

SAA could run out of cash in weeks

By [Carol Paton](#)

12 Jan 2016

South African Airways (SAA) is at risk of running out of cash this month following the cancellation of a R250m credit facility from Citibank in December, on which it depended for short-term funding.



Adrian Pingstone via [Wikimedia Commons](#)

SAA has both short-term and long-term financing difficulties, with R14bn in funding required over the medium term in order to consolidate debt.

The news of the cancellation of the Citibank short-term credit facility appeared on business news website Moneyweb and was confirmed by treasury spokesperson Phumza Macanda. Macanda said: "We are aware of the withdrawal of the Citibank facility and are working with SAA to ensure that they have sufficient liquidity."

Moneyweb says that an internal SAA document shows that the airline "will have no free cash available from January 15".

Wary lenders

The board has received repeated warnings over the past six months from executive management that the risk profile of SAA has been raised in the market with the result that borrowing has become increasingly more expensive. This is due, in part, to negative publicity over the company's internal ructions and the dismissal of key executives.

In a memo in November to the board, the GM for legal and risk, Ursula Fikilepi, warned that despite the fact that SAA still had R3bn in government guarantees that could be utilised, "SAA is experiencing challenges in raising this funding as lenders are increasingly wary of assuming additional SAA risk."

Cash flow projections also show that SAA haemorrhaged money over November and was scrambling to repatriate all foreign payments as quickly as possible.

SAA spokesman Tlali Tlali said on Monday that the airline would respond shortly to the reports.

Source: BDpro

For more, visit: <https://www.bizcommunity.com>