, 2014).

The airliner has communicated in public domain that various parties have come forward to assist and fund them and these talk are in the preliminary stage (Chong, 2014). Latest reports indicate that SpiceJet has received some reprieve from the Indian government. The ministry of civil aviation is said to be making a request to local banks to extend loans to keep SpiceJet afloat. The government reportedly provided a breather to the airline by asking the Airport Authority of India (AAI) and OMCs to give a fortnight more to the airline to pay back its dues, besides pushing the aviation regulator to relax the curbs on advance bookings beyond a month, until March 2015.

SpiceJet's majority owner, billionaire Kalanithi Maran's Sun Group, has said it cannot afford a bail out after investing $400 mn into the airline when they ventured to buy it in 2010. The current owners of SpiceJet is said to be partly blamed as they failed to bring in desired capital to improve liquidity and reduce debt-servicing costs, a major drain on fledgling airlines, said Harsh Vardhan, chairman of New Delhi-based Star Air Consulting. In addition to this, the cash shortage had forced the airline to delay November salaries to employees. About 15% of the workforce, comprising pilots and senior management, still hasn't been paid. Added to this SBI clearly stated that they would not be extending any loan to Spice Jet (SpiceJet fails to put flights on right track, Dec 2014).

The entrepreneur behind a high-profile effort to rescue Indian carrier SpiceJet-Ajay Singh, who helped set up the low-cost airline in 2005, appeared into the scenario trying to put Spicjet out of the smoldering storm by holding talks with US-based private equity investors to lead a turnaround of SpiceJet. He holds roughly 5% of SpiceJet. The Indian Government hoped its support for SpiceJet would avert an embarrassing collapse just two years after Kingfisher Airlines, which crash-landed in unpaid debts amounting to millions. SpiceJet had vowed to keep fighting; its financial challenges were and are still daunting. Perhaps more daunting is its public relations battle. The airliner currently is being mangled and torn apart by media and social media,. It regaining the public's good feeling will be a tall order indeed. A day after Christmas of 2014, it was reported by the CEO Sanjay Kapoor and Co-founder Ajay Singh in the public domain that pending salaries and the pending fuel dues were cleared adding some amount of gleam to the employees morale and the public image.

SpiceJet recently received a 10-day extension to repay Airports Authority of India (AAI) until 31 January, 2015(Paramanandan, 2015). This positive inflow of information had its immediate effect in its stock increase of 10%.(SpiceJet surges 10 on capital infusion, 2015).With the former founder Ajay Singh into the limelight, troubles seemed to be brewing between the Sun Group according the media reports in early January, 2015 which stated that the Marans wanted to exit the airlines completely (SpiceJet: Talks between Ajay Singh, Marans may collapse, 2015). Mukherjee (2014) stated that Ajay Singh could turnaround SpiceJet. This prediction seemed to be true as reports have emerged that Ajay Singh along with J P Morgan Case has submitted a rescue plan for the airlines to the Indian Civil aviation ministry during the first week of January 2015, with a promise of funds inflows by the Mid January. But employees troubles seems to endless as the December salaries were still held up pending with a promise to pay out in phased manner-a repeat of November episode. With the 700 crores liabilities on its head, the future seems to be grim for the airlines for a deviation from core strategic business model of plying B737 family aircraft to Q400, a 78 seater Bombardier in order to fly more routes in Tier II and Tier III cities. These initiatives bombed and have put the airlines in the current situation.

Bhaskara (2012) suggested after SpiceJet which had posted a pre-tax profit of Rs. 56 cr plus in the first quarter of FY 2012-2013, in order to remain in the same stream of operations, it must cut its cost down even if the future environment was revenue favorable. Two years later the CEO decided to cuts its fleets and operated 24 Boeing. An advice taken too late when it was clearly evident that the industry watchers were cautioning the airliner but the airliner went ahead on Icarus principle. It wanted to cash in on a first-mover advantage by flying to smaller cities (Gupta, 2014) today the airliner on its own bombed itself into the current situation.

The fund infusion by new investors could be accompanied by operational changes such as paring of Bombardier operations (to help it return to a single-plane configuration) and doing away with some sectors to make it lean on operations. With the empathetic support of the DGCA, the financial institutions and the Government, SpiceJet can be revived and can be turnaround.

This will provide the newcomer Airlines confidence and enhance the opportunities of making Indian Aviations Industries dream come true. Indian airlines continue to face a challenging environment for reasons such as overcapacity leading to aggressive pricing strategies, poor financial position of airlines (high debt coupled with poor cash flows), and the lack of a comprehensive and integrated regulatory policy, said Nawal Taneja, professor emeritus at Ohio State University in the US, an adviser to airlines and governments worldwide.

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